Subject to compliance by the Colorado Health Facilities Authority (the “Authority”), the Borrowers and certain other Members of the Obligated Group with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, interest on the Series 2019B Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals. Under the laws of the State of Colorado, as presently enacted and construed, so long as interest on the Series 2019B Bonds is not included in gross income for federal income tax purposes, interest on the Series 2019B Bonds will not be included in Colorado taxable income for purposes of the income tax imposed by the State of Colorado upon individuals, corporations and estates and trusts. See the heading “TAX EXEMPTION” herein for a more complete discussion.

$122,085,000

COLORADO HEALTH FACILITIES AUTHORITY
Hospital Revenue Bonds, Series 2019B
(AdventHealth Obligated Group)

Dated: Date of Issuance

Due: November 15, as set forth on the inside cover

The Colorado Health Facilities Authority Hospital Revenue Bonds, Series 2019B (AdventHealth Obligated Group) (the “Series 2019B Bonds”) will be limited obligations of the Authority and, except to the extent payable from Series 2019B Bond proceeds or moneys derived from investment thereof and certain insurance and condemnation proceeds, will be payable solely from and secured by a pledge of payments made by the Obligated Group, as defined herein and in amount on deposit in certain funds held by the Bond Trustee. The proceeds of the Series 2019B Bonds will be used, together with certain other moneys, as described herein.

The Series 2019B Bonds will be issued as fully registered Series 2019B Bonds in denominations of $5,000 and integral multiples thereof. Interest on the Series 2019B Bonds in the Initial Rate Period (as defined herein) will be payable on November 15, 2019, on each May 15 and November 15 thereafter and on the Scheduled Mandatory Tender Date set forth on the inside cover following the Initial Rate Period, and otherwise as described herein. At the end of the Initial Rate Period, the Series 2019B Bonds will be subject to mandatory tender on the Scheduled Mandatory Tender Date. In the event any Series 2019B Bonds in the Initial Rate Period are not remarketed upon mandatory tender, liquidity support will be provided by the Obligated Group. Pursuant to the Master Indenture (as defined herein), the Obligated Group has committed to have sufficient available funds on hand to pay the Tender Price (as defined in the Bond Indenture) on the Scheduled Mandatory Tender Date following the Initial Rate Period in the event of any failed remarketing. Failure by the Obligated Group to provide such payment is an Event of Default under the Bond Indenture (as defined herein).

Following the Initial Rate Period and mandatory tender, one or more of the following will occur with respect to the related Series 2019B Bonds: (i) such Series 2019B Bonds may continue to operate in a Multiple Year Rate Period (as defined herein) or (ii) such Series 2019B Bonds may be converted to operate in a Daily, Weekly, One Month, Six Month, One Year, FRN, Flexible or Fixed Rate Period (each as defined in the Bond Indenture). The Series 2019B Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Purchases of beneficial interests in the Series 2019B Bonds will be made in book-entry only form. DTC will act as securities depository for the Series 2019B Bonds. See “BOOK-ENTRY SYSTEM” herein. The Series 2019B Bonds are subject to redemption prior to maturity as described herein.

Principal Amount, Price, Yield, Initial Interest Rate, Scheduled
Mandatory Tender Date, Maturity Date and CUSIP® as set forth on the inside cover


This Official Statement only discusses the Series 2019B Bonds in the initial Multiple Year Rate Period. At the time the interest rate on all or a portion of the Series 2019B Bonds is converted to a different interest rate, or if a Support Facility is provided to secure all or a portion of such Series 2019B Bonds, additional disclosure will be provided to the Bondholders purchasing the converted Series 2019B Bonds or the Series 2019B Bonds entitled to the benefit of such Support Facility, as the case may be.

The Series 2019B Bonds are offered when, and if issued by the Authority and received by the Underwriters, subject to the approval of legality by Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Ballard Spahr LLP, Denver, Colorado, for the Obligated Group by its counsel, GrayRobinson, P.A., Orlando, Florida, and for the Underwriters by their special counsel, Dentons US LLP, Chicago, Illinois. Subject to prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the Series 2019B Bonds. It is not anticipated that any other secondary market will develop for the Series 2019B Bonds. For detail of the Underwriters' compensation, see “UNDERWRITING” herein. It is expected that the Series 2019B Bonds in definitive form will be available for delivery through the facilities of DTC on or about August 20, 2019.

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

J.P. Morgan
BofA Merrill Lynch
Goldman Sachs & Co. LLC

The date of this Official Statement is July 19, 2019

* CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. See page (i) herein for additional information.
SERIES 2019B BONDS
PRINCIPAL AMOUNT, PRICE, YIELD, INITIAL INTEREST RATE,
SCHEDULED MANDATORY TENDER DATE, MATURITY DATE AND CUSIP®

$122,085,000 5.000% Term Bonds due November 15, 2049 Price: 122.868% to Yield 1.640%; CUSIP: 19648FJG0
(Price and Yield to Scheduled Mandatory Tender Date - November 19, 2026)

® CUSIP is a trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Global Market Intelligence.

No dealer, broker, salesperson or other person has been authorized by the Authority, any Member of the Obligated Group or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. 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 does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of, the Series 2019B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information contained in this Official Statement has been furnished by the Members of the Obligated Group, the Authority, DTC, and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

Neither the Authority, its counsel, nor any of its board members, agents, employees or representatives have reviewed this Official Statement or investigated the statements or representations contained herein, except for those statements applicable to them set forth under the captions “INTRODUCTORY STATEMENT – The Authority,” “THE AUTHORITY” or “ABSENCE OF MATERIAL LITIGATION – The Authority” herein. Except with respect to such information, neither the Authority, its counsel, nor any of its board members, agents, employees or representatives make any representation as to the completeness, sufficiency and truthfulness of the statements set forth in this Official Statement. Members of the Authority and any other persons executing the Series 2019B Bonds are not subject to personal liability by reason of the issuance of the Series 2019B Bonds.

CUSIP numbers included in this Official Statement are for the convenience of the holders and potential holders of the Series 2019B Bonds. No assurance can be given that the CUSIP numbers for the Series 2019B Bonds will remain the same after the date of issuance and delivery of the Series 2019B Bonds. CUSIP is a trademark of the American Bankers Association. CUSIP numbers appearing on the inside front cover of this Official Statement have been provided by the CUSIP Service Bureau, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Neither the Authority, the Underwriters nor the Obligated Group is responsible for the selection of CUSIP numbers and makes no representation as to their correctness on the Series 2019B Bonds or as set forth on the inside front cover of this Official Statement.

PROVISIONS OF LAWS OF THE STATES IN WHICH SERIES 2019B BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2019B BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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. These forward-looking statements include, but are not limited to, the information under the caption “BONDHOLDERS’ RISKS” in the forepart of this Official Statement and the information in Appendix A to this Official Statement.

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

Information provided by the Obligated Group for interim reporting periods should not be taken as being indicative of full-year results for many of the reasons set forth above.
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INTRODUCTORY STATEMENT

General

This Official Statement, including the cover page, the immediately succeeding pages and the Appendices hereto (the “Official Statement”), is provided to furnish information with respect to the sale and delivery of $122,085,000 aggregate principal amount of Hospital Revenue Bonds, Series 2019B (AdventHealth Obligated Group) (the “Series 2019B Bonds”), of the Colorado Health Facilities Authority (the “Authority”). Definitions of other capitalized terms used but not defined in the forepart of this Official Statement are set forth in APPENDICES C and D hereto.

Purpose of the Series 2019B Bonds

The proceeds of the Series 2019B Bonds will be used, together with certain other moneys, including a portion of the proceeds of the hereinafter referred to Series 2019A Bonds to currently refund a portion of the Highlands County Health Facilities Authority Hospital Revenue Bonds, Series 2005I (Adventist Health System/Sunbelt Obligated Group) (the “Highlands 2005I Bonds”), the Highlands County Health Facilities Authority Hospital Revenue Bonds, Series 2008B (Adventist Health System/Sunbelt Obligated Group) (the “Highlands 2008B Bonds”), the Kansas Development Finance Authority Hospital Revenue Bonds, Series 2009C (Adventist Health System/Sunbelt Obligated Group) (the “Kansas 2009C Bonds”), the Kansas Development Finance Authority Hospital Revenue Bonds, Series 2009D (Adventist Health System/Sunbelt Obligated Group) (the “Kansas 2009D Bonds”), the Highlands County Health Facilities Authority Hospital Revenue Refunding Bonds, Series 2009E (Adventist Health System/Sunbelt Obligated Group) (the “Highlands 2009E Bonds”) and the Highlands County Health Facilities Authority Hospital Revenue Bonds, Series 2013B (Adventist Health System/Sunbelt Obligated Group) (the “Series 2013B Bonds,” and collectively, the “Prior Bonds”) and to finance, refinance or be reimbursed for their prior payment of the costs of certain capital improvements to and equipment for certain healthcare facilities (herein referred to in each instance as a “Project”). See “ESTIMATED SOURCES AND USES OF FUNDS” and “PLAN OF FINANCING” herein.

The Authority

The Authority is an independent public body politic and corporate constituting a public instrumentality and a political subdivision of the State of Colorado. The Authority has been created by the Colorado Health Facilities Authority Act, Colorado Revised Statutes, Section 25-25-101, et seq., as amended (the “Colorado Act”). See “THE AUTHORITY” herein.

The Obligated Group and the Master Indenture

Adventist Bolingbrook Hospital, an Illinois not-for-profit corporation, Adventist GlenOaks Hospital, an Illinois not-for-profit corporation, Adventist Health System Georgia, Inc., a Georgia nonprofit corporation, Adventist Health System/Sunbelt, Inc. (“Sunbelt”), a Florida not-for-profit corporation, Adventist Midwest Health, an Illinois not-for-profit corporation, Chippewa Valley Hospital & Oakview Care Center, Inc., a Wisconsin nonprofit, nonstock corporation, Fletcher Hospital, Incorporated, a North Carolina nonprofit corporation, Florida Hospital Dade City, Inc., a Florida not-for-profit corporation, Florida Hospital Ocala, Inc., a Florida not-for-profit corporation, Florida Hospital Waterman, Inc., a Florida not-for-profit corporation, Florida Hospital Zephyrhills, Inc., a Florida not-for-profit corporation, Memorial
Health Systems, Inc., a Florida not-for-profit corporation, Memorial Hospital, Inc., a Kentucky nonprofit corporation, Memorial Hospital Flagler, Inc., a Florida not-for-profit corporation, Memorial Hospital – West Volusia, Inc., a Florida not-for-profit corporation, Pasco-Pinellas Hillsborough Community Health System, Inc., a Florida not-for-profit corporation, PorterCare Adventist Health System, a Colorado nonprofit corporation, Shawnee Mission Medical Center, Inc., a Kansas nonprofit corporation, Southeast Volusia Healthcare Corporation, a Florida not-for-profit corporation, Southwest Volusia Healthcare Corporation, a Florida not-for-profit corporation, Tarpon Springs Hospital Foundation, Inc., a Florida not-for-profit corporation and University Community Hospital, Inc., a Florida not-for-profit corporation (individually, a “Member,” and collectively, the “Obligated Group”), have entered into the Second Amended and Restated Master Trust Indenture dated as of August 1, 2014 (as amended and supplemented from time to time, the “Master Indenture”) by and among each Member of the Obligated Group and U.S. Bank National Association, as successor trustee (the “Master Trustee”). Additional entities may become Members of the Obligated Group and any Member (other than Sunbelt) may cease to be a Member of the Obligated Group, all in accordance with the provisions of the Master Indenture. Pursuant to the Master Indenture, Sunbelt has certain authority to act for the Obligated Group as the Obligated Group Representative.

Each Member of the Obligated Group is jointly and severally liable on all Master Notes outstanding under the Master Indenture and all Master Notes to be issued thereunder in the future for the benefit of any Member of the Obligated Group, including the Series 2019B Note described below. As used herein, unless the context indicates otherwise, the term “Master Notes” shall refer to all Master Notes currently outstanding and to be issued under the Master Indenture.

See APPENDIX A hereto for information on the governance and operations of Adventist Health System Sunbelt Healthcare Corporation, a Florida not-for-profit corporation (“Health Care”) and its affiliates (together with Health Care, “AdventHealth”), including a description of the hospitals and other health care facilities owned or leased and operated by AdventHealth and the reserved rights granted to Health Care and Sunbelt. See APPENDIX B hereto for audited consolidated financial statements and supplementary information of AdventHealth, as of December 31, 2018 and 2017 and for the years then ended. See APPENDIX A for information on how to access unaudited consolidated interim financial statements and supplementary information of AdventHealth as of March 31, 2019 and for the three-month periods ended March 31, 2019 and 2018. Such information is incorporated herein by reference. Health Care controls, directly or indirectly, each Member of the Obligated Group. Health Care is not a Member of the Obligated Group and has no obligation to make any payments related to the Series 2019B Bonds.

Although the Obligated Group follows the missions and goals of the Seventh-day Adventist Church (the “Church”), the Church is not directly or indirectly responsible for any payments related to the Series 2019B Bonds. The Obligated Group is not liable for the debt of any other Person except to the extent described in this Official Statement, including APPENDIX A and APPENDIX B hereto. NEITHER HEALTH CARE, THE CHURCH NOR ANY OTHER PERSON, EXCEPT THE OBLIGATED GROUP, IS LEGALLY LIABLE FOR THE COMMITMENTS OF THE OBLIGATED GROUP WITH RESPECT TO THE SERIES 2019B BONDS BEING OFFERED BY THIS OFFICIAL STATEMENT, THE LOAN AGREEMENT, THE SERIES 2019B NOTE, THE BOND INDENTURE OR THE MASTER INDENTURE.

Security for the Series 2019B Bonds

The Series 2019B Bonds will be issued under a Trust Indenture dated as of August 1, 2019 (the “Bond Indenture”) between the Authority and U.S. Bank National Association, as bond trustee (the “Bond Trustee”). Concurrently with the issuance of the Series 2019B Bonds, the Authority will enter into a Loan Agreement dated as of August 1, 2019 (the “Loan Agreement”), with certain Members of the
Obligated Group who will borrow proceeds of the Series 2019B Bonds (collectively, the “Borrowers”). Pursuant to the Loan Agreement, the Authority will loan the proceeds of the Series 2019B Bonds to the Borrowers.

The Loan Agreement obligates the Obligated Group to issue pursuant to the Master Indenture a promissory note for the loan of the Series 2019B Bond proceeds to the Borrowers (the “Series 2019B Note”). The Series 2019B Note will be issued in a principal amount which will equal the aggregate principal amount of the Series 2019B Bonds and will evidence the obligations of the Borrowers to repay the loan made pursuant to the Loan Agreement. The payments required on the Series 2019B Note are intended to be sufficient, together with other moneys available therefor, to make payments, when due, of the principal of, and interest on, the Series 2019B Bonds. Payments to be made by the Obligated Group pursuant to the Series 2019B Note shall constitute repayment of the loans made under the Loan Agreement. The Series 2019B Note will be issued pursuant to the provisions of Supplemental Indenture Number 228, dated as of August 1, 2019 (the “Supplemental Indenture”) between the Obligated Group and the Master Trustee.

The Authority will pledge and assign to the Bond Trustee (a) all right, title and interest of the Authority, if any, in and to the Series 2019B Note and all payments to be made thereon, (b) all right, title and interest of the Authority in and to the Loan Agreement, except the Unassigned Rights, and (c) all right, title and interest of the Authority in and to all moneys held under the Bond Indenture (except for amounts held in the Purchase Fund and the Rebate Fund) (collectively, the “Pledge and Assignment”). The Pledge and Assignment by the Authority ratably secures the Series 2019B Bonds. The Series 2019B Bonds are limited obligations of the Authority and, except to the extent payable from the proceeds of the Series 2019B Bonds or the Pledge and Assignment, are payable solely from payments under the Series 2019B Note held by the Bond Trustee. The Series 2019B Note, as well as the Series 2019A Note (as defined herein) and any other Master Notes, are full and unlimited joint and several obligations of each Member of the Obligated Group. See “PLAN OF FINANCING” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS” herein.

Outstanding Indebtedness

As of December 31, 2018, there were $2,910,660,000 in aggregate principal amount of Master Notes outstanding under the Master Indenture. AdventHealth also had approximately $153,000,000 in aggregate principal amount of indebtedness not secured under the Master Indenture. The Obligated Group may also at any time issue additional indebtedness and Master Notes in accordance with the provisions of the Master Indenture. See “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE MASTER INDENTURE – Summary of the Master Indenture – Regulated Indebtedness” in APPENDIX C.

Sunbelt also maintains a program for the continuous sale of its and certain other Members of the Obligated Group’s patient accounts receivable which is not shown as indebtedness on its balance sheet. See “BONDHOLDERS’ RISKS – Sale of Receivables Program” herein for more information regarding Sunbelt’s Receivables Program. See the audited consolidated financial statements of AdventHealth and supplementary information in APPENDIX B (including note 1) and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS – The Master Indenture and the Series 2019B Note” herein for more information on the receivables program and the outstanding indebtedness.

Covenants Related to Other Series of Bonds

The current Master Indenture contains certain covenants and restrictions solely for the benefit of certain banks that have purchased bonds (“Private Placement Bonds”) issued for the benefit of the Obligated Group in separate private placement transactions (collectively, “Bank Bondholders”). These covenants and restrictions may be waived, modified or amended by the respective Bank Bondholders, as the case may be,
in their sole discretion and, where applicable, by the Obligated Group, without notice to or consent by the bond trustees for the Private Placement Bonds, the Bond Trustee, the Master Trustee, the holders of the Series 2019B Bonds, the holders of any Master Notes, the holder of the Series 2019B Note or any other Person. Violation of any of such covenants may result in an Event of Default under the Master Indenture, which could result in acceleration of all of the Master Notes, including the Series 2019B Note. See “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE MASTER INDENTURE – Summary of the Master Indenture,” “Additional Covenants and Restrictions under the Master Indenture for the Benefit of the Series 2010B Purchaser,” “Additional Covenants and Restrictions under the Master Indenture for the Benefit of the Series 2010C Purchaser,” “Additional Covenants and Restrictions under the Master Indenture for the Benefit of the Series 2010D Purchaser,” “Additional Covenants and Restrictions under the Master Indenture for the Benefit of the Series 2011 Purchaser,” “Additional Covenants and Restrictions under the Master Indenture for the Benefit of the Series 2012B Purchaser,” “Additional Covenants and Restrictions under the Master Indenture for the Benefit of the Series 2012C Purchaser,” “Additional Covenants and Restrictions under the Master Indenture for the Benefit of the Series 2012D Purchaser,” “Additional Covenants and Restrictions under the Master Indenture for the Benefit of the Series 2012E Purchaser,” “Additional Covenants and Restrictions under the Master Indenture for the Benefit of the Series 2012G Purchaser,” “Additional Covenants and Restrictions under the Master Indenture for the Benefit of the Series 2012H Purchaser,” “Additional Covenants and Restrictions under the Master Indenture for the Benefit of the Series 2013A Purchaser,” “Additional Covenants and Restrictions under the Master Indenture for the Benefit of the Series 2014A Purchaser,” “Additional Covenants and Restrictions under the Master Indenture for the Benefit of the Series 2014B Purchaser,” “Additional Covenants and Restrictions under the Master Indenture for the Benefit of the Series 2014C Purchaser,” “Additional Covenants and Restrictions under the Master Indenture for the Benefit of the Series 2014D Purchaser,” “Additional Covenants and Restrictions under the Master Indenture for the Benefit of the Series 2017A Purchaser,” “Additional Covenants and Restrictions under the Master Indenture for the Benefit of the Series 2017B Purchaser,” “Additional Covenants and Restrictions under the Master Indenture for the Benefit of the Series 2017C Purchaser” and “Additional Covenants and Restrictions under the Master Indenture for the Benefit of the Series 2017D Purchaser” in APPENDIX C attached hereto.

Possible Substitution of Series 2019B Note

The Bond Indenture requires the Bond Trustee to surrender to the Master Trustee the Series 2019B Note in exchange for a replacement obligation issued under a new master trust indenture by a new obligated group of which Sunbelt or any other Member of the Obligated Group may or may not be a member under certain conditions, including, but not limited to, evidence from the same number of Rating Agencies then maintaining a rating on any Series 2019B Bonds that the rating on such Series 2019B Bonds will not be more than one rating category lower than the rating or equivalent thereof (without taking into account any refinement or gradation of rating category by numerical modifier or otherwise, and without regard to any rating outlooks) in effect prior to the substitution; provided that (i) if there are three Rating Agencies providing ratings on the Series 2019B Bonds immediately prior to the substitution, only two Rating Agencies need to provide the evidence of new ratings after the substitution, (ii) in connection with the request for a review of the ratings on such Bonds, each Rating Agency that is requested to provide a rating is provided a copy of the new master indenture and such information as such Rating Agency may request with respect to the operations and financial condition of the new obligated group, and (iii) in no event may the ratings on such Series 2019B Bonds after the substitution be less than “investment grade,” if the then current ratings are above “investment grade,” and the receipt by the Bond Trustee of an opinion of Bond Counsel. See “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE BOND INDENTURE AND THE LOAN AGREEMENT – The Bond Indenture – Release and Substitution of Note upon Delivery of Replacement Master Indenture” in APPENDIX D hereto.
Rate Periods for the Series 2019B Bonds Following the Initial Rate Period

The Series 2019B Bonds initially bear interest in a Multiple Year Rate Period ending on and including November 18, 2026 and have a Scheduled Mandatory Tender Date (as defined below) of November 19, 2026 (the “Initial Rate Period”). On the Business Day following the last day of the Initial Rate Period, the related Series 2019B Bonds are subject to mandatory tender (the “Scheduled Mandatory Tender Date”). In the event any Series 2019B Bonds in the Initial Rate Period are not remarketed upon the Scheduled Mandatory Tender Date, liquidity support will be provided by the Obligated Group. Pursuant to the Master Indenture, the Obligated Group has committed to have sufficient available funds on hand to pay the Tender Price due on the Scheduled Mandatory Tender Date in the event of any failed remarketing. Failure by the Obligated Group to provide such payment is an Event of Default under the Bond Indenture. Pursuant to the Bond Indenture, after the Initial Rate Period and mandatory tender, one or more of the following will occur with respect to the Series 2019B Bonds at the Obligated Group’s discretion or direction: (i) such Series 2019B Bonds may continue to operate in a Multiple Year Rate Period or (ii) such Series 2019B Bonds may convert to operate in a Flexible, FRN, Daily, Weekly, One Month, Six Month, One Year or Fixed Rate Period (each as defined in the Bond Indenture). This Official Statement does not discuss interest rates or modes other than the Multiple Year Rate Period. See “THE SERIES 2019B BONDS – Rate Periods for the Series 2019B Bonds Following the Initial Rate Period” herein. In addition, the Series 2019B Bonds are subject to redemption prior to the end of the Initial Rate Period and thereafter. See “THE SERIES 2019B BONDS – Redemption” herein.

Use of This Official Statement

This Official Statement only discusses the Series 2019B Bonds in the Multiple Year Rate Period. It is intended to be used only for Series 2019B Bonds that are (i) operating in a Multiple Year Rate Period and (ii) not secured by a Support Facility. This Official Statement should not be relied upon in determining whether to purchase Series 2019B Bonds that are (i) not operating in a Multiple Year Rate Period as described herein and/or (ii) secured by a Support Facility. At any time the interest rate on all or a portion of the Series 2019B Bonds is converted to a different interest rate, or if a Support Facility is provided to secure all or a portion of the Series 2019B Bonds, additional disclosure will be provided to the Bondholders purchasing the converted Series 2019B Bonds or the Series 2019B Bonds entitled to the benefit of such Support Facility, as the case may be.

Bondholders’ Risks

There are risks associated with the purchase of Series 2019B Bonds. See the caption “BONDHOLDERS’ RISKS” herein for a discussion of some of these risks.

Book-Entry Only

See “BOOK-ENTRY SYSTEM” herein for an explanation of DTC and the depository system which will apply to the Series 2019B Bonds.

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 Bond Indenture, the Loan Agreement, the Master Indenture and the Disclosure Agreement (as defined herein) will be available for inspection following the issuance of the Series 2019B Bonds at the corporate trust office of the Bond Trustee in Orlando, Florida. The appendices attached hereto are integral parts of this Official Statement and are incorporated herein by reference.
PLAN OF FINANCING

The proceeds of the Series 2019B Bonds will be used, together with certain other moneys, to currently refund a portion of the Prior Bonds and to finance, refinance or be reimbursed for their prior payment of the costs of the Project. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Obligated Group also anticipates the issuance by the Colorado Health Facilities Authority of its Hospital Revenue Bonds, Series 2019A (AdventHealth Obligated Group) concurrently with the issuance of the Series 2019B Bonds, in the aggregate principal amount of $359,440,000 (the “Series 2019A Bonds”). The proceeds of the Series 2019A Bonds will be used, together with certain other moneys, to refund a portion of the Prior Bonds and to pay a portion of the costs of the Project. The Series 2019A Bonds will be issued in the Fixed Rate Period, as described in detail with respect thereto in a separate Official Statement covering such bonds. A promissory note (the “Series 2019A Note”) will be issued under Supplemental Indenture Number 227, dated as of August 1, 2019 (the “2019A Supplemental Indenture”) to secure under the Master Indenture the obligations of the Borrowers pursuant to the loan agreement related to the Series 2019A Bonds.

Refunding of the Prior Bonds

Highlands 2005I Bonds. A portion of the proceeds of the Series 2019B Bonds and a portion of the proceeds of the Series 2019A Bonds, together with certain other funds, will be deposited with U.S. Bank National Association, as trustee and escrow agent (the “Escrow Agent”) pursuant to the terms of a Supplemental Trust Indenture dated as of August 1, 2019, between the Highlands County Health Facilities Authority (the “Highlands Authority”) and the Escrow Agent. Such moneys (together with earnings thereon) will be used to pay interest on the Highlands 2005I Bonds coming due on November 15, 2019, and to redeem all outstanding Highlands 2005I Bonds on November 15, 2019 at a redemption price of 100% of the principal amount thereof. The Highlands 2005I Bonds are currently outstanding in the aggregate principal amount of $17,580,000.

Highlands 2008B Bonds. A portion of the proceeds of the Series 2019B Bonds and a portion of the proceeds of the Series 2019A Bonds, together with certain other funds, will be deposited with the Escrow Agent pursuant to the terms of a Supplemental Trust Indenture dated as of August 1, 2019, between the Highlands Authority and the Escrow Agent. Such moneys (together with earnings thereon) will be used to pay interest on the Highlands 2008B Bonds coming due on November 15, 2019, and to redeem all outstanding Highlands 2008B Bonds on November 15, 2019 at a redemption price of 100% of the principal amount thereof. The Highlands 2008B Bonds are currently outstanding in the aggregate principal amount of $124,715,000.

Kansas 2009C Bonds. A portion of the proceeds of the Series 2019B Bonds and a portion of the proceeds of the Series 2019A Bonds, together with certain other funds, will be deposited with the Escrow Agent pursuant to the terms of a Supplemental Trust Indenture dated as of August 1, 2019, between the Kansas Development Finance Authority (the “Kansas Authority”) and the Escrow Agent. Such moneys (together with earnings thereon) will be used to pay the principal of and interest on the Kansas 2009C Bonds coming due on November 15, 2019, and to redeem all outstanding Kansas 2009C Bonds on November 15, 2019 at a redemption price of 100% of the principal amount thereof. The Kansas 2009C Bonds are currently outstanding in the aggregate principal amount of $113,675,000.

Kansas 2009D Bonds. A portion of the proceeds of the Series 2019B Bonds and a portion of the proceeds of the Series 2019A Bonds, together with certain other funds, will be deposited with the Escrow Agent pursuant to the terms of a Supplemental Trust Indenture dated as of August 1, 2019, between the Kansas Authority and the Escrow Agent. Such moneys (together with earnings thereon) will be used to pay the principal of and interest on the Kansas 2009D Bonds coming due on November 15, 2019, and to
redeem all remaining outstanding Kansas 2009D Bonds on November 15, 2019 at a redemption price of 100% of the principal amount thereof. The Kansas 2009D Bonds are currently outstanding in the aggregate principal amount of $10,585,000.

*Highlands 2009E Bonds.* A portion of the proceeds of the Series 2019B Bonds and a portion of the proceeds of the Series 2019A Bonds, together with certain other funds, will be deposited with the Escrow Agent pursuant to the terms of a Supplemental Trust Indenture dated as of August 1, 2019, between the Highlands Authority and the Escrow Agent. Such moneys (together with earnings thereon) will be used to pay interest on the Highlands 2009E Bonds coming due on November 15, 2019, and to redeem all outstanding Highlands 2009E Bonds on November 15, 2019 at a redemption price of 100% of the principal amount thereof. The Highlands 2009E Bonds are currently outstanding in the aggregate principal amount of $20,855,000.

*Highlands 2013B Bonds.* A portion of the proceeds of the Series 2019B Bonds and a portion of the proceeds of the Series 2019A Bonds, together with certain other funds, will be remitted to the holder of the Highlands 2013B Bonds on the date of issuance of the Series 2019B Bonds, and applied to pay redemption price of such Highlands 2013B Bonds on such date. The Highlands 2013 Bonds are currently outstanding in the aggregate principal amount of $150,015,000. JPMorgan Chase Holdings LLC (an affiliate of J.P. Morgan Securities LLC, one of the Underwriters) is the holder of the Series 2013B Bonds and will receive a redemption price of approximately $152,314,172 which includes principal, interest and a negotiated make-whole amount.

For more detailed information regarding the use of proceeds of the Series 2019B Bonds, see “ESTIMATED SOURCES AND USES OF FUNDS” herein. See also “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein.

THE AUTHORITY

The Authority, created July 1, 1977, is an independent public body politic and corporate constituting a public instrumentality and a political subdivision of the State of Colorado. The Authority is not an agency of state government and is not subject to administrative direction by any department, commission, board or agency of the State of Colorado. The Authority has been created by the Colorado Act, and its purpose is to provide financing for health facilities and to provide alternative methods by which health institutions in Colorado or their affiliates may finance health facilities located in Colorado and other states and refund or refinance outstanding indebtedness incurred for such health facilities.

The Colorado Act provides that the governing body of the Authority will be a Board of Directors consisting of seven members appointed for staggered, four-year terms by the Governor of Colorado with the consent of the Colorado State Senate. Members must be Colorado residents, and no more than four members may be of the same political party.

The Authority has offered and plans to offer other obligations from time to time to finance other health care facilities. Such obligations have been and will be issued pursuant to and secured by instruments separate and apart from the Bond Indenture. Payments on these other obligations will be payable solely from revenue pledged under the separate instruments relating to such obligations and not from any revenue pledged under the Bond Indenture.

The Authority has not prepared or assisted in the preparation of this Official Statement except the statements made under the Section “INTRODUCTORY STATEMENT – The Authority,” under this Section and under the Section “ABSENCE OF MATERIAL LITIGATION – The Authority” and, except as aforesaid, the Authority is not responsible for any statements made in this Official Statement. Except for the execution and delivery of documents required to effect the issuance of the Series 2019B Bonds, the
Authority has not otherwise assisted in the public offer, sale or distribution of the Series 2019B Bonds. Accordingly, except as aforesaid, the Authority disclaims responsibility for the disclosures set forth in this Official Statement or otherwise made in connection with the public offer, sale or distribution of the Series 2019B Bonds.

THE SERIES 2019B BONDS

Description

The Series 2019B Bonds are issuable only as fully registered bonds in Authorized Denominations and will mature on the date shown on the inside cover page hereof. During the Initial Rate Period, the Series 2019B Bonds are subject to extraordinary optional redemption as described under “THE SERIES 2019B BONDS – Redemption – Extraordinary Optional Redemption,” and are not subject to tender except for mandatory tender on the Scheduled Mandatory Tender Date (as defined in APPENDIX D hereto). After the Initial Rate Period, any Series 2019B Bonds remaining in a Multiple Year Rate Period will be subject to mandatory, optional and extraordinary optional redemption prior to maturity as described under “THE SERIES 2019B BONDS – Redemption” and will be subject to mandatory tender at the end of such Multiple Year Rate Period and in connection with the addition, substitution or elimination of any Support Facility relating to such Series 2019B Bonds. The description of the Series 2019B Bonds set forth below only relates to the Series 2019B Bonds operating in Multiple Year Rate Periods.

The Series 2019B Bonds shall bear interest during the Initial Rate Period at the rate per annum as set forth on the inside cover page hereof, which interest shall accrue based on a 360-day year of twelve 30-day months. The interest on the Series 2019B Bonds in the Initial Rate Period will be payable on: (i) November 15, 2019 and on each May 15 and November 15 thereafter and on the Scheduled Mandatory Tender Date (see the definition thereof in APPENDIX D hereto); (ii) each Mandatory Tender Date (as defined in APPENDIX D hereto); and (iii) the maturity date or any earlier redemption date with respect thereto. In each case, such interest will be payable to the registered owner of the Series 2019B Bond appearing on the registration books of the Authority maintained by the Bond Trustee, as Bond Registrar, as of the close of business of the Bond Trustee on the first day (whether or not a Business Day) of the calendar month in which an Interest Payment Date occurs (the “Record Date”).

The principal of and interest on a Series 2019B Bond will be payable pursuant to the Book-Entry System described more fully herein.

Remarketing Agent

No Remarketing Agent will be in place as of the date of issuance of the Series 2019B Bonds. In accordance with the Loan Agreement, Sunbelt has agreed to appoint a Remarketing Agent meeting the requirements of the Bond Indenture at least 90 days prior to the first Scheduled Mandatory Tender Date.

Rate Periods for the Series 2019B Bonds Following the Initial Rate Period

The Series 2019B Bonds initially bear interest in the Initial Rate Period, which is a Multiple Year Rate Period. On the Scheduled Mandatory Tender Date (as defined in APPENDIX D hereto), the Series 2019B Bonds are subject to mandatory tender. In the event any Series 2019B Bonds in the Initial Rate Period are not remarketed upon the Scheduled Mandatory Tender Date, liquidity support will be provided by the Obligated Group. Pursuant to the Master Indenture, the Obligated Group has committed to have sufficient available funds on hand to pay the Tender Price on the Scheduled Mandatory Tender Date in the event of any failed remarketing. Failure by the Obligated Group to provide such payment is an Event of Default under the Bond Indenture. Pursuant to the Bond Indenture, after the Initial Rate Period and the mandatory tender, one or more of the following will occur with respect to the Series 2019B Bonds
at the Obligated Group’s discretion or direction: (i) such Series 2019B Bonds may continue to operate in a Multiple Year Rate Period or (ii) such Series 2019B Bonds may be converted to operate in a Flexible, FRN, Daily, Weekly, One Month, Six Month, One Year or Fixed Rate Period (each as defined in the Bond Indenture). This Official Statement does not discuss interest rates or modes other than the Multiple Year Rate Period. At the time of any conversion of some or all of the Series 2019B Bonds to a Rate Period other than a Multiple Year Rate Period, additional disclosure will be provided to the Bondholders purchasing the converted Series 2019B Bonds.

Use of This Official Statement

This Official Statement only discusses Series 2019B Bonds operating in a Multiple Year Rate Period and is intended to be used only for Series 2019B Bonds that are (i) operating in a Multiple Year Rate Period and (ii) not secured by a Support Facility. This Official Statement should not be relied upon in determining whether to purchase Series 2019B Bonds that are (i) not operating in a Multiple Year Rate Period and/or (ii) secured by a Support Facility. At the time the Series 2019B Bonds are converted to operate in a new Rate Period, or if a Support Facility is provided to secure the Series 2019B Bonds, additional disclosure will be provided to the Bondholders purchasing the converted Series 2019B Bonds or the Series 2019B Bonds entitled to a Support Facility.

Tenders

The Series 2019B Bonds in the Initial Rate Period are subject to mandatory tender on the Scheduled Mandatory Tender Date (as defined in APPENDIX D hereto).

The Authority has no power under applicable law to purchase any Series 2019B Bonds optionally or mandatorily tendered. The Authority has not agreed in the Bond Indenture or in any other document to purchase such tendered Series 2019B Bonds.

The payment of the Tender Price of Series 2019B Bonds shall be made solely from the following sources and in the following order: (1) proceeds of any remarketing, purchase or placement of Series 2019B Bonds tendered at the end of the Initial Rate Period or any subsequent Multiple Year Rate Period, except proceeds from the Authority, any Borrower, any Member of the Obligated Group or any Insider, (2) amounts drawn under a Liquidity Facility, if any, to purchase tendered Series 2019B Bonds, (3) other Eligible Moneys and (4) any other moneys (excluding investment securities) available for such purpose. **During the Initial Rate Period, there will be no Liquidity Facility for the related Series 2019B Bonds.** The proceeds of any remarketing, purchase or placement of Series 2019B Bonds tendered at the end of the Initial Rate Period or any subsequent Multiple Year Rate Period shall be deposited in the Purchase Fund for payment of the Tender Price for such tendered Series 2019B Bonds to the former Bondholders of such tendered Series 2019B Bonds. For more information on the Purchase Fund, see **APPENDIX D “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE BOND INDENTURE AND THE LOAN AGREEMENT.”** In the event tendered Series 2019B Bonds are not remarketed at the end of the Initial Rate Period, the Obligated Group is required to purchase such Series 2019B Bonds at their Tender Price. See “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE BOND INDENTURE AND THE LOAN AGREEMENT – The Bond Indenture – Tender and Purchase of Bonds” in **APPENDIX D hereto.**

Redemption

**Initial Rate Period.** During the Initial Rate Period, the Series 2019B Bonds are not subject to optional redemption other than as discussed under “Extraordinary Optional Redemption” below.
Optional Redemption during Multiple Year Rate Period. Series 2019B Bonds operating in a Multiple Year Rate Period other than in the Initial Rate Period may be redeemed (at the sole option and direction of the Obligated Group) in whole or in part on any Business Day (and, if in part, first from any Pledged Bonds, and then in such order of maturity and within a maturity in such manner as shall be designated by the Obligated Group and, if not so designated, in the inverse order of maturity and within a maturity by lot, in Authorized Denominations, in such manner as the Bond Trustee shall determine) after the no-call period determined in the manner set forth below at the following redemption prices (expressed as percentages of the principal amount of Series 2019B Bonds called for redemption), plus accrued interest to the date of redemption:

<table>
<thead>
<tr>
<th>Length of Rate Period*</th>
<th>No-Call Period*</th>
<th>Redemption Prices*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater than 10 years</td>
<td>10 years</td>
<td>100%</td>
</tr>
<tr>
<td>Less than or equal to 10 years</td>
<td>Not subject to optional call</td>
<td>Not subject to optional call</td>
</tr>
</tbody>
</table>

* Measured from Adjustment Date.

Notwithstanding the foregoing, the no-call periods and redemption prices specified above may be changed by the Remarketing Agent(s) at the commencement of a subsequent Multiple Year Rate Period or at the time of, and in connection with, the conversion of the interest rate on the Series 2019B Bonds to a Fixed Interest Rate, if an opinion of Bond Counsel is delivered in connection with the commencement of such subsequent Multiple Year Rate Period or conversion to a Fixed Interest Rate to the effect that such change or changes will not have an adverse effect on the exemption of interest on any Series 2019B Bond from federal income taxation to which such Series 2019B Bond is otherwise entitled or on the validity or enforceability of any Series 2019B Bond.

Extraordinary Optional Redemption. The Series 2019B Bonds will be subject to redemption prior to maturity at the sole option and direction of the Obligated Group in whole or in part (and, if in part, in such order of maturity and within a maturity in such manner as shall be designated by the Obligated Group and, if not so designated, in the inverse order of maturity and within a maturity by lot, in Authorized Denominations, in such manner as the Bond Trustee shall designate) on any Business Day in the event of damage to or destruction of any Facility or any part thereof or condemnation of any Facility or any part thereof to the extent of the Net Proceeds of the insurance or condemnation award received in connection therewith, at a redemption price equal to 100% of the principal amount of Series 2019B Bonds to be redeemed plus accrued interest thereon to the date of redemption and without premium.

The Series 2019B Bonds are also subject to redemption, in whole but not in part, at the sole option and direction of the Obligated Group on the earliest possible date (i) in the event that any Borrower is required by a final court order to operate any Facility in a manner which is contrary to the beliefs of the General Conference of Seventh-day Adventists or (ii) in the event that any Borrower believes that there is a threat that it will be required to do so. Any such redemption will be at a redemption price equal to 100% of the principal amount of Series 2019B Bonds being redeemed plus accrued interest thereon to the date of redemption and without premium.

Procedure for and Notice of Redemption. Except as provided below, in the event any of the Series 2019B Bonds are called for redemption as aforesaid, Immediate Notice thereof identifying the Series 2019B Bonds to be redeemed will be given to the Registered Owner of each Series 2019B Bond to be redeemed at the address shown on the Bond Register not less than 10 or more than 30 days prior to the redemption date.

With respect to an optional or extraordinary optional redemption of the Series 2019B Bonds as described above, if the Obligated Group shall have delivered to the Bond Trustee, no later than the 5th
Business Day prior to any redemption date, written notice of its decision to cancel its prior Written Request for such redemption, then the purported optional or extraordinary optional redemption shall be cancelled and any prior notice thereof shall be void. Immediately upon receipt of the notice of cancellation from the Obligated Group, the Bond Trustee shall (i) with respect to funds deposited with the Bond Trustee by any Person for the purpose of effecting such optional or extraordinary optional redemption, return such funds to such Person, and (ii) give or cause to be given Immediate Notice of such cancellation to the Registered Owners of the Series 2019B Bonds which were to have been redeemed. Such Immediate Notice shall be given in any manner which the Bond Trustee reasonably believes will result in delivery of such notice to the affected Registered Owners prior to the scheduled redemption date; provided, however, that such notice of cancellation shall be effective to cancel such redemption whether or not it is received by such Registered Owners, and such occurrence shall not constitute an Event of Default under the Bond Indenture or a default under the Loan Agreement.

The foregoing notwithstanding, failure to give notice in the manner prescribed in the Bond Indenture with respect to any Series 2019B Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any Series 2019B Bond with respect to which notice was properly given. Upon the happening of the conditions precedent thereto set forth in the Bond Indenture and if sufficient moneys are on deposit with the Bond Trustee on the applicable redemption date to redeem the Series 2019B Bonds to be redeemed and to pay interest due thereon, the Series 2019B Bonds thus called shall not after the applicable redemption date bear interest, be protected by the Bond Indenture or be deemed to be outstanding under the provisions of the Bond Indenture; provided, however, that, with respect to optional and extraordinary optional redemptions referred to above, if the Bond Trustee shall not have funds in its possession on a proposed redemption date sufficient to pay the redemption price (including the interest accruing to the redemption date) of all of the Series 2019B Bonds to be optionally or extraordinarily optionally redeemed on such date for any reason (including, but not limited to, failure to issue any refunding obligations intended for such purpose on or prior to such redemption date), then the purported optional or extraordinary optional redemption and any notice thereof shall be void, but such event shall not constitute an Event of Default under the Bond Indenture or a default under the Loan Agreement. The Bond Trustee shall redeem, in the manner provided in the Bond Indenture, such an aggregate principal amount of such Series 2019B Bonds at the principal amount thereof plus accrued interest to the redemption date and unpaid thereon and premium, if any, as will exhaust as nearly as practicable such funds. At the direction of the Obligated Group, such funds may be invested in Government Securities until needed for redemption payout.

**Mandatory Bond Sinking Fund Redemption.** The Series 2019B Bonds shall be subject to mandatory bond sinking fund redemption prior to maturity in part first from Series 2019B Bonds held by or for the benefit of a Support Facility Provider, including without limitation Pledged Bonds, and second by lot in Authorized Denominations in such manner as the Bond Trustee may determine through the operation of the Bond Sinking Fund as provided in the Bond Indenture, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date and without premium, on the following dates and in the following amounts:

<table>
<thead>
<tr>
<th>November 15 of the Year</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2046</td>
<td>$3,105,000</td>
</tr>
<tr>
<td>2047</td>
<td>$9,945,000</td>
</tr>
<tr>
<td>2048</td>
<td>$9,655,000</td>
</tr>
<tr>
<td>2049*</td>
<td>$99,380,000</td>
</tr>
</tbody>
</table>

* Final maturity.
Purchase in Lieu of Redemption

The Bond Indenture provides that in lieu of redeeming Series 2019B Bonds, in certain circumstances the Bond Trustee may, at the request of the Obligated Group, use funds otherwise available under the Bond Indenture for redemption of Series 2019B Bonds to purchase Series 2019B Bonds in the open market at prices not exceeding the then applicable redemption price.

Purchase of Series 2019B Bonds

The Authority has granted to Health Care or its designee (which designee shall not be a Member of the Obligated Group) in the Bond Indenture the option to purchase, at any time and from time to time, any Series 2019B Bond which is redeemable as described above under “Redemption – Optional Redemption during Multiple Year Rate Period” at a purchase price equal to the redemption price therefor. To exercise such option, Health Care or its designee shall give the Bond Trustee a Written Request exercising such option within the time periods specified in the Bond Indenture as though such Written Request were a Written Request of the Obligated Group for redemption, and the Bond Trustee shall thereupon give the holders of the Series 2019B Bonds to be purchased notice of such purchase in the manner specified in the Bond Indenture as though such purchase were a redemption. On the date fixed for purchase pursuant to any exercise of such option, Health Care or its designee shall pay the purchase price of the Series 2019B Bonds then being purchased to the Bond Trustee in immediately available funds, and the Bond Trustee shall pay the same to the sellers of such Series 2019B Bonds against delivery thereof. Following such purchase, the Bond Trustee shall cause such Series 2019B Bonds to be registered in the name of Health Care or its designee and shall deliver them to Health Care or its designee. No purchase of Series 2019B Bonds pursuant to such option of Health Care or its designee shall operate to extinguish the indebtedness of the Authority evidenced thereby.

Notwithstanding the foregoing, no such purchase may be made by Health Care or its designee unless Health Care or its designee shall have delivered to the Bond Trustee and the Authority concurrently therewith an opinion of nationally recognized bankruptcy counsel reasonably satisfactory to the Bond Trustee and any Rating Agency then rating the Series 2019B Bonds (other than S&P) to the effect that such purchase will not constitute an avoidable preference under Section 547 of the United States Bankruptcy Code in the event that Health Care or its designee should become a debtor in proceedings commenced thereunder.

In addition, no designation by Health Care of another Person so to purchase any Series 2019B Bonds may be made unless Health Care shall have delivered to the Bond Trustee and the Authority concurrently therewith an opinion of Bond Counsel to the effect that such designation will not have an adverse effect on the exemption from federal income taxation of interest on any Series 2019B Bond to which such Series 2019B Bond is otherwise entitled.

Registration, Transfer and Exchange

The following paragraph shall be applicable only to DTC or its successor so long as the Series 2019B Bonds are in the Book-Entry Only System.

Upon surrender for transfer of any Series 2019B Bond at the principal corporate trust office of the Bond Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Trustee and duly executed by, the Registered Owner or his attorney duly authorized in writing, the Authority will execute and the Bond Trustee will authenticate and deliver in the name of the transferee or transferees a new fully registered Series 2019B Bond or Series 2019B Bonds of the same maturity for a like aggregate principal amount in Authorized Denominations. Series 2019B Bonds may be exchanged at said office of the Bond Trustee for a like aggregate principal amount of Series 2019B Bonds
of other Authorized Denominations. The Bond Trustee will not be required to transfer or exchange any Series 2019B Bond during the period between the Record Date for a particular Interest Payment Date for such Series 2019B Bond and such Interest Payment Date, nor to transfer or exchange after the mailing of notice calling such Series 2019B Bond or portion thereof for redemption has been made, nor during a period of fifteen days preceding the mailing of a notice of redemption of such Series 2019B Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS

General

The Series 2019B Bonds, together with interest thereon, are limited obligations of the Authority and shall not constitute a debt or indebtedness of the Authority within the meaning of any constitutional or statutory limitation or restriction. The Series 2019B Bonds and the interest thereon do not constitute or create any debt, liability of or charge against the general credit or taxing power of the State of Colorado, its legislature or any political subdivision or agency of the State of Colorado, and neither the faith and credit nor the taxing power of the State of Colorado, its legislature or of any political subdivision or agency thereof is pledged to the payment of the Series 2019B Bonds. The Authority has no taxing power.

The Series 2019B Bonds will be payable solely from: (i) payments or prepayments to be made on the Series 2019B Note; (ii) payments to be made under the Loan Agreement (except for the Unassigned Rights); (iii) moneys and investments held under the Bond Indenture (except for amounts held in the Purchase Fund and the Rebate Fund); and (iv) in certain circumstances, proceeds from certain insurance and condemnation awards or proceeds from sales consummated under threat of condemnation.

The Loan Agreement

Concurrently with the issuance of the Series 2019B Bonds, the Borrowers will enter into a Loan Agreement with the Authority, pursuant to which the Authority will loan to the Borrowers the proceeds of the sale of the Series 2019B Bonds for the purposes described above under the caption “PLAN OF FINANCING.” Such loans will be evidenced by the Series 2019B Note of the Obligated Group issued under the Master Indenture. The payments of principal, premium, if any, and interest on the Series 2019B Note will be sufficient to pay all principal and interest on the Series 2019B Bonds. The Loan Agreement provides that the Obligated Group’s obligations to make the payments on the Series 2019B Note and the Borrowers’ obligations to make payments of other amounts due under the Loan Agreement will not be abated, rebated, set-off, reduced, deferred, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever.

Pledge Under the Bond Indenture

Pursuant to the Bond Indenture, the Authority will pledge and assign to the Bond Trustee as security for the payment of the Series 2019B Bonds issued thereunder: (i) the right, title and interest of the Authority, if any, in and to the Series 2019B Note and all payments to be made thereon; (ii) the right, title, and interest of the Authority in and to the Loan Agreement (except for the Unassigned Rights); and (iii) the right, title and interest of the Authority in and to all moneys held under the Bond Indenture. There is, however, expressly excepted and excluded from the lien and operation of the Bond Indenture amounts held by the Bond Trustee in the Purchase Fund and the Rebate Fund.

The Master Indenture and the Series 2019B Note

The Series 2019B Bonds will be secured by the Series 2019B Note from the Obligated Group, which will be issued to the Bond Trustee. The Series 2019B Note securing the Series 2019B Bonds will be issued pursuant to the Master Indenture, including the Supplemental Indenture. The Series 2019B Note
will entitle the Bond Trustee, as the holder thereof, to the protection of the covenants, restrictions and other obligations imposed upon the Obligated Group by the Master Indenture. The Series 2019B Note will be a full and unlimited, joint and several obligation of the Obligated Group.

There is no mortgage of or lien on the real property included in the health care facilities of the Obligated Group securing the obligation of the Obligated Group to pay the principal of, premium, if any, or interest on the Series 2019B Note securing the Series 2019B Bonds. However, the Obligated Group has granted to the Master Trustee a security interest in its accounts and its Gross Revenues, which security interest has been perfected to the extent it can be perfected by the filing of Uniform Commercial Code financing statements. The Master Indenture also requires the Obligated Group, in the event that it fails to make any payment due on any Note, and in certain other events, to deposit with the Master Trustee all of its Gross Revenues. Sunbelt maintains a program for the continuous sale of its and certain other Members of the Obligated Group’s patient accounts receivable on a non-recourse basis. Once sold, these receivables are no longer the property of Sunbelt or any other Member of the Obligated Group and do not constitute collateral under the Master Indenture. Therefore, the sales of receivables limit the accounts and Gross Revenues available as security for the Series 2019B Note. See “BONDHOLDERS’ RISKS – Sale of Receivables Program,” and note 1 to the audited consolidated financial statements and supplemental information set forth in Appendix B. Health Care and its affiliates have agreed with certain bank lenders that they may sell from time to time their accounts receivable, provided that an amount equal to the initial proceeds received from the initial sales, whether in the form of cash, investments or funded depreciation, remains on the consolidated balance sheet (prepared in accordance with accounting principles generally accepted in the United States, or “GAAP”) of Health Care, or are held by the accounts receivable sale program trustee. Such initial cash proceeds may be expended, provided that cash proceeds from subsequent sales of accounts receivable are available to replenish the amount of initial proceeds expended. This agreement may be waived at any time solely with the consent of such bank lenders.

Possible Substitution of Series 2019B Note

The Bond Indenture requires the Bond Trustee to surrender to the Master Trustee the Series 2019B Note in exchange for a replacement obligation issued under a new master trust indenture by a new obligated group of which Sunbelt or any other Member of the Obligated Group may or may not be a member under certain conditions, including, but not limited to, evidence from the same number of Rating Agencies then maintaining a rating on any Series 2019B Bonds that the rating on such Series 2019B Bonds will not be more than one rating category lower than the rating or equivalent thereof (without taking into account any refinement or gradation of rating category by numerical modifier or otherwise, and without regard to any rating outlooks) in effect prior to the substitution; provided that (i) if there are three Rating Agencies providing ratings on the Series 2019B Bonds immediately prior to the substitution, only two Rating Agencies need to provide the evidence of new ratings after the substitution, (ii) in connection with the request for a review of the ratings on such Bonds, each Rating Agency that is requested to provide a rating is provided a copy of the new master indenture and such information as such Rating Agency may request with respect to the operations and financial condition of the new obligated group, and (iii) in no event may the ratings on such Series 2019B Bonds after the substitution be less than “investment grade,” if the then current ratings are above “investment grade,” and the receipt by the Bond Trustee of an opinion of Bond Counsel. See “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE BOND INDENTURE AND THE LOAN AGREEMENT – The Bond Indenture – Release and Substitution of Note upon Delivery of Replacement Master Indenture” in Appendix D hereto.

If any substitution occurs, all references in the Loan Agreement and the Bond Indenture to the Series 2019B Note shall refer to the related substitute obligations issued under the separate master trust indenture, all references to the Supplemental Master Indenture shall refer to the supplements to the separate master trust indenture pursuant to which the substitute obligation was issued, and all related references to the Master Indenture shall refer to the separate master trust indenture.

Proposed Amendments to the Master Indenture

In the Supplemental Indenture and the 2019A Supplemental Indenture, the Obligated Group proposes to amend certain definitions and provisions of the Master Indenture (the “Proposed Amendments”). Pursuant to the terms of the Master Indenture, the consent of at least 51% in aggregate principal amount of Master Notes then Outstanding under the Master Indenture is required prior to effecting the Proposed Amendments. Until such time, the Obligated Group will continue to be bound by the current provisions of the Master Indenture. See “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE MASTER INDENTURE – Summary of the Master Indenture – Proposed Amendments to Master Indenture” in Appendix C hereto for additional information regarding the Proposed Amendments to the Master Indenture.

Under the Master Indenture, each holder of a Series 2019B Bond will be deemed to hold the Series 2019B Note in a principal amount equal to the principal amount of such Series 2019B Bond. Each purchaser of a Series 2019B Bond will be deemed to have consented to the execution and delivery of the Proposed Amendments upon its purchase of such Series 2019B Bond. Upon issuance of the Series 2019B Bonds, only the holders of the Series 2019A Note and Series 2019B Note and the holders of Notes related to the issuance of tax-exempt bonds issued for the benefit of the Obligated Group in 2018 in an aggregate principal amount of $343,395,000 will have consented to the Proposed Amendments. If so determined by the Obligated Group in its sole discretion, the Proposed Amendments shall become effective (i) when the required consents to the Proposed Amendments have been obtained and (ii) the Obligated Group and the Master Trustee have executed and delivered a supplemental indenture to the Master Indenture evidencing such amendments and such other documents and certificates as reasonably requested by the Master Trustee pursuant to the terms of the Master Indenture have been delivered. If and when such Proposed Amendments become effective, Sunbelt will file a notice of the effective date of such amendments.

Additional Master Notes

The Master Indenture provides that the number of Master Notes or Series of Master Notes that may be issued by the Obligated Group is not limited, and the Obligated Group may in the future issue additional Master Notes subject to certain restrictions on the incurrence of additional indebtedness. As of December 31, 2018, there was $2,910,660,000 in aggregate principal amount of Master Notes outstanding under the Master Indenture. As of such date, the Obligated Group also had approximately $153,000,000 in aggregate principal amount of indebtedness not secured under the Master Indenture.

The Obligated Group may also at any time issue additional indebtedness and Master Notes in accordance with the provisions of the Master Indenture. Any such additional Master Notes may be issued for the purpose of short-term or long-term borrowings on a taxable or tax-exempt basis, either by private sale or public offering, subject to the restrictions on additional indebtedness contained in the Master Indenture. All Master Notes will rank on a parity as provided in the Master Indenture. See “INTRODUCTORY STATEMENT – Outstanding Indebtedness” herein for additional information on outstanding indebtedness both under and not under the Master Indenture. See also “PLAN OF FINANCING” herein.

For a more complete description of the Bond Indenture, the Loan Agreement, the Master Notes and the Master Indenture, see APPENDICES C and D hereto.

Debt Service Reserve Fund

AT CLOSING, THE DEBT SERVICE RESERVE FUND CREATED UNDER THE BOND INDENTURE WILL NOT BE FUNDED. At the option of the Obligated Group, such Debt Service Reserve Fund may be funded in the future. See “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE BOND INDENTURE AND THE LOAN AGREEMENT – The Bond Indenture – Funds; Disposition of Revenues – 3. Debt Service Reserve Fund” in APPENDIX D hereto.

BOOK-ENTRY SYSTEM

The Depository Trust Company (“DTC”) New York, New York, will act as the securities depository for the Series 2019B Bonds. The Series 2019B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2019B Bond certificate will be issued for each maturity and related CUSIP of the Series 2019B Bonds, each in the aggregate principal amount of such maturity and related CUSIP, 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 (“SEC”). More information about DTC can be found at www.dtcc.com.

Purchases of Series 2019B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019B Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2019B Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmations from DTC of their purchases. 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 2019B 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 2019B Bonds, except in the event that use of the book-entry system for the Series 2019B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019B 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 2019B 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 2019B Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2019B 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 2019B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019B Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond Indenture, the Loan Agreement or the Master Indenture. For example, Beneficial Owners of Series 2019B Bonds may wish to ascertain that the nominee holding Series 2019B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2019B Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2019B Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2019B Bonds unless authorized by a Direct Participant in accordance with DTC’s Money Market Instrument 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 Series 2019B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).
Redemption proceeds and payments on the Series 2019B 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 a payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Bond Trustee, the Authority, or the Obligated Group Representative, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Authority or Obligated Group Representative. Disbursement of such payments to Beneficial Owners 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 2019B Bonds at any time by giving reasonable notice to the Authority and the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2019B Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers of the Series 2019B Bonds through DTC (or a successor securities depository). In that event, Series 2019B Bond certificates will be printed and delivered.

NEITHER THE AUTHORITY, THE UNDERWriters, HEALTH CARE, ANY MEMBER OF THE OBLIGATED GROUP NOR THE BOND TRUSTEE HAS ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE PERSONS FOR WHOM PARTICIPANTS ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF PORTIONS OF THE SERIES 2019B BONDS FOR REDEMPTION.

NEITHER THE BOND TRUSTEE, THE UNDERWriters, HEALTH CARE, ANY MEMBER OF THE OBLIGATED GROUP NOR THE AUTHORITY WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANT OF A DEPOSITORY, ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN ANY SERIES 2019B BONDS UNDER OR THROUGH A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY, OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE BOND TRUSTEE AS BEING A REGISTERED OWNER, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY, THE PAYMENT BY A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY OF ANY AMOUNT IN RESPECT OF PRINCIPAL OR PREMIUM, IF ANY, OR INTEREST ON ANY SERIES 2019B BOND, ANY NOTICE WHICH IS REQUIRED TO BE GIVEN TO REGISTERED OWNERS UNDER THE BOND INdENTURE, THE SELECTION BY A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2019B BONDS, OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE SERIES 2019B BONDS.

In reviewing this Official Statement it should be understood that while the Series 2019B Bonds are in the Book-Entry System, reference in other sections of this Official Statement to owners of the Series 2019B Bonds should be read to include any person for whom a Participant acquires an interest in the Series 2019B Bonds, but (i) all rights of ownership, as described herein, must be exercised through DTC and the Book-Entry System and (ii) notices that are to be given to registered owners by the Bond Trustee will be given only to DTC. DTC is required to forward (or cause to be forwarded) the notices to the
Participants by its usual procedures so that such Participants may forward (or cause to be forwarded) such notices to the Beneficial Owners.

THE INFORMATION PROVIDED ABOVE HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE AUTHORITY, THE OBLIGATED GROUP, HEALTH CARE OR THE UNDERWRITERS AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.
ESTIMATED SOURCES AND USES OF FUNDS*

The sources and uses of funds relating to the issuance of the Series 2019A Bonds and the Series 2019B Bonds are estimated as follows:

<table>
<thead>
<tr>
<th>SOURCES OF FUNDS</th>
<th>Series 2019A</th>
<th>Series 2019B</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Par Amount</td>
<td>$359,440,000</td>
<td>$122,085,000</td>
<td>$481,525,000</td>
</tr>
<tr>
<td>Premium</td>
<td>40,568,494</td>
<td>27,918,398</td>
<td>68,486,892</td>
</tr>
<tr>
<td>Trustee Held Funds</td>
<td>1,656,879</td>
<td>622,184</td>
<td>2,279,063</td>
</tr>
<tr>
<td>Equity Contribution</td>
<td>29,371,445</td>
<td>11,029,442</td>
<td>40,400,887</td>
</tr>
<tr>
<td>TOTAL SOURCES</td>
<td>$431,036,818</td>
<td>$161,655,024</td>
<td>$592,691,842</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>USES OF FUNDS</th>
<th>Series 2019A</th>
<th>Series 2019B</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Fund</td>
<td>$106,445,372</td>
<td>$39,920,345</td>
<td>$146,365,717</td>
</tr>
<tr>
<td>Refund Prior Bonds</td>
<td>324,591,446</td>
<td>121,734,679</td>
<td>446,326,125</td>
</tr>
<tr>
<td>TOTAL USES</td>
<td>$431,036,818</td>
<td>$161,655,024</td>
<td>$592,691,842</td>
</tr>
</tbody>
</table>

*All costs of issuance (which include legal fees, Authority’s fees, Master Trustee’s fees, Bond Trustee’s fees, accountants’ fees, Underwriters’ fees and other miscellaneous expenses) are being paid directly by AdventHealth and not from proceeds of the Series 2019A Bonds or the Series 2019B Bonds. See “UNDERWRITING” for more information.
AGGREGATE DEBT SERVICE OF THE OBLIGATED GROUP\(^1\)

The following table sets forth, for each year ending December 31, required principal and interest payments on each Series of the Series 2019A Bonds, the Series 2019B Bonds and the other Long-Term Debt\(^2\) of the Obligated Group outstanding as of December 31, 2018 and secured by Master Notes, but excluding the Prior Bonds. Long-Term Debt consisting of certain capitalized leases, mortgages and notes payable is not secured by Master Notes and is not included in this table. As of December 31, 2018, such capitalized leases, mortgages and notes payable were outstanding in an aggregate principal amount of approximately $153,000,000. Long-Term Debt of Health Care is described in note 7 to the audited consolidated financial statements and supplementary information of Health Care included in *APPENDIX B* hereto.

<table>
<thead>
<tr>
<th>Years Ending December 31</th>
<th>Principal Interest</th>
<th>Interest</th>
<th>Principal Interest</th>
<th>Interest</th>
<th>Total Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Series 2019A</td>
<td>Series 2019B</td>
<td>Principal (Other Long-Term Debt)</td>
<td>(Other Long-Term Debt)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bonds</td>
<td>Bonds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>$ 3,462,133</td>
<td>$ 1,441,281</td>
<td>$ 65,441,668</td>
<td>$ 93,462,334</td>
<td>$ 163,807,416</td>
</tr>
<tr>
<td>2020</td>
<td>14,663,150</td>
<td>6,104,250</td>
<td>48,071,668</td>
<td>91,611,925</td>
<td>160,450,993</td>
</tr>
<tr>
<td>2021</td>
<td>14,663,150</td>
<td>6,104,250</td>
<td>62,336,668</td>
<td>90,226,204</td>
<td>173,330,272</td>
</tr>
<tr>
<td>2022</td>
<td>14,663,150</td>
<td>6,104,250</td>
<td>76,496,668</td>
<td>89,887,377</td>
<td>187,151,445</td>
</tr>
<tr>
<td>2023</td>
<td>14,663,150</td>
<td>6,104,250</td>
<td>80,486,664</td>
<td>86,887,512</td>
<td>183,974,176</td>
</tr>
<tr>
<td>2024</td>
<td>14,663,150</td>
<td>6,104,250</td>
<td>93,651,664</td>
<td>84,746,006</td>
<td>188,397,670</td>
</tr>
<tr>
<td>2025</td>
<td>14,663,150</td>
<td>6,104,250</td>
<td>108,911,664</td>
<td>77,675,193</td>
<td>210,625,972</td>
</tr>
<tr>
<td>2026</td>
<td>14,663,150</td>
<td>6,104,250</td>
<td>120,646,664</td>
<td>72,715,507</td>
<td>233,382,211</td>
</tr>
<tr>
<td>2027</td>
<td>14,663,150</td>
<td>6,104,250</td>
<td>138,371,664</td>
<td>68,581,004</td>
<td>256,992,628</td>
</tr>
<tr>
<td>2028</td>
<td>14,663,150</td>
<td>6,104,250</td>
<td>156,096,664</td>
<td>63,872,975</td>
<td>300,073,641</td>
</tr>
<tr>
<td>2029</td>
<td>14,663,150</td>
<td>6,104,250</td>
<td>173,821,664</td>
<td>60,679,234</td>
<td>335,860,517</td>
</tr>
<tr>
<td>2030</td>
<td>14,663,150</td>
<td>6,104,250</td>
<td>191,546,664</td>
<td>57,480,597</td>
<td>359,506,458</td>
</tr>
<tr>
<td>2031</td>
<td>14,663,150</td>
<td>6,104,250</td>
<td>210,271,664</td>
<td>54,382,948</td>
<td>384,890,496</td>
</tr>
<tr>
<td>2032</td>
<td>14,663,150</td>
<td>6,104,250</td>
<td>230,096,664</td>
<td>51,285,336</td>
<td>422,397,024</td>
</tr>
<tr>
<td>2033</td>
<td>14,663,150</td>
<td>6,104,250</td>
<td>250,921,664</td>
<td>48,187,728</td>
<td>478,973,248</td>
</tr>
<tr>
<td>2034</td>
<td>14,663,150</td>
<td>6,104,250</td>
<td>271,746,664</td>
<td>45,090,120</td>
<td>537,986,861</td>
</tr>
<tr>
<td>2035</td>
<td>14,663,150</td>
<td>6,104,250</td>
<td>292,571,664</td>
<td>42,992,512</td>
<td>598,989,564</td>
</tr>
<tr>
<td>2036</td>
<td>14,663,150</td>
<td>6,104,250</td>
<td>313,396,664</td>
<td>40,894,904</td>
<td>663,385,684</td>
</tr>
<tr>
<td>2037</td>
<td>$ 30,080,000</td>
<td>14,663,150</td>
<td>148,560,000</td>
<td>39,796,000</td>
<td>213,671,505</td>
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<tr>
<td>2038</td>
<td>63,580,000</td>
<td>13,195,150</td>
<td>148,560,000</td>
<td>39,796,000</td>
<td>224,652,000</td>
</tr>
<tr>
<td>2039</td>
<td>23,485,000</td>
<td>10,615,950</td>
<td>148,560,000</td>
<td>39,796,000</td>
<td>224,652,000</td>
</tr>
<tr>
<td>2040</td>
<td>47,515,000</td>
<td>9,441,700</td>
<td>148,560,000</td>
<td>39,796,000</td>
<td>224,652,000</td>
</tr>
<tr>
<td>2041</td>
<td>50,465,000</td>
<td>7,541,100</td>
<td>148,560,000</td>
<td>39,796,000</td>
<td>224,652,000</td>
</tr>
<tr>
<td>2042</td>
<td>58,150,000</td>
<td>5,522,500</td>
<td>148,560,000</td>
<td>39,796,000</td>
<td>224,652,000</td>
</tr>
<tr>
<td>2043</td>
<td>61,155,000</td>
<td>3,196,500</td>
<td>148,560,000</td>
<td>39,796,000</td>
<td>224,652,000</td>
</tr>
<tr>
<td>2044</td>
<td>9,095,000</td>
<td>750,300</td>
<td>148,560,000</td>
<td>39,796,000</td>
<td>224,652,000</td>
</tr>
<tr>
<td>2045</td>
<td>9,360,000</td>
<td>477,450</td>
<td>148,560,000</td>
<td>39,796,000</td>
<td>224,652,000</td>
</tr>
<tr>
<td>2046</td>
<td>6,555,000</td>
<td>196,650</td>
<td>$ 3,105,000</td>
<td>39,796,000</td>
<td>224,652,000</td>
</tr>
<tr>
<td>2047</td>
<td>--</td>
<td>--</td>
<td>9,945,000</td>
<td>39,796,000</td>
<td>224,652,000</td>
</tr>
<tr>
<td>2048</td>
<td>--</td>
<td>--</td>
<td>9,655,000</td>
<td>39,796,000</td>
<td>224,652,000</td>
</tr>
<tr>
<td>2049</td>
<td>--</td>
<td>--</td>
<td>9,360,000</td>
<td>39,796,000</td>
<td>224,652,000</td>
</tr>
<tr>
<td>2050</td>
<td>--</td>
<td>--</td>
<td>9,095,000</td>
<td>39,796,000</td>
<td>224,652,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$359,440,000</td>
<td>$318,300,133</td>
<td>$122,085,000</td>
<td>$141,109,704</td>
<td>$2,466,884,994</td>
</tr>
</tbody>
</table>

\(^1\) De minimis rounding adjustments. Aggregate debt service is calculated assuming an interest rate for variable rate long-term debt of AdventHealth equal to the average Municipal Swap index reported by the Security Industry and Financial Markets Association for the twelve months ended December 31, 2018. For indebtedness with an initial fixed rate that ends on a put date prior to maturity, an annual interest rate of 3.5% is assumed after such put date.

\(^2\) Long-Term Debt includes certain variable rate indebtedness supported by the self liquidity of the Obligated Group which is treated as short-term debt for GAAP purposes, as well as current maturities of long-term debt.
BONDHOLDERS’ RISKS

General

As described herein, the principal of, premium, if any, and interest on the Series 2019B Bonds are payable solely from amounts payable by the Borrowers under the Loan Agreement, and by the Obligated Group (including any future Members of the Obligated Group) under the Series 2019B Note. No representation or assurance is given or can be made that revenues will be realized by the Obligated Group (including any future Members of the Obligated Group) in amounts sufficient to pay debt service on the Series 2019B Bonds when due and other payments necessary to meet the obligations of the Members of the Obligated Group. These revenues are affected by and subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. The risk factors discussed below should be considered in evaluating the Obligated Group’s ability to make payments in amounts sufficient to provide for payment of the principal of, premium, if any, and interest on the Series 2019B Bonds. As discussed in more detail in APPENDIX A hereto, the financial and operating disclosure in this Official Statement is generally based on AdventHealth Therefore there are references in “BONDHOLDERS’ RISKS” to AdventHealth with respect to certain information. See “FINANCIAL AND STATISTICAL INFORMATION PRESENTATION” in APPENDIX A hereto.

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

Economic Conditions and Financial Markets

The disruption of the credit and financial markets several years ago led to volatility in the securities markets, significant volatility in investment portfolios, increased business failures and consumer and business bankruptcies, and was a major cause of the economic recession in 2008 and 2009.

In response to the economic recession in 2008 and 2009, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Financial Reform Act”) was enacted in 2010. The Financial Reform Act included broad changes to the 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. In May 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act, which scales back or eliminates many of the post-economic crisis rules, became law. The effects of such legislative action are unclear.

President Obama signed into law the American Recovery and Reinvestment Act of 2009 (“ARRA”). ARRA includes several provisions that were intended to provide financial relief to the health care sector, including a requirement that states promptly reimburse healthcare providers and a subsidy to the recently unemployed for health insurance premium costs. ARRA also established a framework for the implementation of a nationally-based health information technology program, including incentive payments which commenced in 2011 to eligible healthcare providers to encourage implementation of health information technology and electronic health records. Assuming federal funding is available, such incentive payments are payable to eligible health care providers that comply with the applicable federal requirements, including demonstrating “meaningful use” of electronic health records, in each period over a four year period. Pursuant to ARRA, commencing in 2015, Medicare eligible providers not demonstrating “meaningful use” of electronic health records received downward adjustments in their Medicare reimbursement. The Obligated Group has demonstrated “meaningful use” of electronic health records at its health care facilities and is receiving the incentive payments available under ARRA. The Centers for Medicare & Medicaid Services (“CMS”), an agency of the United States Department of Health and Human Services (“HHS”), has commenced audits of providers that have received meaningful use payments. There is no assurance that such payments will continue. In addition, the Obligated Group may have to repay certain amounts as a result of CMS audits.
Utilization of Derivatives Markets

Health Care historically utilized the derivatives markets (including interest rate swaps) from time to time. The Obligated Group currently has no outstanding interest rate swaps.

Reliance on Florida Facilities Market Risk

The Obligated Group relies on facilities in the Florida area for a significant portion of its revenue and earnings. See Appendix A hereto. Thus, developments in Florida could have a substantial impact on the Obligated Group.

Risk from Health Care’s Investments and Litigation

Health Care and its affiliates are organized into the following three main operating divisions:

- Central Florida Division
- West Florida Division
- Multistate Division

Of the 44 hospitals operated and owned or leased by a Health Care affiliate, 39 of those hospitals will be included in the Obligated Group after issuance of the Series 2019B Bonds. None of the corporate entities comprising the Long Term Care Division are part of the Obligated Group.

In the past, Health Care, on behalf of non-Obligated Group entities, has on occasion incurred debt, guaranteed all or a portion of debt that such entities have directly incurred, or directly lent such entities cash from its cash reserves or lines of credit. No material amounts of such debt, guarantees or loans are currently outstanding. Health Care, subject to the limitations of the Master Indenture, can direct the transfer of funds of each Member of the Obligated Group. If losses were to occur in the performance of such activities, or as a result of litigation, Health Care might, in part, fund obligations created by these activities and litigation by accessing cash generated by the Obligated Group.

Debt Limit Increase

The federal government has through legislation created a debt “ceiling” or limit on the amount of debt that may be issued by the United States Treasury. In the past several years, political disputes have arisen within the federal government in connection with discussions concerning the authorization for an increase in the federal debt ceiling. Any failure by Congress to increase the federal debt limit may impact the federal government’s ability to incur additional debt, pay its existing debt instruments and to satisfy its obligations relating to the Medicare and Medicaid programs.

Currently, there is no statutory limit on the issuance of new federal debt. The Bipartisan Budget Act of 2018, enacted in February 2018, suspended the limit through March 1, 2019. On March 2, 2019, the debt ceiling automatically reset reflecting the cumulative borrowing through the period of suspension. The Congressional Budget Office estimates that if the debt ceiling is not raised or suspended again, the Treasury will run out of cash near the end of the current fiscal year or early in the next fiscal year. The Obligated Group is unable to determine at this time what impact any reinstatement of the debt ceiling or the future failure to increase the federal debt limit if it is reinstated may have on the operations and financial condition of the Obligated Group, although such impact may be material. Additionally, the market price or

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1 AdventHealth has acquired one hospital and added one hospital to the Obligated Group since December 31, 2018. See Appendix A herein.
marketability of the Series 2019B Bonds in the secondary market may be materially adversely impacted by any failure of Congress to increase the federal debt limit.

**Affordable Care Act**

In March 2010, the Patient Protection and Affordable Care Act of 2010 (the “Affordable Care Act” or the “ACA”) was enacted. A significant component of the Affordable Care Act is reformation of the sources and methods by which consumers will pay for health care for themselves and their families and by which employers will procure health insurance for their employees and dependents and, as a consequence, expansion of the base of consumers of health care services. The Affordable Care Act was designed to make available, or subsidize the premium costs of, health care insurance for some of the millions of uninsured (or underinsured) consumers who fall below certain income levels. The Affordable Care Act sought to accomplish that objective through various provisions, summarized as follows: (i) the creation of active markets (referred to as exchanges or health care marketplaces) in which individuals and small employers can purchase health care insurance for themselves and their families or their employees and dependents, (ii) providing subsidies for premium costs to individuals and families based upon their income relative to federal poverty levels, (iii) mandating that individual consumers obtain and certain employers provide a minimum level of health care insurance, and providing for penalties or taxes on consumers and employers that do not comply with these mandates, (iv) expansion of private commercial insurance coverage generally through such reforms as prohibitions on denials of coverage for pre-existing conditions and elimination of lifetime or annual cost caps, and (v) expansion of existing public programs, including Medicaid, for individuals and families. Six years after the enactment of the Affordable Care Act, approximately 90% of all U.S. residents had health insurance coverage according to a March 2016 Congressional Budget Office report. Some provisions of the Affordable Care Act may adversely affect some of the Obligated Group’s hospitals and other operations more significantly than others, or may not affect them. Moreover, the Affordable Care Act remains subject to amendment, repeal, delay or lack of implementation, failure to fund and judicial interpretation. Certain provisions of the Affordable Care Act and recent efforts towards its repeal are briefly discussed below.

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

The Affordable Care Act provides for the expansion of Medicaid programs to a broader population with incomes up to 133% of federal poverty levels. In its decision published on June 28, 2012, the U.S. Supreme Court determined that any expansion of Medicaid must be at the option of individual states and not a mandatory obligation, by restricting the federal government’s ability to condition the availability of current Medicaid funding on participation in the expanded Medicaid program. Although the federal government is expected to fund the expanded Medicaid program through 2020, some state officials have expressed reluctance to participate, citing concerns that the administrative and other costs associated with enrolling and managing potentially millions of new individuals would add further stress to already depleted state resources. In the event a state chooses not to participate in the expanded Medicaid program, the net effect of the reforms contained in the Affordable Care Act would be significantly reduced.

Several attempts to amend and repeal provisions of the Affordable Care Act have been made since its passage. While previous attempts to amend and repeal the Affordable Care Act have not been successful, the future of the Affordable Care Act is uncertain. President Donald Trump and certain Congressional
leaders have included a repeal of all or a portion of the Affordable Care Act in their respective legislative agendas. In the last year, Congress has introduced several bills to repeal and replace the Affordable Care Act, but no full repeal bills have passed both the House and Senate. However, the Tax Cuts and Jobs Act discussed below, eliminated any tax penalty for individuals failing to obtain health insurance as required by the “individual mandate” provision of the Affordable Care Act beginning January 1, 2019. It is not possible to predict whether the Affordable Care Act will be further modified in any significant respect or wholly repealed. Any legislative action that (i) reduces federal healthcare program spending, (ii) increases the number of individuals without health insurance, (iii) reduces the number of people seeking healthcare, or (iv) otherwise significantly alters the healthcare delivery system or insurance markets could have a material adverse effect on the Obligated Group’s businesses, results of operations, cash flow, capital resources, and liquidity.

Executive branch actions can also have a significant impact on the viability of the Affordable Care Act. On January 20, 2017, President Trump issued an executive order requiring all federal agencies with authorities and responsibilities under the Affordable Care Act to “exercise all authority and discretion available to them to waive, defer, grant exemption from, or delay” sections of the Affordable Care Act that impose “unwarranted economic and regulatory burdens” on states, individuals or healthcare providers. It is impossible to predict the effect of this executive order. Some actions taken by executive agencies since the January 20, 2017 executive order was issued are likely to reduce enrollment in health plans offered on the exchanges created by the Affordable Care Act. A final rule issued on April 18, 2017 shortened enrollment periods for the federal exchange, enhanced the frequency of pre-enrollment verification of individuals applying for special enrollment periods, and increased allowable variation in actuarial values for health plans sold on the exchanges. CMS has also significantly reduced its budget in 2017 and 2018 for promotional activities related to exchange plan enrollment and for associated programs and staff designed to help individuals enroll.

On October 12, 2017, President Trump issued another executive order, which directs the Labor Department to study how to make it easier for small businesses, and possibly individuals, to collectively buy health insurance through association health plans. The order also allows more consumers to purchase short-term health insurance plans and directs agencies to lengthen the coverage of these policies and permit renewals. Final rules implementing policies consistent with the October 12, 2017 executive order were issued on June 21, 2018 and August 3, 2018. However, major provisions of the final rule were invalidated by the U.S. District Court for the District of Columbia in March 2019. The federal government has since appealed the ruling and issued a statement providing interim relief for those employers who had already obtained health coverage from association health plans prior to the decision. These rules could result in more individuals receiving health insurance coverage through insurance products that are not subject to Affordable Care Act requirements to cover essential health benefits.

Also on October 12, 2017, President Trump stated that he plans to end the cost-sharing subsidies that the government currently pays insurance companies in order to reduce deductibles and co-pays for many low-income people, though some insurers have since successfully sued the federal government for unpaid cost-sharing reduction payments, and several other suits regarding unpaid cost-sharing reduction payments remain pending. These executive orders have the potential to significantly impact the insurance exchange market by reducing the number of healthy individuals in the Affordable Care Act health insurance exchanges. Further, insurance companies may sustain financial losses and, as a result, increase insurance premiums for health plans offered in the exchange or cease to participate in the exchange. The exchanges have had increasing difficulty in attracting and retaining enough insurance companies to create a competitive insurance market, or even to participate at all. The reasons for withdrawal of many insurance companies from the exchanges are varied and disputed. In light of these challenges and recent executive branch actions, it is unclear whether the exchanges will continue to be a viable mechanism for the provision of health insurance in the future.
Government efforts to repeal or modify the Affordable Care Act may have an adverse effect on the Obligated Group’s businesses, results of operations, cash flow, capital resources and liquidity. Also there can be no assurances that any current health care laws and regulations, in addition to the Affordable Care Act will remain in the current form. There can be no assurances that any potential changes to the laws and regulations governing health care would not have a material adverse financial or operational impact on the Obligated Group.

Twenty states filed a lawsuit claiming that, under the U.S. Supreme Court’s 2012 decision upholding the Affordable Care Act, the Affordable Care Act is now unconstitutional without the individual mandate tax penalty, which, as noted above, was removed by the Tax Cuts and Jobs Act of 2017. In December 2018, the District Court for the Northern District of Texas issued a declaratory judgment holding the Affordable Care Act to be unconstitutional without the individual mandate tax penalty. The court further held that because the individual mandate was not severable from the entirety of the Affordable Care Act, the entire statute was unconstitutional including, among other provisions, the expansion of Medicaid. The ruling has been stayed while being appealed to the U.S. Court of Appeals for the Fifth Circuit. The U.S. Department of Justice’s original position in the litigation had been to agree with the plaintiffs that the individual mandate was now unconstitutional and that it, along with related provisions, such as the protection against pre-existing condition exclusions and discrimination based on health status, guaranteed issue of health insurance and community rating, should be invalidated. The Department of Justice’s position subsequently changed, and it has now taken the position before the Fifth Circuit that the unconstitutionality of the individual mandate requires that the entire Affordable Care Act be declared unconstitutional. The invalidation of the entire Affordable Care Act would likely have a material adverse financial impact on the Obligated Group.

**Tax Reform**

On December 22, 2017, President Trump signed into law “H.R. 1 - An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018,” (the “Tax Cuts and Jobs Act”). The Tax Cuts and Jobs Act lowered corporate and individual tax rates and eliminated certain tax preferences and other tax expenditures. The Tax Cuts and Jobs Act also repealed effective January 1, 2019, a key provision of the Affordable Care Act known as the “individual mandate”, which imposes a tax on individuals who do not obtain health insurance. Such repeal of the individual mandate may result in a higher uninsured rate, which may adversely affect the financial condition of the Members of the Obligated Group. The Tax Cuts and Jobs Act also eliminates the issuance of tax-exempt bonds to advance refund outstanding tax-exempt bonds. This could materially impact the market price or marketability of the Series 2019B Bonds (and outstanding bonds issued by and on behalf of the Obligated Group) and/or availability of borrowed funds for the Obligated Group, particularly for capital expenditures, as well as the operations, financial position and cash flows of the Obligated Group. The Tax Cuts and Jobs Act also imposes a 21% excise tax upon a 501(c)(3) tax-exempt organization for any portion of the annual non-clinical compensation of its five highest paid executives that exceeds $1 million; if an individual’s compensation becomes subject to the excise tax, that individual’s compensation in excess of $1 million remains subject to the excise tax in subsequent years even if the individual ceases to be one of the top five highest compensated individuals. The Obligated Group does have executives whose annual compensation exceeds $1 million and has paid this excise tax. While the tax is not material at this time, the impact of the tax could become more burdensome in future years.

**Potential Changes to the Tax Treatment of Bonds**

Proposals to alter or eliminate the exclusion of interest on tax-exempt bonds from gross income for some or all taxpayers have been made in the past and may be made again in the future. Such legislative proposals, if enacted, could alter the federal and/or state tax treatment described under the heading “TAX EXEMPTION” herein, and certain of which, whether or not enacted, could adversely affect the market value or marketability of the Series 2019B Bonds. Certain legislative proposals, if enacted, could tax all or a
portion of the interest on tax exempt bonds, including the Series 2019B Bonds, for certain taxpayers under the regular income tax, the alternative minimum tax or otherwise, and could apply to bonds issued before, on, or after the date of enactment.

It is unclear whether any legislation will be enacted affecting the tax treatment of interest on the Series 2019B Bonds. If any such legislation is retroactive and applies to then existing tax-exempt bonds, including the Series 2019B Bonds, the adoption of any such legislation could adversely affect the market value or marketability of the Series 2019B Bonds and the financial condition of the Obligated Group. In addition, the adoption of any such legislation could increase the cost to the Obligated Group of financing future capital needs.

Budget Control Act of 2011

The Budget Control Act of 2011 (the “Budget Control Act”) limits the federal government’s discretionary spending caps at levels necessary to reduce expenditures by $917 billion from the current federal budget baseline through fiscal year 2021. Medicare, Social Security, Medicaid and other entitlement programs will not be affected by the limit on discretionary spending caps.

Provisions of the Budget Control Act, as modified by the Taxpayer Relief Act of 2012 (the “Taxpayer Relief Act”), set in place a protocol for the sequestration resulting in an automatic 2% reduction in Medicare program payments for all healthcare providers and Medicare Advantage insurers effective March 27, 2013. On November 2, 2015, President Obama signed the Bipartisan Budget Act of 2015, which among other things, extended the 2% reduction to Medicare providers and insurers for another year (to at least March 31, 2025).

Because Congress may make changes to the budget in the future, it is impossible to predict the impact any spending cuts that are approved may have on the Obligated Group. Further, with no long-term resolution in place for federal deficit reduction, hospital and physician reimbursement are likely to continue to be targets for reductions with respect to any interim or long-term federal deficit reduction efforts. These and any additional reductions in Medicare spending could have a material adverse effect upon the financial condition or operations of the Obligated Group.

21st Century Cures Act

The 21st Century Cures Act (the “Cures Act”), which was signed into law on December 13, 2016, is designed to help accelerate medical product development and bring new innovations to patients who need them faster and more efficiently. Among other things, the Cures Act aims to improve the provision of telehealth services in the Medicare program and will advance processes for determining which Medicare treatments are covered. As a result, Medicare beneficiaries will gain increased access to healthcare services. It also contains provisions that will enable Medicare beneficiaries to find the most cost-effective treatments available by comparing differences in out-of-pocket costs and total expenditures for certain services. In addition, the Cures Act contains provisions that affect reimbursement for hospital outpatient departments by expanding the categories of projects that would be exempt from the decrease in the outpatient prospective payment system (“OPPS”) reimbursement payments.

Payment for Health Care Services

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

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

Health care providers have been and will continue to be affected significantly by changes made in the last several years in federal and state health care laws and regulations, particularly those pertaining to Medicare and Medicaid. The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the “MMA”), among other things described below, generally increased reimbursement levels. The Deficit Reduction Act of 2005 (the “DRA”), contained, among other things, a number of provisions aimed at slowing the pace of spending growth in the Medicare and Medicaid programs while increasing health care providers’ focus on quality and efficient delivery of health care services. Such focus was further reflected in the provisions of the Affordable Care Act and Taxpayer Relief Act. Diverse and complex statutory and regulatory mechanisms, the effect of which are to limit the amount of money paid to health care providers under both the Medicare and Medicaid programs have been enacted and approved in recent years. Some of these laws and/or regulations have been implemented, and others may be implemented in the future. Management of the Obligated Group is unable to predict what effect, if any, current and future legislative initiatives related to Medicare and Medicaid may have on operations of the Obligated Group.

Medicare

Approximately 47.5% of the gross patient service revenues of AdventHealth were derived from the Medicare program for the fiscal year ended December 31, 2018. As a consequence, any adverse development or change in Medicare reimbursement could have a material adverse effect on the financial condition and results of operations of the Obligated Group. Medicare Part A pays acute care hospitals for most inpatient services under a payment system known as the “Prospective Payment System” or “PPS.” Separate PPS payments are made for inpatient operating costs and inpatient capital-related costs and outpatient services. The Affordable Care Act institutes multiple mechanisms for reducing the costs of the Medicare program, including the following:

Market Basket Reductions. Generally, Medicare payment rates to hospitals are adjusted annually based on a “market basket” of estimated cost increases, which market basket adjustments for inpatient hospital care have averaged approximately 2-4% annually in recent years. The Affordable Care Act calls for reductions in the annual “market basket” update amount ranging from 0.10% to 0.75% each year through federal fiscal year 2019. In addition, the market basket updates are subject to adjustments based on national economic productivity statistics. The productivity adjustment for fiscal year 2019 is -0.8%. The reductions in market basket updates and the productivity adjustments will have a disproportionately negative effect upon those providers that are relatively more dependent upon Medicare than other providers. Changes in the payments received for all services, including specialty services, could have an adverse effect on the
Obligated Group. For further information regarding the Affordable Care Act and its provisions, see “BONDHOLDERS’ RISKS – Affordable Care Act” herein.

**Hospital Quality Initiative.** As required by the DRA, hospitals that do not participate in the Hospital Inpatient Quality Reporting Program (the “Hospital Quality Initiative”) will receive the market basket update, less 2%. CMS continues to update quality measures that hospitals must report in order to qualify for the full market basket update. The Obligated Group’s hospitals participate in the Hospital Quality Initiative.

**Value-Based Purchasing.** The Affordable Care Act establishes a value-based purchasing program to link payments to quality and efficiency. The program is funded through the reduction of hospital inpatient care payment by 2%. This reduction may be offset by incentive payments for hospitals that meet or exceed quality standards. In each federal fiscal year, the total amount collected from these reductions will be pooled and used to fund payments to reward hospitals that meet certain quality performance standards established by HHS.

**Hospital Acquired Conditions Penalty.** Beginning in federal fiscal year 2015, Medicare inpatient payments to hospitals that are in the top quartile nationally for frequency of certain “hospital-acquired conditions” will be reduced by 1% of what would otherwise be payable to each hospital for the applicable federal fiscal year.

**Readmission Rate Penalty.** Beginning in federal fiscal year 2013, Medicare inpatient payments to those hospitals with excess readmissions compared to the national average for certain patient conditions (acute myocardial infarction, pneumonia, heart failure, acute exacerbation of chronic obstructive pulmonary disease, elective total hip arthroplasty, total knee arthroplasty and coronary artery bypass graft surgery) are reduced based on the dollar value of that hospital’s percentage of excess preventable Medicare readmissions within 30 days of discharge. The maximum penalty is 3%.

**Disproportionate Share Adjustments.** Under PPS, hospitals that serve a disproportionate share of low-income patients may receive supplemental Disproportionate Share (“DSH”) payments from Medicare. A hospital may be classified as a DSH hospital based upon any of several circumstances related to the number of beds, the hospital’s location, and its disproportionate patient percentage. The DSH adjustment is calculated under one of several methods, depending upon the basis for the hospital’s classification as a DSH hospital. In the year ended December 31, 2018, certain of the AdventHealth hospitals received aggregate DSH payments totaling approximately $19.7 million. The Affordable Care Act provided that beginning in federal fiscal year 2014, hospitals receiving supplemental DSH payments from Medicare were slated to have their DSH payments reduced significantly. This reduction potentially will be adjusted to add-back payments based on the volume of uninsured and uncompensated care provided by each such hospital, and is anticipated to be offset by a higher proportion of covered patients as other provisions of the Affordable Care Act go into effect. On September 13, 2013, CMS issued a final rule confirming its methodology, which accounted for statewide reductions in uninsured and uncompensated care, and reduced Medicaid DSH allotments to each state. Under this final rule, the federal share of Medicaid DSH payments was reduced by $500 million in fiscal year 2014 and $600 million in fiscal year 2015. Such reductions have been delayed several times and most recently under the budget bill signed into law by President Trump on February 9, 2018. The DSH reductions are further delayed by two years, through 2018 and 2019. The budget bill maintains a $4 billion reduction for 2020 (consistent with current law) and increases the annual DSH reduction to $8 billion per year from 2021 through 2025. This would result in a higher DSH reduction for 2021 through 2023 relative to current law. Each DSH hospital is then paid out of the reduced DSH payment pool an amount allocated based on its level of uncompensated care. For the year ended December 31, 2018, AdventHealth received uncompensated care pool payments totaling approximately $70.2 million. It is difficult to predict the full impact of the Medicare DSH reductions and uncompensated care payments. There is no assurance that the Obligated Group will receive DSH and uncompensated care payments in the future.
Hospital Inpatient Reimbursement. Acute care hospitals that are reimbursed on a PPS basis are paid a specified amount toward their operating costs based on the Diagnosis Related Group (“DRG”) to which each Medicare service is assigned, which is determined by the diagnosis, procedure and other factors for each particular inpatient stay. The amount paid for each DRG is established prospectively by CMS based on the estimated intensity of hospital resources necessary to furnish care for each principal diagnosis and is not directly related to a hospital’s actual costs. For certain Medicare beneficiaries who have unusually costly hospital stays (“outliers”), CMS will provide additional payments above those specified for the DRG. Outlier payments cease to be available upon the exhaustion of such patient’s Medicare benefits or a determination that acute care is no longer necessary, whichever occurs first. There is no assurance that any of these payments will cover the actual costs incurred by a hospital. In addition, recent revisions to the outlier regulations implemented in order to curb outlier payment abuse may adversely affect hospitals’ ability to receive such subsidies. In addition to outlier payments, DRG payments are adjusted for area wage differentials. These change on an annual basis.

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

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. CMS adopted the policy due to growing concern with the overuse of the “observation” status at hospitals. CMS found that Medicare beneficiaries were spending extended periods of time in observation units without being admitted as inpatients. Enforcement of the “Two-Midnight” rule was ultimately delayed until the end of 2015. Effective October 1, 2015, responsibility for initial review of inpatient admissions shifted from Medicare administrative contractors to quality improvement organizations (“QIO”), and recovery audit contractors will only conduct reviews for providers that have been referred by the related QIO. The Outpatient PPS Final Rule, issued in November 2015 and effective January 1, 2016, revised the Two-Midnight rule to allow an exception for Medicare Part A payment on a case-by-case basis for inpatient admissions that do not satisfy the two-midnight benchmark if documentation in the medical records supports that the patient required inpatient care.

Following ongoing industry criticism and a legal challenge, CMS announced it would not continue to impose an inpatient payment cut to hospitals under the “Two-Midnight” rule starting in 2017. On August 2, 2016, in its 2017 Medicare IPPS final rule, CMS eliminated the inpatient pay cuts associated with the “Two-Midnight” rule. In addition, the final rule instituted a net increase of 0.6% in fiscal year 2017 to offset the estimated cost of the “Two-Midnight” rule policy in fiscal years 2014-2016. Management is unable to predict whether the inpatient pay cuts associated with the “Two-Midnight” rule will be reinstated in the future or what effect, if any, the “Two-Midnight” rule will have on future hospital revenues.

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

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

**Costs of Outpatient Services.** Hospital outpatient services, including hospital operating and capital costs, are reimbursed on a PPS basis. Several Medicare Part B services are specifically excluded from this rule, including certain physician and non-physician practitioner services, ambulance, clinical diagnostic laboratory services and nonimplantable orthotics and prosthetics, physical and occupational therapy, and speech language pathology services.

Under the hospital outpatient PPS (“OPPS”), predetermined amounts are paid for designated services furnished to Medicare beneficiaries. CMS classifies outpatient services and procedures that are comparable clinically and in terms of resource use into ambulatory payment classification (“APC”) groups. Using hospital outpatient claims data from the most recent available hospital cost reports, CMS determines the median costs for the services and procedures in each APC group. Subsequently, a payment rate is established for each APC. Depending on the services provided, a hospital may be paid for more than one APC for a patient visit.

The actual cost of care, including capital costs, may be more or less than the reimbursements. Generally, the payment rates are adjusted annually based on estimated cost increases and other factors, including productivity and budget neutrality adjustments. There is no guarantee that APC rates, as they change from time to time, will cover actual costs of providing services to Medicare patients.

**Physician Payment.** Certain physician services are reimbursed on a national fee schedule called the “resource-based-relative-value scale” (“RB-RVS”). The RB-RVS fee schedule establishes payment amounts for all physician services, including services of provider-based physicians, and is subject to annual updates. The Sustainable Growth Rate (“SGR”), which is a limit on the growth of Medicare payments for physician services, is linked to changes in the U.S. Gross Domestic Product over a ten-year period. SGR targets are compared to actual expenditures in order to determine subsequent physician fee schedule updates. The use of the SGR in determining physician fee schedule updates was widely criticized, and was consistently neutralized with Congressional intervention which served to delay considerable decreases to Medicare physician payments.

In response to these criticisms, the Medicare Access and Children’s Health Insurance Program Reauthorization Act (“MACRA”) replaced the SGR formula with statutorily prescribed physician payment updates and provisions comprising the Quality Payment Program. 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 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 account for performance under such programs. Beginning in 2026, physicians who adequately participate in APMs will receive an annual increase of 0.75% and physicians who participate in MIPS will receive an annual increase of 0.25%. 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.
**Skilled Nursing Care.** Medicare Part A reimburses on a PPS basis for certain post-acute inpatient skilled nursing and rehabilitation care for up to 100 days during the same spell of illness. For skilled nursing facilities (“SNFs”), the federal government has implemented a PPS for Medicare reimbursement, which utilizes prospective, case-mix adjusted per diem rates applicable to all covered SNF services. Reimbursement under PPS also incorporates adjustments to account for facility case-mix using the Resource Utilization Groups (“RUGs”) system, currently RUGs-IV, with a total of 66 RUGs divided into 16 categories. Payment rates assigned to each RUG are subject to an annual market basket adjustment, based upon the increase or decrease of the medical care expenditure category of the Consumer Price Index, which may be less than inflation. In the final rule setting out Medicare reimbursement rates for SNFs for federal fiscal year 2019, CMS projects an increase of $820 million, resulting from the market basket update required to be 2.4% by the Bipartisan Budget Act of 2018. Additionally, effective October 1, 2019, CMS will be using a new case-mix model, the Patient-Driven Payment Model (the “PDPM”), which will replace the existing RUGs-IV model. The PDPM focuses on a patient’s clinical condition and resulting care needs, rather than on the amount of care provided in order to determine Medicare payment.

**Home Health Care.** CMS pays home health agencies for 60-day episodes of care based on PPS and reimburses agencies at higher rates for beneficiaries with greater needs. The Obligated Group uses national payment rates that vary with the level of care required by each beneficiary, adjusted to reflect area wage differences. Additional payments may be made to the 60-day case-mix adjusted episode payments for beneficiaries who incur unusually large costs. Total national outlier payments for home health services annually will be no more than 2.5% of estimated total payments under home health PPS. To adjust for case-mix, the home health PPS uses a 153-category case-mix classification system to assign patients to a home health resource group. As required by the DRA, agencies that do not submit data to CMS relating to certain quality indicators will have their market basket update percentage reduced by 2%. The Affordable Care Act requires, beginning in 2015, a four-year phase-in of the rebasing adjustments (3.5% each year) to the home health PPS payment rates and that the home health market basket annual update be subject to a productivity adjustment. Under the CMS final rule for calendar year 2019, CMS projects that Medicare payments to home health agencies will be increased by 2.2% (or $420 million). The increase reflects the effects of a 2.2% home health payment update percentage, a 0.1% increase in payments due to decreasing the fix-dollar-loss ratio in order to pay no more than 2.5% of total payments as outlier payments and a 0.1% decrease in payments due to the new rural add-on policy mandated by the Bipartisan Budget Act of 2018. In addition, CMS finalized a new case-mix classification model, the Patient-Driven Groupings Model (“PDGM”), effective January 1, 2020. The PDGM relies more heavily on clinical characteristics and additional patient information to match home health periods of care with meaningful payment categories and eliminates the use of therapy service thresholds, as required by the Bipartisan Budget Act of 2018. In connection with the implementation of the PDGM, there will be a change in the unit of payment from a 60-day episode of care to a 30-day period.

**Provider-Based Standards.** Some health care providers bill for services as “provider-based entities” and, as such, are subject to CMS’ provider-based regulations. Beginning January 1, 2017, off-campus hospital outpatient departments established on or after November 2, 2015 are subject to a policy called “site neutrality,” which means that they are not eligible for payment under the OPPS for non-emergency services, and instead are paid at rates intended to match what would be available at equivalent non-hospital settings, such as physician offices. In calendar year 2017, CMS paid for non-emergency services performed at these facilities under the physician fee schedule at a rate that was approximately 50% of what would be paid under the OPPS. In calendar year 2018, CMS revised its methodology to pay for non-emergency services at these facilities at 40% of the OPPS. For 2019, CMS finalized policies to reduce payments for clinic visit services to a physician fee schedule-equivalent rate when provided at an “excepted” provider-based department. CMS is phasing in the payment reduction over two years, with the rate for clinic visit services reduced by 30% for calendar year 2019 and reduced by 60% in 2020. These reimbursement changes have a significant impact on the financial performance of many provider-based entities.
Medicare Advantage. Medicare beneficiaries may obtain Medicare coverage through a managed care Medicare Advantage plan. A Medicare Advantage plan may be offered by a coordinated care plan (such as an HMO or PPO), a provider sponsored organization (“PSO”) (a network operated by health care providers rather than an insurance company), a private fee-for-service plan, or a combination of a medical savings account (“MSA”) and contributions to a Medicare Advantage plan. Each Medicare Advantage plan, except an MSA plan, is required to provide benefits approved by the Secretary of HHS. A Medicare Advantage plan will receive a monthly capitated payment from HHS for each Medicare beneficiary who has elected coverage under the plan. Health care providers such as the Obligated Group must contract with Medicare Advantage plans to treat Medicare Advantage enrollees at agreed upon rates or may form a PSO to contract directly with HHS as a Medicare Advantage plan. Covered inpatient and emergency services rendered to a Medicare Advantage beneficiary by a hospital that is an out-of-plan provider (i.e., that has not entered into a contract with a Medicare Advantage plan) will be paid at Medicare fee-for-service payment rates as payment in full.

The Affordable Care Act provides that through September 30, 2019, payments under the Medicare Advantage programs will be reduced, which may result in increased premiums or out-of-pocket costs to Medicare beneficiaries enrolled in Medicare Advantage plans. These beneficiaries may terminate their participation in such Medicare Advantage plans and opt for the traditional Medicare fee-for-service program. The reduction in payments to Medicare Advantage plans may also lead to decreased payments to providers by managed care companies operating Medicare Advantage plans. There can be no assurance that the rates negotiated for the treatment of Medicare Advantage enrollees will be sufficient to cover the cost of providing services to such patients. All or any of these outcomes will have a disproportionately negative effect upon those providers with relatively high dependence upon Medicare managed care revenues. For further information regarding the Affordable Care Act and its provisions, see “BONDHOLDERS’ RISKS – Affordable Care Act” herein. The Taxpayer Relief Act provided for modifications to the Medicare Advantage coding intensity adjustment, which adjusts Medicare Advantage payments to account for differences between fee-for-service Medicare and Medicare Advantage. The Taxpayer Relief Act increased the 2014 Medicare Advantage coding intensity adjustment by setting it at a minimum of 4.91%, and mandated an incremental increase in the adjustment annually starting in 2015 which is expected to further reduce payments by 0.25% each year.

Medicare Audits. Hospitals participating in Medicare are subject to audits and retroactive audit adjustments with respect to reimbursement claimed under the Medicare program. Medicare regulations also provide for withholding Medicare payment in certain circumstances if it is determined that an overpayment of Medicare funds has been made. In addition, under certain circumstances, payments may be determined to have been made as a consequence of improper claims subject to the federal False Claims Act (the “Federal False Claims Act”) or other federal statutes, subjecting the Obligated Group to civil or criminal sanctions. Management of the Obligated Group is not aware of any situation whereby a material Medicare payment is being withheld from the Obligated Group.

RAC Audits. In accordance with the MMA and the Tax Relief and Health Care Act of 2006 (the “2006 Tax Act”), CMS designated the use of recovery audit contractors (“RAC”) to search for improper Medicare payments. The Affordable Care Act expanded the RAC program to Medicare Part C (Medicare Advantage plans), Medicare Part D (prescription drug coverage) and Medicaid. RAC program activities are executed by contractors selected by CMS, who are compensated on a contingency basis thus increasing the incentive to find improper payments. RAC audits can be automated (claims selection solely based on data from CMS without human review of the medical record) or complex (human review of the medical record required to identify discrepancies between the medical record and the claim). Contractors have three years from the time a claim is paid to review that claim.
Medicaid (Title XIX of the federal Social Security Act) is a health insurance program for certain low-income and needy individuals that is jointly funded by the federal government and the states. It covers approximately 50 million people, including children, the aged, blind, and/or disabled, and individuals who are eligible to receive federally assisted income maintenance payments. Pursuant to broad federal guidelines, the states and the United States territories (Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands) each (1) establish their own eligibility standards; (2) determine the type, amount, duration, and scope of services; (3) set the payment rates for services; and (4) administer their own programs. Some states operate certain Medicaid programs under a waiver of some of the basic Medicaid requirements. Pursuant to the Medicaid program, the federal government supplements funds provided by the various states for medical assistance to the medically indigent. Payment for such medical and health services is made to hospitals in an amount determined in accordance with procedures and standards established by state law under federal guidelines.

Fiscal considerations of both the federal and state governments in establishing their budgets will directly affect the funds available to the providers for payment of services rendered to Medicaid beneficiaries. Currently, Medicaid nursing facility payments are generally made using a prospective per diem payment based on cost, adjusted for various factors, including acuity. In addition, Medicaid inpatient hospital payments are generally made under a DRG, prospective payment system on a per discharge basis. It is important to note that although the payment systems can be categorized in general terms, the specific methodology varies from state to state.

Approximately 13.5% of AdventHealth gross patient service revenues for the year ended December 31, 2018 were derived from the Medicaid program. Medicaid programs vary widely from state to state and are continually being amended and revised. There can be no assurance that the Obligated Group’s patient service revenues will not be adversely affected by any future amendments and revisions to the Medicaid programs in the states where the Obligated Group assets are located.

Provided below for certain of the states in which the Obligated Group assets are located is certain relevant state regulatory information.

**Colorado**

Colorado does not have a certificate of need (“CON”) law. Hospitals in Colorado are required to establish a quality management program, appropriate to the size and type of facility, that evaluates the quality of patient or resident care and safety. The Health Facilities and Emergency Medical Services Division of the Colorado Department of Public Health and Environment (“Colorado Department”) licenses and certifies all types of health care facilities, including hospitals. The Colorado Department assures that patients receive quality care from licensed health facilities, and is responsible for conducting on-site inspections and complaint investigations. Failure to maintain correct licenses may result in interruption of business or the closing of a facility. The Members of the Obligated Group believe that its Colorado hospitals are in compliance with Colorado Department requirements.

**Florida**

*Certificate of Need.* Florida law provides for a CON program which has historically applied to the offering of certain new or expanded health care-related projects and institutional health services. The CON program in Florida is administered by the Agency for Health Care Administration (“AHCA”). Florida’s CON program historically required, among other things, AHCA’s review of proposed establishment of, additions to, conversions of, or substantial changes in certain health services by or on behalf of certain Members of the Obligated Group under certain conditions, and depending upon the type of health care...
facility; the new construction or establishment of additional facilities; and the replacement of existing facilities to be located on different sites. Certain health-care-related projects are subject to expedited review, and certain other health-care-related projects are exempt from review.

In the 2019 legislative session, a bill was passed effective July 1, 2019, that:

- Eliminates the requirement to obtain a CON prior to establishing a general acute care or long-term acute care hospital; and
- Eliminates the requirement that a hospital must obtain a CON prior to offering a new tertiary service.
  - Tertiary services include: pediatric cardiac catheterization; pediatric open-heart surgery; organ transplantation; neonatal intensive care units; comprehensive rehabilitation; medical or surgical services which are experimental or developmental in nature to the extent that the provision of such services is not yet contemplated within the commonly accepted course of diagnosis or treatment for the condition addressed by a given service; heart, kidney, liver, bone marrow, lung transplantation, pancreas and islet cells, and heart/lung transplantation; adult open heart surgery; and neonatal and pediatric cardiac and vascular surgery.
  - The bill specifies that AHCA may continue to use the CON rules for the regulation of a tertiary service until such time as the AHCA adopts licensure rules for such services.
  - The bill also requires the Legislature’s Office of Program Policy Analysis and Government Accountability to study federal requirements and other state requirements for tertiary services and report to the Legislature by November 1, 2019. The report must include best practices for licensure requirements for tertiary services, including volume requirements.

Effective July 1, 2021, the bill eliminates the requirement to obtain a CON prior to establishing a new class II, III, or IV hospital.

- Class II hospitals include children’s and women’s hospitals;
- Class III hospitals include specialty medical, rehabilitation, and psychiatric, and substance abuse hospitals; and
- Class IV hospitals are specialty hospitals restricted to offering Intensive Residential Treatment Facility Services for Children.

The bill was approved and signed by the Governor on June 25, 2019 and the bill’s provisions take effect July 1, 2019, except as otherwise provided.

Telehealth. In the 2019 legislative session, a bill was passed effective July 1, 2019, that establishes a framework for telehealth including, without limitation, the following components:

- Establishing standards of practice for telehealth providers;
- Creating a registration process and requirements for out-of-state telehealth providers;
- Authorizing the prescribing of controlled substances in certain situations by telehealth;
- Providing record-keeping requirements for providers;
- Requiring the Department of Health (“DOH”) to create and maintain an informational website of out-of-state registered telehealth providers;
- Authorizing a disciplinary process for registered out-of-state telehealth providers;
- Establishing venue requirements for a civil or administrative action initiated by DOH, the appropriate health practitioner regulatory board, or a patient who receives telehealth services from an out-of-state telehealth provider;
-Providing rulemaking authority to administer these new requirements; and
-Creating insurance and HMO contracting requirements relating to the voluntary acceptance of payment rates for telehealth services to ensure that telehealth providers are aware of the reimbursement provisions through initialing any specific telehealth payment terms, if different from in-person services, effective January 1, 2020.

The bill defines telehealth as the use of synchronous or asynchronous telecommunication technology to provide health care services, including, but not limited to, assessment, diagnosis, consultation, treatment, and monitoring of a patient; transfer of a medical data; patient and professional health-related education; public health services; and health administration. The definition does not include audio-only telephone call, e-mail messages, or facsimile transmissions. The bill creates mechanisms for discipline of a telehealth provider registrant.

The definition of a telehealth provider includes any individual who provides health care and related services using telehealth and who is licensed or certified under one of 27 professions or occupations or is a member of a multi-state health care licensure compact of which Florida is a member state. The bill creates mechanisms for discipline of a telehealth provider registrant which may include a suspension or revocation of his or her registration or issuance of a reprimand or letter of concern. The bill also directs the DOH to conduct an annual review of registration fees collected under the bill and determine the sufficiency of the fees to implement Section 456.47 Fla. Stat.

The bill was approved and signed by the Governor on June 25, 2019 and the bill’s provisions take effect July 1, 2019, except as otherwise provided.

**Office Surgeries.** The bill authorizes the DOH to register and regulate office surgeries. The bill requires an office in which a physician performs any of the following procedures to register with the department unless they are licensed under Florida Statutes Chapters 390 and 395: a liposuction procedure in which more than 1,000 cc. of fat is removed; a Level II office surgery; or a Level III office surgery. Each registered office must designate a physician to be responsible for the office’s compliance with the health and safety requirements. The DOH may suspend or revoke the registration of an office for failure of any of its physicians, owners, or operators to comply with these provisions. If an office’s registration is revoked, the DOH may deny any person named in the registration, including owners and operators of the office, from registering an office for five years after the revocation. The DOH may also impose certain penalties for failure to comply.

The bill was approved and signed by the Governor on June 25, 2019 and the bill’s provisions take effect January 1, 2020 except as otherwise provided.

**Hospital Quality Report Cards.** Among other things, the bill amends s. 395.1012, F.S., to require hospitals to provide patients, or a patient’s proxy, with written information and quality measures pertaining to quality of care for that hospital and the statewide average for those quality measures. Such information must be easily understandable and include an explanation of the relationship between patient safety and the hospital’s data for quality measures.

The bill was approved and signed by the Governor, on June 25, 2019 and the bill’s provisions take effect July 1, 2019, except as otherwise provided.

**Physician Access in a Hospital Setting.** A new bill creates s. 395.1052, F.S., to facilitate the involvement of a patient’s primary care physician and specialists in a hospital setting:
• Hospitals must notify each patient’s primary care provider within 24 hours after the patient is admitted and after discharge.
• Hospitals must also inform a patient that he or she may request the hospital’s treating physician to consult with the patient’s primary care doctor and/or specialist when developing the patient’s plan of care. If such request is made, the treating physician is required to make reasonable efforts to do so.
• Hospitals must also provide the patient’s discharge summary to the patient’s primary care doctor within 14 days after the discharge summary is completed.

The bill was approved and signed by the Governor on June 25, 2019 and the bill’s provisions take effect July 1, 2019, except as otherwise provided.

**Ambulatory Surgical Centers.** The bill amends s. 395.002, F.S., to allow a patient to stay in an ambulatory surgical center for up to 24 hours and deletes the current-law requirement that a patient be admitted and discharged on the same working day without staying overnight. The bill also amends s. 395.1055, F.S., to require the AHCA to adopt rules to ensure the safe and effective delivery of care to children in ambulatory surgical centers.

The bill was approved and signed by the Governor on June 25, 2019 and the bill’s provisions take effect July 1, 2019, except as otherwise provided.

**Hospital Observation Status.** The bill amends s. 395.301, F.S., to require that when a hospital places a patient on observation status instead of inpatient status, the hospital must immediately provide written notification to the patient. The bill requires the notice be given to Medicare patients through a Medicare form and to non-Medicare patients through a form adopted by AHCA rule.

The bill was approved and signed by the Governor on June 25, 2019 and the bill’s provisions take effect July 1, 2019, except as otherwise provided.

**Nonopioid Alternatives.** The bill amends s. 456.44, F.S., to establish legislative findings that every competent adult has the right of self-determination regarding healthcare decisions, including the right to refuse treatment with a Schedule II opioid controlled substance.

The bill requires the DOH to develop and publish on its website an educational pamphlet regarding the use of nonopioid alternatives for the treatment of pain. The pamphlet must include:

- Information on available nonopioid alternatives for the treatment of pain, including nonopioid medicinal drugs or drug products and nonpharmacological therapies; and
- The advantages and disadvantages of the use of nonopioid alternatives.

Additionally, the bill requires a health care practitioner, except a health care practitioner licensed under ch. 465, F.S., (the practice of pharmacy), prior to providing anesthesia or ordering, administering, dispensing or prescribing a Schedule II opioid drug to a patient in a nonemergency situation, to:

- Inform the patient of available nonopioid alternatives for the treatment of pain, which may include nonopioid medicinal drugs or drug products, interventional procedures or treatments, acupuncture, chiropractic treatments, massage therapy, physical therapy, occupational therapy, or any other appropriate therapy as determined by the health care practitioner;
- Discuss the advantages and disadvantages of the use of nonopioid alternatives, including whether the patient is at a high risk of, or has a history of, controlled substance abuse or misuse and the patient’s personal preferences;
• Provide the patient with the educational pamphlet developed by the DOH; and
• Document the nonopioid alternatives considered in the patient’s record.

The bill was approved and signed by the Governor on June 24, 2019 and the bill’s provisions take effect July 1, 2019.

Utilization Management. In 1984, the Florida legislature enacted the Health Care Access Act of 1984 (the “Access Act”) to provide financial incentives for hospitals and insurers to contain costs.

Florida Indigent Assistance. The Access Act also provided a mechanism for funding the provision of health care services to indigent persons. The Access Act, currently in Florida Statutes Sections 409.918 and 395.701 et seq., imposes assessments upon each hospital operating in Florida, except hospitals operated by AHCA or the Department of Corrections. Each hospital is assessed 1.5% of its annual net operating revenue for inpatient services and 1.0% of its annual net operating revenue for outpatient services, based on the hospital’s actual experience as reported to AHCA. The assessment is payable to and collected by AHCA and is based on annual net operating revenue for the entity’s most recently completed fiscal year. Moneys collected by AHCA pursuant to the Access Act are deposited into Florida’s Public Medical Assistance Trust Fund.

Florida Health Care Reform Act. The Florida Health Care Reform Act of 1992 (“Reform Act”) established a single agency, AHCA, in order to consolidate the State of Florida’s health care financing, data collection and regulatory functions. The data collection and analysis activities of AHCA are financed in part by an annual assessment on hospitals in an amount not to exceed four basis points (.04%) of the gross operating expenses of the hospital for its last fiscal year. Each fiscal year, health care facilities must file comprehensive financial information with AHCA. Health care facilities that fail to comply with AHCA’s reporting requirements or to timely pay the required assessment are subject to fines not exceeding $1,000 per day for each day the facility is in violation. Also pursuant to the Reform Act, set forth in part at Florida Statutes 408.50, hospitals are required to enter into a rate agreement with each health insurer which represents 10% or more of the hospital’s private pay patients to establish a prospective payment arrangement.

Florida Medicaid Reform. In 2011, the Florida Legislature created new legislation directing AHCA to create the Statewide Medicaid Managed Care (“SMMC”) Managed Medical Assistance Program (“MMA”) including a long-term care component and a dental program. The SMMC was established in 2011 as a new, integrated, comprehensive Medicaid managed care program through which Medicaid enrollees receive medical services. Statewide implementation of MMA plans was completed in 2014. Medicaid enrollees enrolled in one of several types of managed care plans containing certain federally mandated benefits and certain state minimum benefits: health maintenance organizations, provider service networks, or children’s medical services networks. Most Medicaid recipients must enroll in the SMMC program. The SMMC includes both the MMA, which provides comprehensive primary and preventive medical care and prescription drugs, and a long-term care program. During the 2017 legislative session, AHCA was directed to consolidate three Medicaid waivers that offer similar services into the SMMC.

Management of the Obligated Group cannot predict what effect, if any, such reforms will have on the Obligated Group’s Florida hospital facilities.

As of the end of the 2018 Florida regular legislative session, Florida had not expanded Medicaid coverage to low-income adults under the Affordable Care Act. However, the federally-facilitated marketplace, a health insurance marketplace established under the Affordable Care Act, offers health insurance plans in Florida operated by HHS. In 2016, legislation was passed prohibiting providers from balance billing patients with preferred provider organization and exclusive provider organization health insurance plans in emergency rooms and scheduled inpatient procedures at an approved in-network hospital.
Hospitals, ambulatory surgical centers, and urgent care centers are also prohibited from balance billing. The bill established standards for determining reimbursement based upon the current balance billing prohibition in the HMO statute, which is the lesser of the provider’s charges, the usual and customary provider charges for similar services in the community where the services are provided, or the charge mutually agreed to by the insurer and the provider within 60 days of claim submission. In 2016, legislation was also passed that created pre-treatment transparency obligations for hospitals, ambulatory surgery centers, and health care practitioners providing non-emergency services. Facilities must post online the average payments and payment ranges received for bundles of health care services defined by AHCA and the information must be consumer friendly. Facilities must also provide to prospective patients information on the facility’s financial assistance policy, as well as the names, addresses, and telephone numbers of the health care practitioners with which it contracts. For some time, consumers have been able to use FloridaHealthFinder to access health plan report cards, locate facilities, and obtain educational materials. In November 2017, AHCA launched FloridaHealthPriceFinder, a health care transparency website where consumers can look up the average amounts paid by insurance plans for a specific service.

Illinois

Illinois Health Facilities Planning Act. Certain Members of the Obligated Group are subject to the Illinois Health Facilities Planning Act, as amended (the “Illinois Planning Act”). The Illinois Planning Act has among its purposes the establishment of procedures designed to reverse the trend of increasing costs of health care resulting from unnecessary construction or modification of health care facilities, for the orderly and economical development of nonfederal health care facilities in Illinois, the avoidance of unnecessary duplication of such facilities and the promotion of planning for development of such facilities. Pursuant to the Illinois Planning Act and the accompanying regulations, no health care facility (which, as defined in the Illinois Planning Act, includes hospitals, nursing homes and certain other facilities) may initiate a project which (i) requires a capital expenditure in excess of the capital expenditure minimum, or (ii) substantially changes the scope or functional operation of a health care facility, or (iii) results in the establishment or discontinuance of a health care facility, or (iv) increases or decreases the number of beds or redistributes the bed capacity among various categories of service or physical facilities by more than 20 beds or by more than 10% of the total bed capacity, whichever is less, over a two-year period, or (v) establishes or discontinues a regulated category of service, or (vi) involves the change of ownership of a health care facility, without first obtaining a CON permit, or an exemption, from the Illinois Health Facilities and Services Review Board (the “HFSRB”), formerly the Illinois Health Facilities Planning Board, the issuance of which is governed by the provisions of the Illinois Planning Act. The Illinois Department of Public Health, with the prior approval of the HFSRB, prescribes rules, regulations, standards and criteria required to carry out the provisions and purposes of the Illinois Planning Act.

Illinois Medicaid Funding. The State of Illinois continues to be adversely affected by fiscal considerations that affect its budget for programs such as Medicaid. Historically, federal payments and amounts appropriated by the Illinois General Assembly for payment of Medicaid claims have not been sufficient to reimburse hospitals for their actual costs in providing services to Medicaid patients. Also, the state has routinely failed to pay Medicaid claims on a timely basis. The maximum amounts of unpaid Medicaid Assistance bills received and recorded by the Illinois Department of Healthcare and Family Services (“IDHFS”) on or before June 30 of a particular fiscal year that may be paid by IDHFS from future fiscal year Medicaid Assistance appropriations is $100 million for each fiscal year. In June 2017, a federal judge ordered Illinois to pay $586 million per month to Medicaid providers to ensure continued medical care for Medicaid beneficiaries. Further, Illinois was required to send $2 billion to Medicaid providers during the 2018 fiscal year to pay down a backlog of unpaid bills totaling approximately $3.1 billion. The reduction in Medicaid services and programs, as well as any failure by the state to pay Medicaid claims on a timely basis, may have an adverse effect on the Obligated Group’s cash flow and financial condition.
Since 2008, the State of Illinois has had in place a hospital assessment program (the “2008 Hospital Assessment Program”) that was approved by CMS and, as such, generates funds that may be used to pay for the state’s share of Medicaid expenditures. The 2008 Hospital Assessment Program expired on June 30, 2018. To ensure that the State would continue to receive federal matching funds to offer services for Medicaid beneficiaries, legislators redesigned the 2008 Hospital Assessment Program to allow for a continuation of the hospital assessment program in the State (the “2018 Hospital Assessment Program”).

In June 2012, the Governor of Illinois signed into law Public Act 97-0688, which originally provided for an enhanced hospital assessment program until the end of the 2014 calendar year, but was subsequently extended through calendar year 2018. The program requires each privately-owned Illinois hospital to pay an assessment equal to 0.008766% of its outpatient gross revenue, and is expected to generate a total assessment of approximately $290 million per year. Of this amount, $240 million will be used to attract federal Medicaid matching funds, which will result in total new Medicaid payments to hospitals of about $480 million, representing a net improvement of approximately $190 million. Payments will be made according to formulae to preserve and improve access to perinatal services, complex emergent services, outpatient services, hospital emergency and psychiatric services, outpatient services at specialty hospitals, salaried physician services in high volume Medicaid hospitals, and to maintain access to hospitals that serve a high percentage of patients who are dually eligible for Medicare and Medicaid, hospitals that provide high volumes of inpatient services to Medicaid patients, and hospitals that have a disproportionate share of their outpatient volume within the emergency room setting. Assessments will not be due and any monies paid will be refunded if these hospital access improvement payments are not eligible for federal Medicaid matching funds.

In July 2013, Illinois enacted Public Act 98-0104 (the “Expanded Medicaid Act”), which expanded Medicaid health coverage to adults under the age of 65 with incomes under 138% of the federal poverty level. By August 2016, total enrollments under the Medicaid expansion exceed 646,000. The federal government will pay 100% of the cost of the newly eligible Medicaid recipients in 2014, 2015 and 2016, with matching level phasing down (beginning in 2017, by about 2% per year) to 90% by 2020 and subsequent years.

In May 2014, the Illinois legislature passed and the State’s Governor signed into law the Omnibus Medicaid Bill, Senate Bill 741, as Amended by House Amendment #1 (“SB 741”). Among its provisions, SB 741 authorized a new hospital payment system, extended both the existing Medicaid assessment system and enhanced Medicaid assessment system to July 1, 2018 (both of these assessment systems were scheduled to expire on December 31, 2014), and provided that IDHFS request federal funding under the Affordable Care Act for newly eligible Medicaid patients. The new hospital payment system became effective July 1, 2014. The goal of the new payment system is to better align the payment for services rendered to Medicaid patients with the hospitals providing the services. Under the new hospital payment system, rates paid will be based on more current utilization data with a greater emphasis on accurate coding of claims. Quarterly fixed payments are being replaced with increased payments on a per claim basis. Outpatient rates are also being increased. IDHFS requested, and on January 9, 2015 CMS approved, federal funding for hospitals serving newly eligible Medicaid recipients under the Affordable Care Act, retroactive to March 1, 2014. IDHFS estimates that this will provide approximately $400 million of new annual federal funding to be distributed to hospitals across Illinois. The distribution of this new funding is designed to mirror the two current hospital assessment systems’ distributions.

On March 12, 2018, the Governor signed the 2018 Hospital Assessment Program into law which was subsequently approved by CMS in June 2018. The 2018 Hospital Assessment Program became effective on July 1, 2018. The 2018 Hospital Assessment Program sunsets on June 30, 2020 in order to evaluate the program’s effectiveness. A vote of the General Assembly will be required for the 2018 Hospital Assessment Program to continue after June 30, 2020. Under the 2018 Hospital Assessment Program, each hospital is assessed an amount based on that hospital’s adjusted gross hospital revenue. Such assessments
are to be used to pay for the State’s share of Medicaid expenditures that are also reimbursed by the federal government, increasing overall reimbursement for Medicaid inpatient and outpatient services. The use of provider assessments has been criticized in Congress and by various federal agencies and may be restricted or eliminated in the future. The new formula relies upon updated patient data from fiscal year 2015. The 2018 Hospital Assessment Program also includes added oversight tracking managed care organizations. There can be no assurance that the State of Illinois will extend, or that CMS will approve an extension of, the 2018 Hospital Assessment Program past the June 30, 2020 sunset date.

The State of Illinois continues to be adversely affected by fiscal considerations that affect its budget for programs such as Medicaid. Along with education and pensions, Medicaid is one of the key cost drivers in the State’s budget. After several years of not passing complete State budgets, in June 2018, the Governor signed a $38.5 billion fiscal 2019 balanced budget (the “2019 State Budget”). The 2019 State Budget maintains full funding for Medicaid with a $14.5 billion funding level that will allow Medicaid bills to be processed on a timely basis.

Property and Sales Tax Legislation. On June 14, 2012, the Illinois Governor signed into law Public Act 97-0688 (the “Illinois Property Tax Act”) that established criteria for property and sales tax exemptions for health care providers operating in the State of Illinois. The Illinois Property Tax Act provides that a hospital owner or hospital affiliate satisfies the conditions for an exemption from real property taxation if the value of “qualified services or activities” for the hospital year equals or exceeds the relevant hospital entity’s estimated property tax liability for the calendar year in which exemption or renewal of exemption is sought. Not for profit hospitals that satisfy this test will also be exempt from the state’s sales tax. The Illinois Property Tax Act provides that “qualified services and activities” include charity care (free or discounted services pursuant to the hospital’s financial assistance policy, measured at cost); health services to low-income or underserved individuals (including, without limitation, financial or in-kind support relating to the care and treatment of low-income or underserved individuals); subsidies provided to state or local governments for programs related to health care for low-income or underserved individuals; support for state health care programs for low-income individuals; and the portion of unreimbursed costs attributed to providing, paying for, or subsidizing goods, activities or services that relieve the burden of government relating to health care for low-income individuals, including, without limitation, the provision of medical education and training of health care professionals as well as the provision of emergency, trauma, burn, neonatal, psychiatric, rehabilitation or other special services.

Several lawsuits have been ongoing in Illinois related to property tax exemption for nonprofit hospitals, including challenges to the constitutionality of Section 15-86 of the Illinois Property Tax Code, which addresses exemption for not for profit hospitals. On September 20, 2018, the Illinois Supreme Court upheld the constitutionality of Section 15-86 of the Illinois Property Tax Code. Future legal challenges to the Illinois Property Tax Code or to the exemptions provided to the hospital of the Obligated Group may occur; an adverse ruling subjecting the Obligated Group to property taxation could have a material impact on the financial condition of the Obligated Group.

Other State Legislative Initiatives. In addition to the increased scrutiny that tax exempt hospitals have faced in the past few years through federal and state charity care litigation, congressional hearings and IRS examinations, the office of the Illinois Attorney General (the “Attorney General”) has also directed its attention toward state legislative and regulatory initiatives relating to tax exempt hospitals. Under current Illinois law, tax exempt hospitals are required annually to submit audited financial statements and detailed community benefits reports to the Attorney General. The Attorney General has also issued subpoenas to a number of Illinois hospitals requesting additional information on charity care policies, billing practices and other matters.

The Fair Patient Billing Act (Public Act 094-0885), effective January 1, 2007, relates to Illinois hospitals’ billing and collection procedures, and the Hospital Uninsured Patient Discount Act (Public Act
95-0965), effective April 1, 2009, requires all hospitals to provide discounts to uninsured patients meeting certain eligibility requirements and establish a maximum collectible amount of 25 percent of annual family income for eligible individuals.

Also on June 14, 2012, the Illinois Governor signed into law Public Act 97-0690 (the “Uninsured Charity Care Act”). The Uninsured Charity Care Act amends the Fair Patient Billing Act and the Hospital Uninsured Patient Discount Act to require, among other things, (i) the Attorney General to develop standard provisions in applications for financial assistance, together with rules for determining presumptive eligibility, and (ii) hospitals, other than rural hospitals or critical access hospitals, to provide a charitable discount of 100% of its charges for all medically necessary health care services exceeding $300 to uninsured individuals who apply for such a discount and who have a family income of not more than 200% of the federal poverty guidelines and rural hospitals or critical access hospitals to provide medically necessary free care to individuals with family income of up to 125% of the federal poverty guidelines. On August 2, 2013, the Attorney General released new rules which became effective on January 1, 2014, requiring specific disclosures in financial assistance applications and limiting the information that a hospital may require on its forms used to determine eligibility for assistance. The new rules also required each hospital to develop and implement a presumptive eligibility policy identifying specific eligibility criteria by which a patient may be deemed eligible for financial assistance as soon as possible after receiving health care services and prior to the issuance of any bill for such services. Management of the Obligated Group believes that the Members of the Obligated Group are in substantial compliance with the rules.

Kansas

Kansas does not have a CON law. The Kansas Department of Health and Environment’s Bureau of Child Care and Health Facilities (the “Kansas Bureau”) licenses and certifies all types of health facilities in Kansas, including adult care homes, hospitals, home health agencies, and facilities for the mentally retarded. Its programs exist to assure quality care through two primary means: establishing licensing standards and inspecting facilities to assure these standards are being met. Failure to maintain correct licenses may result in interruption of business or the closing of a facility. Management of the Obligated Group believes that the Obligated Group is in compliance with the Kansas Bureau requirements.

Texas

Texas law requires nonprofit hospitals to provide a certain level of uncompensated care to maintain an exemption from state taxes. Specifically, nonprofit hospitals must provide uncompensated community benefits based on the value of their tax exemption, local health needs and financial capability. Hospitals must choose from one of three standards to satisfy their community benefit requirements, develop community benefit plans and file financial reports with the Texas Department of State Health Services. Hospitals failing to report their community benefit plans are subject to civil penalties of up to $1,000 a day for each day the report is late. Management of the Obligated Group believes that the Obligated Group is in compliance with the Texas requirements.

Commercial Insurance and Other Third-Party Plans

Many commercial insurance plans, including group plans, reimburse their customers or make direct payments to the Obligated Group for charges at rates established by agreement. Generally, these plans pay semiprivate room rates plus ancillary service charges, which are subject to various limitations and deductibles depending on the plan. To the extent allowed by law, patients carrying such coverage are responsible to the hospital for any deficiency between the commercial insurance proceeds and total billed charges. There can be no assurance that patients will make payments of any such deficiencies.
Managed Care and Integrated Delivery Systems

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

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

Further, the Members of the Obligated Group have entered into contractual arrangements with PPOs, HMOs, and other similar MCOs, pursuant to which they agree to provide or arrange to provide certain health care services for these organizations’ eligible enrollees. There can, however, be no assurance that revenues received under such contracts will be sufficient to cover all costs of services provided. Failure of the revenues received under such contracts to cover all costs of services provided may have a material adverse effect on the operations or financial condition of the Obligated Group.

State Laws. States are increasingly regulating the delivery of health care services. 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 Obligated Group could be subject to a variety of state health care laws and regulations. In addition, the Obligated Group could be subject to state laws and regulations prohibiting, restricting, or otherwise governing preferred provider organizations; third-party administrators, physician-hospital organizations, independent practice associations or other intermediaries; fee-splitting; the “corporate practice of medicine”; selective contracting (“any willing provider” laws and “freedom of choice” laws); coinsurance and deductible amounts; insurance agency and brokerage, quality assurance, utilization review, and credentialing activities; provider and patient grievances; mandated benefits; rate increases; and many other areas.

In the event that the Obligated Group chooses to transact businesses subject to such laws, or is considered by a state in which it operates to be engaging in such businesses, the Obligated Group may be required to comply with these laws or to seek the appropriate license or other authorization from that state. Such requirements may impose operational, financial, and legal burdens, costs, or risks on the Obligated Group.

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

Physician Contracting and Relations. The Obligated Group has contracted with physician organizations (“POs”) (e.g., independent physician associations, physician-hospital organizations, etc.) to arrange for the provision of physician and ancillary services. Because POs are separate legal entities with their own goals, obligations to shareholders, financial status, and personnel, there are risks involved in contracting with POs. In addition, as of December 31, 2018, AdventHealth employed approximately 1400 physicians, including hospitalists, pathologists, radiologists, anesthesiologists, emergency room physicians and other hospital-based physicians.

The success of the Obligated Group will be partially dependent upon its ability to attract physicians to join POs and to attract POs to participate in the Obligated Group’s network, and upon the physicians’, including the employed physicians’, abilities to perform their obligations and deliver high quality patient care in a cost-effective manner. There can be no assurance that 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 providers in the Obligated Group’s network, the Obligated Group could fail to be competitive, fail to keep or attract payor contracts, or be prohibited from operating until its panel provided adequate access to patients. Such occurrences could have a material adverse effect on the business or operations of the Obligated Group.

The Obligated Group has attempted to structure its operations to avoid characterization as engaging in the corporate practice of medicine. However, there can be no assurance that state agencies will not challenge the Obligated Group’s activities as they relate to its management of the provider networks and find violations of the corporate practice of medicine prohibition, which may have a material adverse effect on the Obligated Group’s operations and financial results.

Regulation of Health Care Industry

General. The health care industry is highly dependent on a number of factors which may limit the ability of the Obligated Group and any future Members of the Obligated Group to meet their obligations under the Loan Agreement, the Master Indenture and the Series 2019B Note. Among other things, participants in the health care industry (such as the Obligated Group) are subject to significant regulatory requirements of federal, state and local governmental agencies and independent professional organizations and accrediting bodies, technological advances and changes in treatment modes, various competitive factors and changes in third-party reimbursement programs. Discussed below are certain of these factors which could have a significant effect on the future operations and financial condition of the Obligated Group.

Health Insurance Portability and Accountability Act. The Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) adds additional criminal sanctions for health care fraud and applies to all health care benefit programs, whether public or private. HIPAA also provides for punishment of a health care provider for knowingly and willfully embezzling, stealing, converting or intentionally misapplying any money, funds, or other assets of a health care benefit program. A health care provider convicted of health care fraud could be subject to mandatory exclusion from Medicare.

HIPAA also addresses the confidentiality of individuals’ health information, including privacy and security aspects of confidential health information. Disclosure of certain broadly defined protected health information is prohibited unless expressly permitted under the provisions of the HIPAA statute and regulations or authorized by the patient. HIPAA’s confidentiality provisions extend not only to patient
medical records, but also to a wide variety of health care clinical and financial information. These patient privacy restrictions often impose communication, operational, accounting and billing restrictions that add costs and create potentially unanticipated sources of liability. HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information.

On February 17, 2009, President Obama signed into law the Health Information Technology for Economic and Clinical Health Act (the “HITECH Act”), which is part of ARRA. The HITECH Act significantly changed the landscape of federal privacy and security law with regard to protected health information (“PHI”). The HITECH Act (i) extended the reach of HIPAA, certain provisions of the Privacy Rule, and the Security Rule, (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, and (v) increased enforcement of, and penalties for, violations of privacy and security PHI. The Obligated Group does not expect that the prohibited practices provisions of the HITECH Act will affect the Obligated Group in a material respect.

The HITECH Act also created a federal breach notification requirement that mirrors protections that many states have passed in recent years. This requirement provides that the Obligated Group must notify patients of any unauthorized access, acquisition or disclosure of their unsecured PHI that poses significant risk of financial, reputational or other harm to a patient. In addition, a new breach notification requirement was established requiring reporting to the Secretary of HHS and, in some cases, local media outlets, of certain unauthorized access, acquisition or disclosure of unsecured PHI that poses significant risk of financial, reputational or other harm to a patient.

On January 17, 2013 HHS issued an omnibus final rule interpreting and implementing various provisions of the HITECH Act, including a final breach notification rule. In addition, the facilities of the Obligated Group are also subject to any state law that is related to the reporting of data breaches and more restrictive than the regulations and/or requirements issued under HIPAA and the HITECH Act.

Any violation of HIPAA, the HITECH Act or the regulations promulgated thereunder is subject to HIPAA civil and criminal penalties, including monetary penalties and/or imprisonment. The Obligated Group believes it has complied materially with all reporting requirements and it is in substantial compliance with HIPAA, the HITECH Act, and the rules promulgated thereunder.

**Federal “Fraud and Abuse” Laws and Regulations.** The Federal Medicare/Medicaid Anti-Fraud and Abuse Amendments to the Social Security Act (the “Anti-Kickback Law”) make it a felony offense to knowingly and willfully offer, pay, solicit or receive remuneration in order to induce business for which reimbursement is provided under the Medicare or Medicaid programs. In addition to criminal penalties, including fines of up to $25,000 and five years’ imprisonment, violations of the Anti-Kickback Law can lead to civil monetary penalties (“CMP”) and exclusion from Medicare, Medicaid and certain other state and federal health care programs. The scope of prohibited payments in the Anti-Kickback Law is broad and includes economic arrangements involving hospitals, physicians and other health care providers, including joint ventures, space and equipment rentals, purchases of physician practices and management and personal services contracts. HHS has published regulations which describe certain “safe harbor” arrangements that will not be deemed to constitute violations of the Anti-Kickback Law. The safe harbors described in the regulations are narrow and do not cover a wide range of economic relationships which many hospitals, physicians and other health care providers consider to be legitimate business arrangements not prohibited by the statute. Because the regulations describe safe harbors and do not purport to describe comprehensively all lawful or unlawful economic arrangements or other relationships between health care providers and referral sources, hospitals and other health care providers having these arrangements or relationships may be required to alter them in order to ensure compliance with the Anti-Kickback Law.
In addition to current CMP, the Balanced Budget Act of 1997 created a new CMP for violations of the federal anti-kickback statute for cases in which a person contracts with an excluded provider for the provision of health care items or services where the person knows or should know that the provider has been excluded from participation in a federal health care program. Violations will result in damages three times the remuneration involved as well as a penalty of $50,000 per violation.

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

Restrictions on Referrals. The federal physician self-referral law and its implementing regulations (commonly referred to as the “Stark Law”) prohibits a physician from referring patients to an entity for the furnishing of designated health services (“DHS”) covered by Medicare if the physician (or one of his immediate family members) has a financial relationship with the entity, unless an exception applies. Designated health services include: clinical laboratory services; physical therapy services; occupational therapy services; radiology services, including magnetic resonance imaging, computerized axial tomography scans and ultrasound services; radiation therapy services and supplies; durable medical equipment and supplies; parenteral and enteral nutrients, equipment and supplies; prosthetics, orthotics and prosthetic devices and supplies; home health services; outpatient prescription drugs; and inpatient and outpatient hospital services. The Stark Law also prohibits the furnishing entity from submitting a claim for reimbursement or otherwise billing Medicare or any other person or entity for improperly referred DHS.

An entity that submits a claim for reimbursement in violation of the Stark Law must refund any amounts collected and may be (1) subject to a civil penalty of up to $24,253 for each prohibited self-referred service and (2) excluded from participation in federal health care programs. In addition, a physician or entity that has participated in a “scheme” to circumvent the operation of the Stark Law is subject to a civil penalty of up to $161,692 and possible exclusion from participation in federal health care programs.

Management of the Obligated Group believes that the Obligated Group is currently in material compliance with the Stark Law provisions. However, in light of the scarcity of case law interpreting the Stark Law provisions and the breadth and complexity of these provisions, there can be no assurances that the Obligated Group will not be found to have violated the Stark Law provisions, and if so, whether any sanction imposed would have a material adverse effect on the operations of the Obligated Group or the financial condition of the Obligated Group.

CMS has established a voluntary Self-Referral Disclosure Protocol (“SRDP”) under which hospitals and other health care providers or suppliers may report potential Stark Law violations and seek a reduction in potential refund obligations. The limited publicly available information with respect to the self-disclosure program suggests that most voluntary self-disclosure submissions remain under consideration by CMS for an extended period of time, and that it is difficult to predict how CMS will react to any specific voluntary self-disclosure. In order to mitigate any material adverse effect of potential violations of the Stark Law, management of the Obligated Group has self-disclosed certain potential violations of the Stark Law to the government via the CMS voluntary SRDP. Management of the Obligated Group may report any additional potential violations of the Stark Law to the federal government if deemed appropriate.

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

HHS, through the Office of Inspector General (the “OIG”), conducts national investigations of
Medicare billings for certain services. The focus of these investigations varies annually according to the
OIG Workplan. While the Obligated Group makes every effort to be in compliance with Medicare billing
requirements, there can be no assurance that the Obligated Group will not be subject to an investigation.

The False Claims Act provides that an individual may bring a civil action for a violation of such
Act. 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 and proceed with an
action, the employee could still proceed and receive a portion of any money recovered.

Under the Affordable Care Act, the FCA has been expanded to include overpayments that are
discovered by a health care provider and are not promptly refunded to the applicable federal health care
program, even if the claims relating to the overpayment were initially submitted without any knowledge that
they were false. The final rule, which took effect on March 14, 2016, requires that providers report and
return identified overpayments by the later of sixty days after identification, or the date the corresponding
cost report is due, if applicable. If the overpayment is not so reported and returned, it becomes an
“obligation” under the FCA. This expansion of the FCA exposes hospitals and other health care providers
to liability under the FCA for a considerably broader range of claims than in the past. There was initially
great uncertainty in the industry as to when an overpayment is technically “identified” and the ability of a
provider to determine the total amount of an overpayment and satisfy its repayment obligation within the
sixty-day time period. The March 14, 2016 final rule clarified that an overpayment is considered to have
been identified 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). That same final rule
also established a six year lookback period, meaning overpayments must be reported and returned only if a
person identifies the overpayment within six years of the date the overpayment was received. While the
Obligated Group makes every effort to be in compliance with applicable federal health care program
requirements, there can be no assurance that the Obligated Group will not be subject to an investigation.

Investigations and Reviews. The Obligated Group is involved in litigation regarding certain related
professional liability claims. Based on the information available to date, management believes that the
Obligated Group has adequately provided for the most likely outcome of these professional liability matters
after considering applicable insurance coverage. However, as more information becomes known, it is
possible that the estimate could change. As such, assurance cannot be given that the resolution of these
matters will not affect the financial position, results of operations or cash flows of the Obligated Group,
taken as a whole.

In addition, the Obligated Group is involved in litigation and other regulatory investigations arising
in the ordinary course of business. In the opinion of management of the Obligated Group, after consultation
with legal counsel, these matters will be resolved without material adverse effect to the financial position,
results of operations or cash flows of the Obligated Group, taken as a whole.

Patient Transfers. In response to concerns regarding inappropriate hospital transfers of emergency
patients based on the patient’s inability to pay for the services provided, Congress enacted the Emergency
Medical Treatment and Active Labor Act ("EMTALA"). Among other things, EMTALA imposes certain requirements which must be met before transferring a patient to another facility, including conducting a medical screening. Failure to comply with EMTALA can result in exclusion from the Medicare and/or Medicaid programs as well as imposition of civil and criminal penalties. The requirements of EMTALA, specifically those mandating treatment of uninsured patients, could adversely affect the financial condition of the Obligated Group.

**Licensing and Accreditation.** The Members of the Obligated Group and their operations are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements of state licensing agencies and The Joint Commission and DNV Healthcare. Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections or other reviews generally conducted in the normal course of business of health facilities. No assurance can be given as to the effect on current and future operations of the Obligated Group of existing laws, regulations and standards or the application thereof for certification or accreditation or of any future changes in such laws, regulations and standards.

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

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

**Section 340B Drug Pricing Program.** Hospitals that participate (as “covered entities”) 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 Health Resources and Services Administration (“HRSA”) published proposed 340B Drug Pricing Program Omnibus Guidance in the Federal Register, 80 Fed. Reg. 52300 (“Proposed Guidance”). Under the Proposed Guidance, drug manufacturers would have been required to provide outpatient drugs to eligible health care organizations at significantly reduced prices. The Proposed Guidance included 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 are 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. If the Proposed Guidance had been enacted, it could have restricted the ability of Members of the Obligated Group eligible for the 340B Program to purchase drugs under the 340B Program. Although HRSA could re-introduce similar guidance in the future, new guidance may also be introduced that materially differs from the original proposal. HRSA’s final guidance could have a material negative financial impact on the Members of the Obligated Group.

In the calendar year 2018 OPPS final rule effective January 1, CMS implemented significant Medicare Part B payment reductions for separately payable, non-pass-through drugs purchased through the
340B program that are provided in hospital outpatient settings. The rule reduces payment from the previous rate of average sales price ("ASP") plus 6 percent to ASP minus 22.5%. Drugs not purchased through the 340B program will continue to be paid for at the ASP plus 6%. Certain providers are exempted from the reduced payment policy for 2018, including children’s hospitals and PPS-exempt cancer hospitals. CMS is implementing this policy in a budget neutral manner by offsetting the projected decrease in drug payments of $1.6 billion by redistributing an equal amount for non-drug items and services across the OPPS. In late 2017, several hospital groups filed a lawsuit seeking to block implementation of the 340B Medicare payment cuts before they went into effect. Once the hospitals had claims from 2018, the plaintiffs refiled. On December 27, 2018, the U.S. District Court for the District of Columbia enjoined CMS from implementing the regulation setting reimbursement for hospital outpatient payment rates for 340B drugs at ASP minus 22.5%, concluding that the change fundamentally altered the 340B statutory scheme and was therefore beyond CMS’s authority. However, the court postponed its decision on an appropriate remedy. While the litigation was pending, the CMS 2019 OPPS rule extended ASP minus 22.5% payment rate for drugs covered under the 340B Program. Payment under the 2019 rates had not yet been made and was therefore not part of the court’s ruling. If the outcome of the litigation results in maintaining the increased rates established by CMS, these payment rate adjustments or failure to qualify for the 340B Program may have a material adverse effect on the business or operations of Obligated Group Members that participate in the 340B Program. Payment under the 2019 rates had not yet been made and was therefore not part of the court’s ruling. If the outcome of the litigation results in maintaining the increased rates established by CMS, these payment rate adjustments or failure to qualify for the 340B Program may have a material adverse effect on the business or operations of Obligated Group Members that participate in the 340B Program. In addition, the rules and regulations applicable to participation in the 340B Program are technical, complex, numerous and may not fully be understood or implemented by billing or reporting personnel. Failure to comply with the 340B Program requirements or rules could result in exclusion from the 340B Program thus significantly increasing costs for drugs as well as creating a repayment obligation, which in either case could have a material adverse effect on the operations or financial condition of the Obligated Group.

Nonprofit Healthcare Environment

The Members of the Obligated Group are each nonprofit corporations, exempt from federal income taxation as organizations described in the Internal Revenue Code of 1986 (the “Code”). As nonprofit tax-exempt organizations, the Members of the Obligated Group are subject to federal, state and local laws, regulations, rulings and court decisions relating to their organizations and operations, including their operation for charitable purposes. At the same time, Health Care and Sunbelt each conduct large-scale complex business transactions and the Obligated Group’s hospitals are major employers in their geographic areas. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex healthcare organization.

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

**Congressional Hearings.** Beginning in 2003, a number of House and Senate Committees, including, the House Committee on Energy and Commerce, the House Committee on Ways and Means and the Senate Finance Committee, have conducted hearings and/or investigations into issues related to nonprofit tax-exempt healthcare organizations. These hearings and investigations have included a nationwide
investigation of hospital billing and collection practices, charity care and community benefit, prices charged to uninsured patients and possible reforms to the nonprofit sector. These hearings and investigations may result in new legislation. The effect on the nonprofit health care sector or the Members of the Obligated Group of any such legislation, if enacted, cannot be determined at this time.

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

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

**Corporate Compliance Program**

Health Care has a system wide corporate responsibility program for itself and its affiliates (including each Member of the Obligated Group). The corporate responsibility program is intended to assist all Board members, directors, officers, employees, physicians, contractors, agents, entities, and representatives in understanding and adhering to the legal and ethical standards that are infused in and govern the day to day business of providing patient care (the “Compliance Program”). The Compliance Program has been designed to (i) comply with the standards set forth in the Federal Sentencing Guidelines for Organizations (the “Federal Sentencing Guidelines”); and (ii) help ensure that Health Care and its affiliates (including each Member of the Obligated Group) act in accordance with their mission, values and legal duties. The Federal Sentencing Guidelines, as amended from time to time, recommend an effective compliance and ethics program with knowledgeable and reasonable oversight by the governing authority of an organization. Health Care has a Board Committee on Corporate Responsibility to which the Board of Directors has delegated the responsibility for implementation and oversight of the Compliance Program for Health Care and its affiliates. In addition, Health Care has a Chief Corporate Responsibility Officer and fourteen Regional Corporate Responsibility Officers to ensure engagement with the Compliance Program throughout the system. Finally, Health Care has an Organizational Risk Steering Committee, comprised of leaders from throughout Health Care, which further ensures the implementation and effective functioning of the Compliance Program.

**Antitrust**

Enforcement of the antitrust laws against health care providers is becoming more common, and antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, third-party contracting, physician relations, and joint venture, merger, affiliation and acquisition activities. In some respects, the application of federal and state antitrust laws to health care is still evolving, and enforcement activity by federal and state agencies appears to be increasing. At various times, health care providers may be subject to an investigation by a governmental agency charged with the enforcement of antitrust laws, or may be subject to administrative or judicial action by a federal or state agency or a private party. Violators of the antitrust laws could be subject to criminal and civil enforcement by federal and state agencies, as well as by private litigants.
The ability to consummate mergers, acquisitions or affiliations may also be impaired by the antitrust laws, potentially limiting the ability of health care providers to fulfill their strategic plans. Liability in any of these or other antitrust areas of liability may be substantial, depending on the facts and circumstances of each case.

Issues Related to the Health Care Markets of the Obligated Group

Affiliation, Mergers, Acquisition, Joint Venture and Divestiture. Significant numbers of affiliations, mergers, acquisitions, joint ventures and divestitures have occurred in the health care industry in recent years, and the Obligated Group has undertaken a variety of such transactions. As part of its ongoing planning process, the Obligated Group actively considers potential affiliations, joint ventures and acquisitions of operations or properties which it believes will be accretive and may become affiliated with or become part of the Obligated Group in the future, and also considers the divestiture of certain of its operations or properties. As a result, it is possible that certain newly acquired or affiliated organizations and their assets and liabilities may be added to the Obligated Group, or certain existing facilities may no longer be part of the Obligated Group, although the Obligated Group would continue to be responsible for any remaining liabilities attributable to the divested facilities, as any consideration received for the divested property could be insufficient to pay all related liabilities. See “RECENT EVENTS AND FUTURE PLANS” in APPENDIX A attached hereto.

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

In addition, competition could result from forms of health care delivery that are able to offer lower priced services to the population served by the Members of the Obligated Group. These services could be substituted for some of the revenue-generating services currently offered by the Members of the Obligated Group. The services that could serve as substitutes for hospital treatment include skilled and specialized nursing facilities, home care, intermediate nursing home care, preventive care, and drug and alcohol abuse programs. Competition may also come from specialty hospitals or organizations, particularly those facilities providing specialized services in areas with high visibility and strong margins, such as cardiac services and surgical services, and having specialty physicians as investors.

Cybersecurity. Providers of health care and insurers are highly dependent upon integrated electronic medical record and other information technology systems to deliver high quality, coordinated and cost-effective healthcare. These systems necessarily hold large quantities of highly sensitive protected health information that is highly valued on the black market for such information. As a result, the electronic systems and networks of healthcare providers and insurers are considered likely targets for cyberattacks and other potential breaches of their systems. In addition to regulatory fines and penalties, the providers and insurers subject to the breaches may be liable for the costs of remediating the breaches, damages to individuals (or classes of individuals) whose information has been breached, reputational damage and business loss, and damage to the information technology infrastructure. The Members of the Obligated Group have taken, and continue to take measures to protect its information technology system against such cyberattacks, including the retention of cybersecurity insurance coverage, but there can be no assurance that Members of the Obligated Group will not experience a significant breach. If such a breach occurs, the financial consequences of such a breach could have a materially adverse impact on the Obligated Group.
Availability of Insurance Products. In recent years the health care industry has seen significant reductions in the availability of general commercial liability and other insurance products. There can be no assurance that the Obligated Group will be able in the future to obtain commercial insurance on reasonably acceptable terms and conditions. Increases in the cost of such insurance products could have a material adverse effect on the Obligated Group and its results of operations.

Risks Related to Tax-Exempt Status

Tax Exemption for Nonprofit Hospitals and Corporations. Loss of tax-exempt status by Members of the Obligated Group or by any user of property financed or refinanced with the proceeds of the Series 2019B Bonds could result in loss of tax exemption of the Series 2019B Bonds and of other tax-exempt debt issued, and defaults in covenants regarding the Series 2019B Bonds and such other tax-exempt debt would likely be triggered. Such an event would have material adverse consequences on the financial condition of the Obligated Group.

The maintenance by an entity of its tax-exempt status depends, in part, upon its maintenance of its status as an organization described in Section 501(c)(3) of the Code. The maintenance of such status is contingent upon compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including its operation for charitable and other permissible purposes and its avoidance of transactions which may cause its assets to inure to the benefit of private individuals. The IRS has announced that it intends to closely scrutinize transactions between nonprofit hospitals and for-profit entities, and in particular has issued revised audit guidelines for tax-exempt hospitals. Although specific activities of hospitals, such as medical office building leases and compensation arrangements and other contracts with physicians, have been the subject of interpretations by the IRS in the form of Private Letter Rulings, many activities have not been addressed in any official opinion, interpretation or policy of the IRS. Because the Obligated Group conducts large-scale and diverse operations involving private parties, there can be no assurance that certain of its transactions would not be challenged by the IRS, which could adversely affect the tax-exempt status of the Members of the Obligated Group. The Obligated Group believes that all such transactions or arrangements in which it is involved are in compliance with applicable IRS rules and regulations.

In certain cases, the IRS has imposed substantial monetary penalties and future charity care or public benefit obligations on tax-exempt hospitals in lieu of revoking their tax-exempt status, as well as requiring that certain transactions be altered, terminated or avoided in the future and/or requiring governance or management changes. These penalties and obligations are typically imposed on the tax-exempt hospital pursuant to a “closing agreement” with respect to the hospital’s alleged violation of Section 501(c)(3) exemption requirements. Given the uncertainty regarding how tax-exemption requirements may be applied by the IRS, Members of the Obligated Group are, and will be, at risk for incurring monetary and other liabilities imposed by the IRS through this “closing agreement” or similar process. Like certain of the other business and legal risks described herein that apply to large multi-hospital systems, these liabilities are probable from time to time and could be substantial, and, in extreme cases, could be materially adverse to the Obligated Group.

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 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 legislation 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 Obligated Group participates in activities that may
generate unrelated business taxable income. Obligated Group management believes they have properly
accounted for and reported unrelated business taxable income. Nevertheless, an investigation or audit could
lead to a challenge that could result in taxes, interest and penalties with respect to unreported unrelated
business taxable income that, in some cases, could ultimately affect the tax-exempt status of the Members
of the Obligated Group as well as the exclusion from gross income for federal income tax purposes of the
interest payable on tax-exempt debt of the Members of the Obligated Group. In addition, legislation that
may be adopted at the federal, state and local levels with respect to unrelated business income cannot be
predicted. Any legislation could have the effect of subjecting a portion of the income of the Members of the
Obligated Group to federal or state income taxes.

The Coordinated Examination Program (“CEP”), of the IRS, through teams of revenue agents,
conducts audits of tax-exempt healthcare organizations. The CEP audit teams consider a wide range of
possible issues, including the community benefit standard, private inurement and private benefit,
partnerships and joint ventures, retirement plans and employment taxes, tax-exempt bond financing, political
contributions and unrelated business income.

Obligated Group management believes that it has properly complied with the tax laws. Nevertheless, because of the complexity of the tax laws and the presence of issues about which reasonable
persons can differ, a CEP audit could result in additional taxes, interest and penalties. A CEP audit could
ultimately affect the tax-exempt status of Members of the Obligated Group, as well as the exclusion from
gross income for federal income tax purposes of the interest payable with respect to the Taxable Bonds and
other tax-exempt debt of the Obligated Group.

Anti-Kickback Statute. The IRS has taken the position that hospitals which are in violation of the
Anti-Kickback Law may also be subject to revocation of their tax-exempt status. See the information above
under the caption “Regulation of Health Care Industry – Federal “Fraud and Abuse” Laws and Regulations.”
As a result, tax-exempt hospitals, such as those owned by the Members of the Obligated Group, which have,
and will continue to have, extensive transactions with physicians are subject to an increased degree of
scrutiny and perhaps enforcement by the IRS.

Intermediate Sanctions. The Taxpayer Bill of Rights 2, enacted on July 30, 1996, added Section
4958, commonly referred to as the “intermediate sanctions law,” to the Code. Section 4958 of the Code
provides the IRS with an “intermediate” tax enforcement tool that may be used as an alternative to revoking
the federal tax exemption of an organization that violates the private inurement prohibition. Final IRS
regulations on the intermediate sanctions law became effective January 23, 2002.

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, therefore, no assurance that future changes in the laws
and regulations of the federal, state or local governments will not materially and adversely affect the
operations and revenues of the Obligated Group by requiring it to pay income or real estate taxes.

Bonds are considered a single issue of bonds for purposes of determining compliance with certain tax
covenants. The tax-exempt status of the Series 2019A Bonds and the Series 2019B Bonds is based on the
continued compliance by the Authority and the Members of the Obligated Group using the proceeds of the
Series 2019A Bonds and the Series 2019B Bonds with certain covenants relating generally, among other
things, to the use of the facilities financed or refinanced with the proceeds of the Series 2019A Bonds and
the Series 2019B Bonds, arbitrage limitations and rebate of certain excess investment earnings to the federal
government. Failure to comply with such covenants with respect to the Series 2019A Bonds or the
Series 2019B Bonds could cause interest on all of the Series 2019A Bonds and the Series 2019B Bonds to
become subject to federal income taxation retroactively to the original date of issue of the Series 2019A
Bonds and the Series 2019B Bonds. In such event, the Series 2019A Bonds and the Series 2019B Bonds are not subject to redemption solely as a consequence thereof, although the principal thereof may be accelerated.

**IRS Audits of Certain Bonds.** Over the last several years, six Series of tax-exempt bonds issued for the benefit of the Obligated Group have been examined by the IRS. All such examinations have been closed with no change to the position that interest received by the beneficial owners of the bonds involved is excludable from gross income under Section 103 of the Internal Revenue Code.

**Charity Care**

Hospitals are permitted to acquire tax-exempt status under the Code because the provision of health care historically has been treated as a “charitable” enterprise. This treatment arose before most Americans had health insurance, when charitable donations were required to fund the health care provided to the sick and disabled. Some commentators and others have taken the position that, with the onset of employer health insurance and governmental reimbursement programs, there is no longer any justification for special tax treatment for the health care industry, and the availability for tax-exempt status should be eliminated. Management of the Obligated Group cannot predict the likelihood of such a dramatic change in the law. Federal and state tax authorities are beginning to demand that tax-exempt hospitals justify their tax-exempt status by documenting their charitable care and other community benefits.

Charity care issues also serve as the basis of certain claims against major hospital systems throughout the United States on behalf of uninsured patients. Lawsuits filed against nonprofit hospitals have raised a number of claims against the hospital defendants, including claims that the defendants, by accepting tax-exempt status, entered into agreements with the federal, state and local governments promising to provide free or reduced care to all those who need it; the uninsured patients are beneficiaries of those agreements and can bring suit on them; the defendants engaged in illegal and oppressive tactics against the uninsured; the defendants engaged in illegal price discrimination by charging the uninsured rates far in excess of the rates charged to such third party payors as Medicare and certain insurers; the defendants violated state consumer fraud statutes; the defendants allowed a portion of their properties to be used by for-profit entities at less than fair value and engaged in other inappropriate transactions with doctors and certain insiders; and the defendants transferred monies illegally to their affiliates for other than charitable purposes.

Schedule H to the Form 990 asks whether the organization has a charity care policy and asks for a description of that policy. This schedule also requires an organization to report the community benefits that it provides, including the cost of providing charity care and other benefits. The reporting of this information on the Form 990 will make the information more readily available and perhaps lead to additional IRS compliance efforts.

**Code Section 501(r)**

The provisions of the Affordable Care Act provided for a new Code Section 501(r), which adds certain requirements that non-profit hospital organizations must meet in order to attain or to maintain Code Section 501(c)(3) tax-exempt status. Among other things, a hospital must: (i) conduct a community health needs assessment at least once every three years and adopt an implementation strategy to meet the identified community needs, (ii) adopt, implement and widely publicize a written financial assistance policy that contains the statutory and regulatory required minimums and a policy to provide emergency medical treatment without discrimination, (iii) limit charges to individuals who qualify for financial assistance under such tax-exempt hospital’s financial assistance policy to no more than the amounts generally billed to individuals who have insurance covering such care and refrain from using “gross charges” when billing such individuals, and (iv) refrain from taking extraordinary collection actions without first making reasonable efforts to determine whether the individual is eligible for assistance under such tax-exempt hospital’s
financial assistance policy. Management of the Obligated Group believes that it is currently in material compliance with the requirements of Section 501(r).

The Secretary of the Treasury issued final regulations that provide detailed and comprehensive guidance relating to requirements for community health needs assessments, financial assistance policies, emergency medical care policies, limitations on charges and billing and collection practices, and also provide guidance on consequences of failure to comply with Section 501(r) requirements. These final regulations are complex and administratively burdensome. Generally, the regulations apply to tax years beginning after December 29, 2015, and provide that a hospital may rely on a reasonable, good faith interpretation of the Section 501(r) requirements for tax years beginning on or before December 29, 2015, which may include compliance with certain prior proposed regulations under Section 501(r). 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.

Outstanding and Future Variable Rate Indebtedness is Subject to Certain Risks that could Reduce Assets Available to Pay Debt Service on the Series 2019B Bonds

The Obligated Group has outstanding variable rate bonds and other indebtedness, the interest rates on which could rise. Certain of this indebtedness bears interest at rates that are determined based on an index that is based on the London Inter-bank Offered Rate (“LIBOR”). These interest rates are subject to market fluctuation and are not capped (other than any maximum rate limitations set forth by applicable law for privately held bonds or commercial loans, as applicable).

Pursuant to certain documents, holders may optionally tender for purchase such indebtedness. There is no assurance that the Obligated Group will be able to obtain a subsequent holder for such indebtedness if the holder exercises its option to tender such indebtedness before the maturity thereof.

Certain of this variable rate indebtedness has been issued on behalf of the Obligated Group with no external dedicated liquidity support. If such indebtedness is tendered or deemed tendered and not remarketed, the Obligated Group would be obligated to purchase such variable rate indebtedness from its own funds. The Obligated Group’s ability to provide self-liquidity for such variable rate bonds may be adversely impacted by a variety of factors, including a reduction in investment income and a lack of availability of external liquidity from revolving or other credit facilities.

Risks Associated with LIBOR-Based Bonds and Loans

Certain outstanding indebtedness of the Obligated Group bears interest at rates that are determined based on a LIBOR index. On July 27, 2017, the U.K. Financial Conduct Authority (the “FCA”), the body that regulates and supervises the publication of LIBOR, announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. It is not possible to predict the impact of the phase out of LIBOR or any future rule changes or benchmark rates adopted by the FCA or other regulatory body, if any, in replacement of LIBOR. If future uncertainty surrounding the calculation of LIBOR results in sudden increases in LIBOR rates, the interest payments on the Obligated Group’s LIBOR-based bonds and loans may be affected. Further, uncertainty as to the benchmark rate or mechanism that may succeed LIBOR after 2021 may adversely affect the Obligated Group.

Termination of Managed Care Contracts

Certain health maintenance and preferred provider organization contracts account for a significant percentage of revenue and/or admissions of certain hospitals of the Obligated Group. Some of these contracts can be terminated by the third-party payor at any time without the necessity of showing cause upon
as little as ninety days’ prior written notice or have only one year terms. Termination of such contracts could have an adverse effect on the financial performance of these hospitals.

Labor Relations

Not-for-profit health care providers and their employees are under the jurisdiction of the National Labor Relations Board. At the present time, none of the Obligated Group’s employees are members of unions or receive union wages and benefits. The Members of the Obligated Group are recruiting nurses, medical technicians, physicians in certain specialties and other qualified professional personnel. Availability of such qualified professionals in most markets served by the Obligated Group is limited. The nursing shortage has resulted in increased costs due to overtime payments and an increased use of contract nurses. Unionization of employees or a shortage of qualified professional personnel could cause an increase in payroll costs beyond those projected. The Members of the Obligated Group cannot control the prevailing wage rates in their respective service areas and any increase in such rates will directly affect the costs of their operations.

Other Risk Factors

The following factors, among others, may also affect the future operations or financial performance of the Obligated Group:

(a) Medical and other scientific advances resulting in decreased usage of hospital facilities or services, including those of the Obligated Group;

(b) Limitations on the availability of nursing and technical personnel;

(c) Decreases in population within the service areas of the Obligated Group’s hospitals;

(d) Increased unemployment or other adverse economic conditions which could increase the proportion of patients who are unable to pay fully for the cost of their care;

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

(f) The ability of, and the cost to, the Obligated Group to continue to insure or otherwise protect itself against malpractice claims in light of escalating increases in insurance premiums;

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

(h) The occurrence of natural disasters, including hurricanes, floods and earthquakes or terrorist actions, which may damage the Obligated Group’s facilities, interrupt utility service to the facilities, or otherwise impair the operation and generation of revenues from said facilities; and

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

The occurrence of one or more of the foregoing, or the occurrence of other unanticipated events, could adversely affect the financial performance of the Obligated Group.
Other Factors

Certain Matters Relating to Security for the Series 2019B Bonds. The Obligated Group’s hospitals are not pledged as security for the Series 2019B Bonds. In addition, the Obligated Group’s hospitals generally are not comprised of general purpose buildings and generally would not be suitable for industrial or commercial use. Consequently, it could be difficult to find a buyer or lessee for the Obligated Group’s facilities upon the occurrence of an event of default under the Master Indenture, the Bond Indenture or the Loan Agreement and, in the event of the institution of bankruptcy proceedings, the estate in bankruptcy may not realize the amount of the outstanding Bonds and other outstanding Long-Term Debt from the disposition of the Obligated Group’s facilities.

Amendments to Master Indenture. Certain amendments to the Master Indenture may be made without the consent of holders of Master Notes; other amendments may be made with the consent of the holders of not less than 51% in aggregate principal amount of Master Notes then Outstanding under the Master Indenture. These amendments could be made without the consent of the holders of the Series 2019B Bonds. See APPENDIX C hereto.

Purchasers of the Series 2019B Bonds should be aware that the covenants contained in the Master Indenture may in the future be changed, diluted, or made less restrictive by future amendments to which they do not consent. See “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE MASTER INDENTURE – Summary of the Master Indenture – Supplements and Amendments to the Master Indenture Without the Consent of Master Noteholders” and “–Supplements and Amendments to the Master Indenture With the Consent of Master Noteholders” in APPENDIX C hereto.

Gross Revenues Pledge. The effectiveness of the security interest in the Gross Revenues of the Members of the Obligated Group pursuant to the Master Indenture may be limited by a number of factors, including (i) the absence of an express provision permitting assignment of receivables due any Member of the Obligated Group under the Medicare and Medicaid programs or under the contract between any Member of the Obligated Group and Blue Cross, and present or future prohibitions against assignment contained in any federal statutes or regulations; (ii) certain judicial decisions that cast doubt upon the right of the Master Trustee, in the event of the bankruptcy of any Member of the Obligated Group, to collect and retain accounts receivable from Medicare, Medicaid, general assistance and other governmental programs; (iii) statutory liens; (iv) rights arising in favor of the United States of America or any agency thereof; (v) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (vi) federal bankruptcy laws which may affect the priority of claims against the assets of the Obligated Group and the enforceability of the Bond Indenture or the security interest in the Gross Revenues which are earned by any Member of the Obligated Group within 90 days preceding and after any effectual institution of bankruptcy proceedings by or against such Member; (vii) rights of third parties in the Obligated Group’s revenues converted to cash and not in the possession of the bond trustees or the Master Trustee; and (viii) claims that might gain priority if appropriate financing or continuation statements are not filed in accordance with the Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, North Carolina and Wisconsin Uniform Commercial Codes as from time to time in effect. In addition, the sale of Obligated Group receivables limits the amount of Gross Revenues available as security. See “BONDHOLDERS’ RISKS – Sale of Receivables Program.”

Matters Relating to Enforceability of Certain Covenants in the Master Indenture

In determining whether various covenants and tests contained in the Master Indenture are met, the accounts of the Members of the Obligated Group will be combined for financial reporting purposes, notwithstanding uncertainties hereinafter set forth as to the enforceability of certain obligations of the Obligated Group contained in the Master Indenture which bear on the availability of the revenues of the
Members of the Obligated Group for payment of debt service on the Master Notes, including the Series 2019B Note.

The joint and several obligation described herein of the Members of the Obligated Group to make payments of debt service on Master Notes issued pursuant to and under the Master Indenture, the proceeds of which Master Notes were not loaned or otherwise distributed to such Member, may not be enforceable to the extent such payments: (a) are requested to make payments on any Master Note which was 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 which was issued for the benefit of any entity other than a Tax-Exempt Organization; (b) are requested to be made from any Property which is donor restricted or which is subject to a direct or express trust which does not permit the use of such Property for such payments; (c) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the Member of the Obligated Group from which such payment is requested; or (d) are requested to be made pursuant to any loan violating applicable usury laws. Due to the absence of clear legal precedent in this area, the extent to which the Property of any present or future Member of the Obligated Group falls within category (b) referred to above cannot be determined and could be substantial.

A Member of the Obligated Group may not be required to make payments on Master Notes issued by or for the benefit of another Member to the extent any such payment would render such Member insolvent or would conflict with, not be permitted by or would be subject to recovery for the benefit of other creditors of such Member under applicable fraudulent conveyance, bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors’ rights. There is no clear precedent in the law as to whether payments by a Member of the Obligated Group in order to pay debt service on the Master Notes issued by or for the benefit of another Member may be voided by a trustee in bankruptcy in the event of a bankruptcy of the Member or by third-party creditors in an action brought pursuant to state fraudulent conveyance statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under state fraudulent conveyance statutes, a creditor of a related guarantor, may avoid any obligation incurred by a related guarantor if, among other bases therefor, (1) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty and (2) the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or state fraudulent conveyance statutes, or the guarantor is undercapitalized.

Application by courts of the tests of “insolvency,” “reasonably equivalent value” and “fair consideration” has resulted in a conflicting body of case law. It is possible that, in an action to compel a Member of the Obligated Group to pay debt service on Master Notes issued by or for the benefit of another Member, a court might not enforce such a payment in the event it is determined that such Member is analogous to a guarantor and that fair consideration or reasonably equivalent value for such guaranty was not received and that the incurrence of such obligation has rendered and will render the Member of the Obligated Group insolvent or the Member is or will thereby become undercapitalized or that the Member intended to incur or believed it would incur debts beyond its ability to pay at maturity.

There exist common law authority and authority under state statutes for the ability of the state courts to terminate the existence of a not-for-profit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes. Such court action may arise on the court’s own motion or pursuant to a petition of the state attorney general or such other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

In addition, the provisions of the Master Indenture provide certain limitations on the ability of a bondholder to pursue payment of Master Notes. See “DEFINITIONS OF CERTAIN TERMS AND
SUMMARY OF THE MASTER INDENTURE – Summary of the Master Indenture – Defaults and Remedies” in APPENDIX C hereto.

Sale of Receivables Program

On November 21, 1996, Sunbelt commenced an accounts receivable program (the “Receivables Program”) with the Highlands County Health Facilities Authority (the “Highlands Authority”). Pursuant to the Receivables Program, Sunbelt is selling a portion of its accounts receivable and a portion of the accounts receivable of certain of its affiliates, including other Members of the Obligated Group’s accounts receivable (collectively, the “Receivables”), to the Highlands Authority on an ongoing basis. The Receivables are sold on a non-recourse basis and have been purchased by the Highlands Authority from proceeds of its tax-exempt bonds (the “Accounts Receivable Bonds”). There are $340 million of Accounts Receivable Bonds outstanding under the Receivables Program as of the date hereof. The proceeds from any sale of the Receivables are invested by the Obligated Group in accordance with its investment of funds policy.

The documents relating to the Receivables Program provide for the continuous sale of the Receivables by Sunbelt to the Highlands Authority on a non-recourse basis each day subject to Sunbelt’s right to suspend or terminate such sales. The Highlands Authority’s purchases are financed on an ongoing basis from the collection of the proceeds of previously sold Receivables. To the extent such collections are not applied to purchase additional Receivables or pay expenses of the Receivables Program, they must be applied instead to redeem the Accounts Receivable Bonds prior to their maturity. Such collections will also be applied to pay the Accounts Receivable Bonds at maturity.

The Receivables sold pursuant to the Receivables Program are no longer the property of Sunbelt or any other seller and are thus not available to pay debt service on the Series 2019B Bonds and do not constitute collateral under the Master Indenture. The sale of the Receivables is without recourse to Sunbelt or the other sellers, and the Accounts Receivable Bonds are not reflected as indebtedness on the balance sheets of Sunbelt and the other sellers.

As discussed above, from time to time, the Highlands Authority may issue additional Accounts Receivable Bonds, restructure some or all of the Accounts Receivable Bonds or refund, refinance or redeem some or all of the Accounts Receivable Bonds.

Bond Ratings

There is no assurance that any rating assigned to the Series 2019B Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Series 2019B Bonds.

ABSENCE OF MATERIAL LITIGATION

The Authority

There is not now pending, after service of process, or, to the knowledge of the Authority, threatened, any litigation against the Authority related to the Series 2019B Bonds that questions or affects the (i) validity of the Series 2019B Bonds or the proceedings or authority under which they will be issued or (ii) right of the Authority to enter into the Bond Indenture or the Loan Agreement or to secure the Series 2019B Bonds in the manner provided in the Bond Indenture and the relevant statutes under which the Series 2019B Bonds will be issued. Neither the creation, organization or existence of the Authority nor the title of any of the present board members or other officers of the Authority to their respective offices is being contested.
The Obligated Group

There is not now pending or, to the knowledge of any Member of the Obligated Group or its counsel, threatened any litigation against the Obligated Group (i) related to the Series 2019B Bonds or the related documents or (ii) which will materially adversely affect the financial condition, business or properties of the Obligated Group.

APPROVAL OF LEGALITY

Certain legal matters incident to the authorization, issuance and sale of the Series 2019B Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, as Bond Counsel (“Bond Counsel”), who has been retained by, and acts as, Bond Counsel to the Authority. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Series 2019B Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in its capacity as Bond Counsel, Chapman and Cutler LLP, at the request of the Authority, has reviewed portions of this Official Statement, under the captions “INTRODUCTORY STATEMENT - Rate Periods for the Series 2019B Bonds Following the Initial Rate Period,” “THE SERIES 2019B BONDS” (apart from the information relating to The Depository Trust Company and its book-entry only system), “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS” (apart from the information in the second paragraph under the subcaption “The Master Indenture and the Series 2019B Note” appearing after the third sentence of such paragraph; the information in the first paragraph under the subcaption “Additional Master Notes” appearing after the first sentence of such paragraph; and the information in the last sentence of the second paragraph under the caption “Proposed Amendments to the Master Indenture”), in APPENDIX C to this Official Statement entitled “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE MASTER INDENTURE,” and in APPENDIX D to this Official Statement entitled “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE BOND INDENTURE AND THE LOAN AGREEMENT” solely to determine (i) whether such information describing or summarizing certain provisions of the Bonds, the Bond Indenture (apart from the information relating to The Depository Trust Company and its book-entry only system), the Loan Agreement, the Master Indenture and the Supplemental Indenture, are accurate summaries of such provisions in all material respects, and (ii) whether such information contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. In addition, in its capacity as Bond Counsel, Chapman and Cutler LLP, at the request of the Authority, has reviewed the information in the Official Statement under the caption “TAX EXEMPTION,” in order to determine that such information is an accurate summary in all material respects. The review described in this paragraph was undertaken solely at the request and for the benefit of the Authority and did not include any obligation to establish or confirm factual matters set forth herein. Certain other legal matters will be passed upon for the Obligated Group by its counsel, GrayRobinson, P.A., Orlando, Florida; for the Authority by its counsel, Ballard Spahr LLP, Denver, Colorado; and for the Underwriters by their special counsel, Dentons US LLP, Chicago, Illinois.

The legal opinions and other letters of counsel to be delivered concurrently with the delivery of the Series 2019B Bonds express the professional judgment of the attorneys rendering the opinions or advice regarding the legal issues and other matters expressly addressed therein. By rendering a legal opinion or advice, the giver of such opinion or advice does not become an insurer or guarantor of the result indicated by that opinion, or the transaction on which the opinion or advice is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.
CERTAIN RELATIONSHIPS AND POTENTIAL CONFLICTS OF INTEREST

Legal

Underwriters’ Counsel has represented and Bond Counsel has represented and currently represents Health Care, Sunbelt and other Members of the Obligated Group in certain other financings and corporate matters. Neither Underwriters’ Counsel nor Bond Counsel represents Health Care or any affiliate in connection with the issuance of the Series 2019B Bonds.

Multiple Fiduciary Capacities

“US Bancorp” is the marketing name of U.S. Bancorp and its subsidiaries, which serve in numerous capacities under documents related to Obligated Group-backed securities, including, but not limited to, U.S. Bancorp Investments, Inc., which serves as a remarketing agent for certain bonds issued for the benefit of the Obligated Group, and U.S. Bank National Association (“U.S. Bank”), which is serving as Master Trustee, Bond Trustee, bond trustee for certain outstanding bonds issued for the benefit of the Obligated Group, a direct bond purchaser for certain bonds issued for the benefit of the Obligated Group, a credit provider for the Obligated Group and affiliates and as Dissemination Agent under the Disclosure Agreement (as defined herein).

Other

The Underwriters, the Master Trustee, the Bond Trustee and certain of their affiliates provide or participate in lines of credits, letters of credit and other financial services for Members of the Obligated Group and certain affiliates.

FINANCIAL ADVISOR

The Authority has retained Ponder & Co. as financial advisor with respect to the issuance of the Series 2019B Bonds. Ponder & Co. is not obligated to undertake, and has not undertaken, to make 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, trading or distributing municipal securities or other public securities.

TAX EXEMPTION

General

Federal tax law contains a number of requirements and restrictions which apply to the Series 2019B Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Series 2019B Bond proceeds and the facilities financed and refinanced therewith, and certain other matters. As noted above, the Series 2019B Bonds and the Series 2019A Bonds are a single issue for most federal income tax purposes. The Authority and the Borrowers have covenanted to comply and the borrowers of the proceeds of the Series 2019A Bonds (which are the same entities as the Borrowers and for purposes of this “TAX EXEMPTION” section shall be referred to as the Borrowers) have covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2019B Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2019B Bonds to become
includible in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2019B Bonds.

Subject to compliance by the Authority and the Borrowers, with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Series 2019B Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals under the Code.

In rendering its opinion, Bond Counsel will rely upon certifications of the Authority and the Borrowers with respect to certain material facts within the knowledge of such entities and will rely on the opinion of GrayRobinson, P.A., counsel to the Borrowers, that the Borrowers are 501(c)(3) organizations, and as to certain other matters. Bond Counsel’s opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the Series 2019B Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2019B Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

The issue price, for original issue discount and market discount purposes (the “Investor Issue Price”) for each maturity of the Series 2019B Bonds is the price at which a substantial amount of such maturity of the Series 2019B Bonds is first sold to the public (excluding bond houses and brokers and similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The Investor Issue Price of a maturity of the Series 2019B Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

Owners of Series 2019B Bonds who dispose of Series 2019B Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Series 2019B Bonds in the public offering, but at a price different from the Investor Issue Price or purchase Series 2019B Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Series 2019B Bond is purchased at any time for a price that is less than the Series 2019B Bond’s stated redemption price at maturity, the purchaser will be treated as having purchased a Series 2019B Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series 2019B Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser’s election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2019B Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2019B Bonds.

An investor may purchase a Series 2019B Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as “bond premium” and must be amortized by an investor on a constant yield basis over the remaining term of the Series 2019B Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor’s basis in the Series 2019B Bond. Investors who purchase a Series 2019B Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Series 2019B Bond’s basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Series 2019B Bond.

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There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Series 2019B Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2019B Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The IRS has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the IRS will commence an audit of the Series 2019B Bonds. If an audit is commenced, under current procedures the IRS may treat the Authority as a taxpayer and the Series 2019B Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2019B Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Series 2019B Bonds, are in certain cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any Series 2019B Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Series 2019B Bond owner who is notified by the IRS of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

Bond Counsel expresses no opinion as to the treatment of interest expense for financial institutions owning the Series 2019B Bonds for purposes of Section 265(b)(7) of the Code. Financial institutions should consult their tax advisors concerning such treatment.

**Colorado**

Under the laws of the State of Colorado, as presently enacted and construed, so long as interest on the Series 2019B Bonds is not included in gross income for federal income tax purposes, interest on the Series 2019B Bonds will not be included in Colorado taxable income for purposes of the income tax imposed by the State of Colorado pursuant to Article 22 of Title 39 of the Colorado Revised Statutes, as amended, upon individuals, corporations and estates and trusts. No opinion is expressed regarding taxation of interest on the Series 2019B Bonds under any other provisions of Colorado law. Ownership of the Series 2019B Bonds may result in other state and local tax consequences to certain taxpayers, and no opinion is expressed regarding any such collateral consequences arising with respect to the Series 2019B Bonds. Prospective purchasers of the Series 2019B Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The proposed form of the opinion of Bond Counsel relating to the Series 2019B Bonds is attached hereto as **APPENDIX E**.

**CONTINUING DISCLOSURE**

The Obligated Group has undertaken all responsibilities for providing any continuing disclosure to holders of the Series 2019B Bonds as described below, and the Authority shall have no responsibility or liability to the holders or any other person with respect to such disclosures.
General

The Members of the Obligated Group will have covenanted for the benefit of the Bondholders and the Beneficial Owners (as hereinafter defined under this caption), pursuant to a Continuing Disclosure Agreement for the Series 2019B Bonds (the “Disclosure Agreement”) among the Members of the Obligated Group and U.S. Bank National Association, as dissemination agent, to provide or cause to be provided (i) each year, certain financial information and operating data (the “Annual Report”) including the Obligated Group (meeting certain criteria set forth in the Disclosure Agreement) by not later than 150 days after the last day of the Fiscal Year of the Obligated Group; provided, however, that if the audited financial statements including the Obligated Group are not available by such date, they will be provided when and if available, and unaudited financial statements will be included in the Annual Report; and (ii) notices of the occurrence of certain enumerated events. Currently, the fiscal year of the Obligated Group commences on January 1. “Beneficial Owners” means, under this caption only, any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Series 2019B Bonds (including persons holding Series 2019B Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2019B Bonds for federal income tax purposes.

The Annual Report and notices of material events will be filed by or on behalf of the Obligated Group with EMMA, as the sole repository for such disclosure filings. The covenants described in the foregoing paragraph have been made in order to assist the Underwriters and registered brokers, dealers and municipal securities dealers in complying with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended, in the event the Rule applies. In addition, Sunbelt, as Obligated Group disclosure representative, will also cause to be filed with the MSRB copies of unaudited quarterly financial statements including the Obligated Group prepared by management within 60 days of the end of each of the first three fiscal quarters. Upon written request, Sunbelt, as Obligated Group disclosure representative, will provide any Bondholder with a copy of the most recent Annual Financial Information (as hereinafter defined under this caption), any material event notice and/or the most recent quarterly financial statements, all as filed with the MSRB. “Annual Financial Information” means, with respect to the prior fiscal year, the financial information and operating data as described below under “Annual Report”. Such Annual Financial Information shall include, among other things, separate audited financial statements of each Member of the Obligated Group or audited financial statements including the Members of the Obligated Group, provided, however, that if audited financial statements for or including the Members of the Obligated Group are not available by the deadline for filing the Annual Financial Information, they shall be promptly provided when and if available and unaudited financial statements shall be included in the Annual Financial Information. Audited and unaudited financial statements of a parent or other entity which include the Obligated Group may be provided in lieu of separate financial statements of the Obligated Group if they include schedules showing the Obligated Group financial performance separately.

Notice of Certain Events

The Members of the Obligated Group covenant to provide or cause to be provided within 10 business days, information with respect to the occurrence of any of the following events as required by the Rule with respect to the Series 2019B Bonds:

i. principal and interest payment delinquencies;

ii. nonpayment related defaults, if material;

iii. unscheduled draws on debt service reserves reflecting financial difficulties;

iv. unscheduled draws on credit enhancement reflecting financial difficulties;
v. substitution of credit or liquidity providers, or their failure to perform;

vi. adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2019B Bonds, or other events affecting the tax status of the Series 2019B Bonds;

vii. modifications to rights of holders or beneficial owners, if material;

viii. Series 2019B Bond calls, if material;

ix. defeasances;

x. release, substitution or sale of property securing repayment of the Series 2019B Bonds, if material;

xi. rating changes;

xii. tender offers;

xiii. bankruptcy, insolvency, receivership or similar event of the obligated person;

xiv. consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the 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;

xv. appointment of a successor or additional trustee or the change of name of a trustee, if material;

xvi. incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and

xvii. a default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of an obligated person, any of which reflect financial difficulties.

**Annual Report**

The Annual Report will contain or incorporate by reference at least the following items:

(a) Separate audited financial statements of each Member of the Obligated Group or audited financial statements including the Members of the Obligated Group, provided, however, that if audited financial statements for or including the Members of the Obligated Group are not available by the deadline for filing the Annual Financial Information, they shall be promptly provided when and if available and unaudited financial statements shall be included in the Annual Financial Information. Audited and unaudited financial statements of a parent or other entity which include the Obligated Group may be provided in lieu of separate financial statements of the Obligated Group if they include schedules showing the Obligated Group financial performance separately. The financial statements shall be audited and prepared pursuant to accounting and reporting policies conforming in all material respects to GAAP or accompanied by a quantified explanation of material deviations from GAAP, if possible, or a full explanation of the accounting principles used.
(b) An update of the financial information and operating data substantially similar in form and scope to the financial information and operating data (relating to utilization and sources of revenue) contained in APPENDIX A under the captions “FINANCIAL AND STATISTICAL INFORMATION PRESENTATION” - the information on the percent the Obligated Group comprised of combined total assets, total operating revenue and operating EBITDA of AdventHealth, “ADVENTHEALTH’S HOSPITALS,” “UTILIZATION STATISTICS,” “SOURCES OF PATIENT SERVICE REVENUES,” “MANAGEMENT’S DISCUSSION AND ANALYSIS - Balance Sheet Ratios” (for AdventHealth) and “PRO FORMA FINANCIAL RATIOS” (on a historic basis).

Any or all of the items listed above may be included by specific reference to other documents which previously have been provided to the MSRB or filed with the SEC. If the document included by reference is a final Official Statement, it must be available from the MSRB. Sunbelt shall clearly identify each such other document as included by reference.

EMMA filings by the Obligated Group

As part of its 2014 and 2015 Annual Reports, the Obligated Group filed its historical debt service information instead of maximum annual debt service information as it had done in previous Annual Reports. The Master Indenture, as amended in 2014, no longer requires the Obligated Group to calculate and report a maximum annual debt service requirement calculation in accordance with the Master Indenture, replacing such calculation with historical debt service information. In connection with the issuance of the Series 2019B Bonds, the Obligated Group is including both historical debt service information and maximum annual debt service information in the chart under the caption “PRO FORMA FINANCIAL RATIOS” in APPENDIX A to this Official Statement. In connection with its 2019 Annual Report and any subsequent Annual Reports required while the Series 2019A Bonds and the Series 2019B Bonds are outstanding, the Obligated Group will file continuing disclosure with EMMA that contains information pertaining to its Historical Debt Service and to its maximum annual debt service. As part of its regular compliance review, Sunbelt learned that in 2018 certain of its quarterly filings did not get posted to each CUSIP. That has been corrected.

Failure to Comply

In the event of a failure of the Obligated Group to comply with any provision of the Disclosure Agreement, any Bondholder or Beneficial Owner may seek specific performance by court order to cause the Obligated Group to comply with the obligations under the Disclosure Agreement. A failure to comply with the Disclosure Agreement shall not be deemed an Event of Default under the Bond Indenture. The sole remedy under the Disclosure Agreement in the event of any failure of the Obligated Group to comply with the Disclosure Agreement shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damage thereunder under any circumstances.

Amendment of the Disclosure Agreement

The provisions of the Disclosure Agreement may be amended or terminated as deemed appropriate by Sunbelt; provided, however, that at any time there is no applicable exemption under the Rule, any such amendment or termination must be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretation thereof made from time to time by the SEC. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of any Obligated Person or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Series 2019B Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Bondholders, as
determined by parties unaffiliated with the Obligated Group. The foregoing interpretations may be changed in the future.

INDEPENDENT AUDITORS

The consolidated financial statements and supplementary information of Adventist Health System Sunbelt Healthcare Corporation (d/b/a AdventHealth) as of December 31, 2018 and 2017 and for the years then ended, included in APPENDIX B to this Official Statement, have been audited by Ernst & Young LLP, independent auditors, as stated in their report appearing in APPENDIX B to this Official Statement.

INTERIM FINANCIAL INFORMATION

AdventHealth’s unaudited consolidated interim financial statements and supplementary information as of March 31, 2019 and for the three-month periods ended March 31, 2019 and 2018 are available from EMMA. EMMA is found at http://emma.msrb.org. The unaudited consolidated financial statements were prepared by management of the Obligated Group in accordance with GAAP for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for annual financial statements. All adjustments necessary for a fair presentation have been included. All such adjustments are considered to be of a normal and recurring nature. Operating results for the three months ended March 31, 2019 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2019. The financial information including the Obligated Group that is available from EMMA is incorporated herein by reference and should be read in conjunction with the consolidated financial statements and supplementary information of Health Care, related notes, and other financial information included in this Official Statement, including the Appendices.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

At the time of delivery of the Series 2019B Bonds, Causey Demgen & Moore, P.C., Certified Public Accountants will deliver a report on the mathematical accuracy of the computations contained in schedules provided to them relating to the sufficiency of the anticipated cash and maturing principal amounts and interest on the escrow securities to pay the principal of, accrued interest on and redemption price for certain of the Prior Bonds on the respective redemption dates.

The money and the escrow securities held in accordance with the supplemental trust indentures relating to certain of the Prior Bonds and all interest or other income thereon, and any proceeds from the disposition thereof, will be used only to pay the principal of and accrued interest to the respective redemption dates on certain of the Prior Bonds, and will not be available for payment of debt service on the Series 2019B Bonds.

RATINGS

Fitch Ratings Inc. has assigned the Series 2019B Bonds a rating of AA (stable), S&P Global Ratings has assigned the Series 2019B Bonds a rating of AA (stable), and Moody’s Investors Service, Inc. has assigned the Series 2019B Bonds a rating of Aa2 (stable). A report, which outlines the basis for the current rating by each rating agency, has been issued by each rating agency in connection with the issuance of its rating and a copy may be obtained by contacting the applicable rating agency. An explanation of the significance of the ratings may be obtained from the applicable rating agency. The ratings are not a recommendation to buy, sell or hold the Series 2019B Bonds. There can be no assurance that the ratings will continue for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the applicable rating agency. Any such downward changes in or suspension or withdrawal of
any of such ratings may have an adverse effect on the secondary market price and liquidity of the Series 2019B Bonds.

**UNDERWRITING**

The Series 2019B Bonds are being purchased by J.P. Morgan Securities LLC (“JPM”), BofA Securities, Inc. and Goldman Sachs & Co. LLC (collectively, the “Underwriters”). The Underwriters have agreed to purchase the Series 2019B Bonds at an aggregate purchase price of $150,003,397.80 (consisting of $122,085,000.00 in par amount plus premium of $27,918,397.80) pursuant to a bond purchase agreement entered into by and between the Authority and JPM, as representative of the Underwriters, and approved by the Obligated Group Representative. In addition, pursuant to the bond purchase agreement the Obligated Group will pay the Underwriters a fee of $473,763.26 for expenses and services related to the Series 2019B Bonds. The bond purchase agreement also provides that the Underwriters will purchase all of the Series 2019B Bonds if any are purchased, and that the Obligated Group will indemnify the Underwriters and the Authority against losses, claims and liabilities arising out of any untrue statement of a material fact contained in this Official Statement or the omission herefrom of any material fact in connection with the transactions contemplated by this Official Statement. The initial offering prices may be changed, from time to time, by the Underwriters. The Underwriters may utilize a selling group to assist in the initial sale of the Series 2019B Bonds and would share with selling group members a portion of the underwriting compensation with respect to the Series 2019B Bonds.

Each Underwriter and its respective affiliates comprise full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Such activities may involve or relate to assets, securities and/or instruments of the Obligated Group (whether directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with (or that are otherwise involved with transactions by) the Authority and/or the Obligated Group. Any Underwriter and its respective affiliates may have, from time to time, engaged, and may in the future engage, in transactions with, and performed and may in the future perform, various investment banking services for the Authority and/or the Obligated Group for which they received or will receive customary fees and expenses. Under certain circumstances, any Underwriter and its respective affiliates may have certain creditor and/or other rights against the Authority and/or the Obligated Group and any affiliates thereof in connection with such transactions and/or services. In addition, any Underwriter and its respective affiliates may currently have and may in the future have investment and commercial banking, trust and other relationships with parties that may relate to assets of, or be involved in the issuance of securities and/or instruments by, the Authority and/or the Obligated Group (including individual Members of the Obligated Group) and any affiliates thereof. An Underwriter and its respective affiliates also may communicate independent investment recommendations, market advice or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

JPM, one of the Underwriters of the Series 2019B Bonds, 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 at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase bonds from JPM at the original issue price less a negotiated portion of the selling concession applicable to any bonds that such firm sells.

BofA Securities, Inc., an underwriter of the Series 2019B Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement,
BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2019B Bonds.

MISCELLANEOUS

The references herein to the Bond Indenture, the Loan Agreement, the Master Indenture, the Series 2019B Note and the Disclosure Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete, and for full and complete statements of such provisions reference is made to the Bond Indenture, the Loan Agreement, the Master Indenture, the Series 2019B Note and the Disclosure Agreement. Copies of the documents mentioned under this heading will be available for inspection following issuance of the Series 2019B Bonds, at the corporate trust office of the Bond Trustee in Orlando, Florida.

It is contemplated that CUSIP identification numbers will be printed on the Series 2019B Bonds, but neither the failure to print such numbers nor any error in the printing of such numbers shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for any Series 2019B Bonds.

Neither any advertisement of the Series 2019B Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2019B Bonds. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The attached Appendices and cover page are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The Authority has furnished the information contained herein under the captions “INTRODUCTORY STATEMENT – The Authority,” “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION – The Authority.”
The use and public distribution of this Official Statement has been duly authorized by the Authority, and the execution and delivery hereof has been approved by the Obligated Group Representative.

ADVENTIST HEALTH SYSTEM/SUNBELT, INC., for itself and as Obligated Group Representative

By: /s/ Paul C. Rathbun
Senior Executive Vice President and Chief Financial Officer
The information contained in this Appendix A has been obtained from Adventist Health System Sunbelt Healthcare Corporation, Adventist Health System/Sunbelt, Inc. and from other sources as shown herein.
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<td>EMPLOYEES</td>
<td>A-42</td>
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</table>
INTRODUCTION

Adventist Health System Sunbelt Healthcare Corporation, d/b/a AdventHealth (the “Parent”), is a Florida not-for-profit healthcare organization that together with its affiliates (collectively, “AdventHealth”) owns and operates hospitals, ambulatory assets, post-care facilities and philanthropic foundations. As of December 31, 2018, AdventHealth’s 43 hospitals, 11 long-term care facilities, 18 home health and hospice agencies, ambulatory services and philanthropic foundations operated in nine states – Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, North Carolina, Texas and Wisconsin.

AdventHealth is structured into three main operating divisions, the Central Florida Division, the West Florida Division and the Multistate Division, that are operated as an integrated health system. AdventHealth has in place key partnerships in the Multistate Division including a joint operating company with CommonSpirit Health known as Centura Health in Colorado, a joint operating agreement with Ascension Health known as AMITA Health in Illinois, and joint ventures with Texas Health Resources in Fort Worth, Texas and with Baylor Scott & White Health in Killeen, Texas. The Parent was established in 1973 and AdventHealth currently serves more than 5 million patients annually.

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1 AdventHealth has acquired one hospital and added one hospital to the Obligated Group since December 31, 2018.
Brand Transformation

On January 2, 2019, as part of a systemwide brand transformation, Adventist Health System began operating as AdventHealth. No changes were made to governance structure, ownership or not-for-profit status, as a result of the brand transformation. With this brand transformation, the name Florida Hospital will no longer be used as a brand name. The new name AdventHealth signals the arrival or beginning of health and expresses a strong and clear connection to the healing and salvation that God has promised. All AdventHealth facilities and team members are centered around one name, brand and mission.

AdventHealth’s strategy evolution to be more consumer-focused and better meet the needs of patients, allows AdventHealth to become a fully integrated and distinguishable health system across all aspects of the health care continuum, while also speaking to its Christian healing ministry, message of wholeness and rich Seventh-day Adventist roots. AdventHealth’s promise of wholeness is an expression of the belief that caring for the physical, emotional and spiritual needs of every person is the key to good health. By uniting under one brand, AdventHealth’s goal is to become one of the most trusted, recognizable and preeminent healthcare brands in the United States.

The Church

Entities that subscribe to the principles of the Seventh-day Adventist Church (the “Church”) have been involved in the health care field since the latter part of the 19th century. Certain of these entities sponsor health care and other charitable institutions around the world, including a significant number of hospitals in the United States. NEITHER THE CHURCH, THE PARENT NOR ANY OTHER PERSON, EXCEPT THE OBLIGATED GROUP, IS LEGALLY LIABLE FOR THE DEBT OF THE OBLIGATED GROUP. THE OBLIGATED GROUP IS NOT LIABLE FOR THE DEBT OF ANY OTHER PERSON EXCEPT TO THE EXTENT DESCRIBED HEREIN OR IN ADVENTHEALTH'S CONSOLIDATED FINANCIAL STATEMENTS.

The Church determined in the early 1970s that a system of centralized management and coordination would provide more efficient operations for the extensive network of health care organizations in the United States. Thus, at its Annual Council in 1972, the General Conference of Seventh-day Adventists suggested the establishment of eight regional health care corporations in the United States. Today, five regional corporations own and operate these health care entities in the United States.

The corporate membership of the Parent includes members of the Executive Committees of the Lake Union Conference of Seventh-day Adventists, the Mid-America Union Conference of Seventh-day Adventists, the Southern Union Conference of Seventh-day Adventists and the Southwestern Union Conference of Seventh-day Adventists.
Corporate Structure

AdventHealth’s affiliated hospitals, long-term care facilities and philanthropic foundations are operated or controlled through their bylaws, governing board appointments or operating agreements, as described below.

The Parent is the sole corporate member of Adventist Health System/Sunbelt, Inc. (“Sunbelt”), a Florida not-for-profit corporation, Adventist Health System Georgia, Inc. (“AHS/Georgia”), a Georgia nonprofit corporation, Florida Hospital Dade City, Inc., a Florida not-for-profit corporation (“Dade City”), Fletcher Hospital, Incorporated (“Fletcher”), a North Carolina nonprofit corporation, Memorial Hospital, Inc. (“Memorial”), a Kentucky nonprofit corporation, Southeast Volusia Healthcare Corporation (“New Smyrna”), a Florida not-for-profit corporation, Florida Hospital Ocala, Inc. (“Ocala”), a Florida not-for-profit corporation, Pasco-Pinellas Hillsborough Community Health System, Inc. (“PPHCHS”), a Florida not-for-profit corporation, PorterCare Adventist Health System (“PorterCare”), a Colorado nonprofit corporation, University Community Hospital, Inc. (“UCH”), a Florida not-for-profit corporation and Florida Hospital Waterman, Inc. (“Waterman”), a Florida not-for-profit corporation.

Sunbelt is the sole corporate member of Adventist Midwest Health (“AMH”), an Illinois not-for-profit corporation, Chippewa Valley Hospital & Oakview Care Center, Inc. (“Chippewa”), a Wisconsin nonprofit, nonstock corporation, Florida Hospital Zephyrhills, Inc. (“Zephyrhills”), a Florida not-for-profit corporation, Southwest Volusia Healthcare Corporation (“SVHC”), a Florida not-for-profit corporation, Memorial Health Systems, Inc. (“MHS”), a Florida not-for-profit corporation, and Adventist Health Mid-America, Inc., a Kansas nonprofit corporation (“Mid-America”).

AMH is the sole corporate member of Adventist GlenOaks Hospital (“GlenOaks”), an Illinois not-for-profit corporation and Adventist Bolingbrook Hospital (“Bolingbrook”), an Illinois not-for-profit corporation. MHS is the sole corporate member of Memorial Hospital – West Volusia, Inc. (“West Volusia”), a Florida not-for-profit corporation and Memorial Hospital Flagler, Inc. (“Flagler”), a Florida not-for-profit corporation. Mid-America is the sole corporate member of Shawnee Mission Medical Center, Inc. (“Shawnee Mission”), a Kansas nonprofit corporation. UCH is the sole corporate member of Tarpon Springs Hospital Foundation, Inc. (“Tarpon Springs”), a Florida not-for-profit corporation.

The Parent manages all hospitals owned or operated by it (except for the PorterCare hospitals and the four hospitals owned by AMH, GlenOaks and Bolingbrook)2, 11 long-term care facilities and certain home health care activities.

The Parent has delegated to Centura Health Corporation (“Centura”), a Colorado nonprofit corporation and joint operating company of which PorterCare and Catholic Health Initiatives Colorado (“CHIC”), a Colorado nonprofit corporation, are each members (the “Centura Members”), managerial and operational authority over the facilities owned by PorterCare. Certain major matters regarding PorterCare or CHIC (each a “Managed Facility”) must be approved by the Centura Board of Trustees and both Centura Members.

The Parent has delegated to Alexian Brothers-AHS Midwest Region Health Co. (“AMITA Health”), an Illinois not-for-profit corporation and joint operating company of which AMH and Alexian Brothers Health System (“Alexian”), a subsidiary of Ascension Health, are each members, certain managerial and operational authority over the facilities owned by AMH, GlenOaks and Bolingbrook. Pursuant to the

---

2 The four hospitals owned by AMH, GlenOaks and Bolingbrook are managed by a joint operating company, AMITA Health, pursuant to an Affiliation Agreement dated as of October 30, 2014 (as supplemented and amended, the “Affiliation Agreement”), between the Parent and Ascension Health.
Affiliation Agreement, certain decisions impacting AMITA Health and its facilities must be approved by the AMITA Health Board (of which the Parent appoints 50% of the members) and/or by AMH or its designee.

The Obligated Group

The following entities (each individually, a “Member,” and collectively, the “Obligated Group”) are the current Members of the Obligated Group. The Members of the Obligated Group own 39 hospitals and lease all or a substantial portion of AdventHealth Tampa\(^3\), AdventHealth Ocala\(^4\), AdventHealth New Smyrna\(^5\) and AdventHealth North Pinellas\(^6\).

<table>
<thead>
<tr>
<th>Sunbelt</th>
<th>GlenOaks</th>
<th>SVHC</th>
</tr>
</thead>
<tbody>
<tr>
<td>AHS/Georgia</td>
<td>MHS</td>
<td>Shawnee Mission</td>
</tr>
<tr>
<td>AMH</td>
<td>Memorial</td>
<td>Tarpon Springs</td>
</tr>
<tr>
<td>Bolingbrook</td>
<td>Ocala</td>
<td>UCH</td>
</tr>
<tr>
<td>Chippewa</td>
<td>New Smyrna</td>
<td>Waterman</td>
</tr>
<tr>
<td>Dade City</td>
<td>PPHCHS</td>
<td>West Volusia</td>
</tr>
<tr>
<td>Flagler</td>
<td>PorterCare</td>
<td>Zephyrhills</td>
</tr>
<tr>
<td>Fletcher</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

An organization chart of AdventHealth is set forth on page A-5.

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\(^3\) A substantial portion of Advent Health Tampa is subject to a lease agreement scheduled to expire on December 31, 2064.

\(^4\) A substantial portion of AdventHealth Ocala is subject to a lease agreement scheduled to expire on March 31, 2054.

\(^5\) A substantial portion of AdventHealth New Smyrna is subject to a lease agreement scheduled to expire on March 31, 2041.

\(^6\) Tarpon Springs leases AdventHealth North Pinellas pursuant to a lease agreement scheduled to expire on August 31, 2070. AdventHealth North Pinellas joined the Obligated Group in February, 2019.
This chart shows the Parent and corporations that own or operate hospitals (including all of the Members of the Obligated Group), but does not include each subsidiary and joint venture that is part of AdventHealth.
STRATEGIC VISION, MISSION AND IMPERATIVES

AdventHealth’s strategic plans are driven by the goal of becoming a nationally-respected, consumer-focused company that provides high-quality clinical care. The vision for AdventHealth is to treat the whole person (mind, body and spirit) through completely connected, affordable and exceptional clinical care as measured by top-quartile performance.

The strategy of AdventHealth is laid out across six strategic imperatives and activated through several initiatives. AdventHealth has established these goals and strategies to serve its ultimate mission: Extending the Healing Ministry of Christ.

The six strategic imperatives are Engage the Consumer, Improve the Product, Improve People Systems, Lower the Cost, Expand the Network and Manage Risk.

Engage the Consumer: With a goal of becoming a company renowned for its consumer-first approach, AdventHealth seeks to dramatically change industry norms that today fail to deliver the experience consumer’s desire or deserve. The Engage the Consumer imperative seeks to organize and guide the capability to build and deliver the promises to consumers including: (1) providing consumers with an immediate virtual response through their preferred communication channel; (2) providing financial clarity ahead of time and one bill for the entire episode of care; (3) providing the ability for consumers to schedule their own appointments at a time that works for them; (4) assisting consumers with care navigation through their entire care journey; and (5) extending spiritual care to the outpatient setting.

Improve the Product: This imperative is designed to help AdventHealth provide high quality-clinical care that is the safest in the industry and to drive better clinical measures that have profound health outcomes. To accomplish this, AdventHealth is developing standards across facilities to ensure top-quartile clinical care among the well-known grading systems of CMS Star Ratings, Leapfrog Safety Grade and Premier Mortality Rate. In addition, work is being conducted that focuses on unit culture and the well-being along frontline clinical teams and establishing care transformation guidelines that will standardize best-practices for clinical procedures.

Improve People Systems: AdventHealth’s commitment to providing wholeness starts with the team members experiencing and living out the service standards of Make it Easy, Own It, Love Me and Keep Me Safe. The Improve People Systems imperative seeks to invest in AdventHealth’s team members to attract, retain and engage mission-aligned candidates with deep expertise and skills while also continuing to develop a world-class Leadership Institute that will grow leaders and emerging leaders.

Expand the Network: AdventHealth aims to provide access to the entire spectrum of healthcare services for the regions that it services and build the brand and the brand’s promise of whole-person care by providing for most clinical scenarios. This system will align closely with care navigation through fully-realized networks capable of connecting patients to any specialty or AdventHealth need within AdventHealth’s network of care.

Lower the Cost: This imperative seeks to reduce AdventHealth’s unnecessary costs and provide the highest-quality service for the lowest appropriate cost. The Lower the Cost imperative will initially accomplish this goal through (1) a systemwide approach to supply chain purchasing decisions; (2) unifying AdventHealth with a single revenue cycle operating model; and (3) lowering the financial burden of employing physicians through the optimization of revenue cycle and managing expenses.

Manage Risk: AdventHealth seeks to proactively identify and mitigate threats and vulnerabilities relating to a variety of risk factors including business, compliance, and insurance. To aid in the industry
wide shift to value-based care, AdventHealth created the Population Health Services Organization ("PHSO"). The PHSO focuses on the implementation and adoption of transformative, value-based, integrated healthcare models that address the consumers’ value gap between traditional managed care and fee-for-service by contracting to care for lives with the aim of improving the patient experience of care, improving the health of populations and reducing the per capita cost. Today the PHSO is responsible for providing population health services to approximately 306,667 lives, including all AdventHealth employees and 8,617 Medicare Advantage members.

**RELATIONSHIP OF THE PARENT AND ADVENTHEALTH**

Except as noted herein under “ORGANIZATION OVERVIEW– Corporate Structure” regarding PorterCare and AMITA Health, the Parent manages all of AdventHealth’s hospitals and also owns, leases and/or manages a wide variety of other health care facilities and related businesses. The Parent manages and controls AdventHealth’s hospitals through a variety of mechanisms, including bylaws, governing board appointments or management agreements.

Sunbelt is directly responsible for the assets and liabilities of only the hospitals it owns. The Parent is not a guarantor or obligor for payments on the Obligated Group’s liabilities related to the Series 2019 Bonds.

The corporate bylaws of the Parent and each Member of the Obligated Group of which the Parent is the sole corporate member (other than PorterCare) grant the Parent certain controls over the operations of each of the hospitals and other health care facilities owned or operated by such Members of the Obligated Group. The corporate bylaws of Sunbelt, MHS, AMH and Mid-America and each Member of the Obligated Group of which Sunbelt, AMH, MHS or Mid-America is the sole corporate member grant Sunbelt, AMH, MHS or Mid-America, respectively, certain controls over the operations of each of the hospitals and other health care facilities owned or operated by such Members of the Obligated Group. The bylaws of each Obligated Group Member for which Sunbelt serves as sole corporate member (other than AMH) provide that Sunbelt may delegate certain of its controls and rights over such entities to the Parent. Pursuant to the bylaws of each entity for which MHS serves as sole corporate member, certain responsibilities and authority that MHS has with respect to such entities may be delegated to Sunbelt. Certain controls and rights of Shawnee Mission have been delegated to Sunbelt. Certain controls and rights of Tarpon Springs have been delegated to the Parent.

These controls generally include the ability, as applicable, of the Parent, Sunbelt, AMH, MHS, or Mid-America to exercise the following reserved rights over the Members of the Obligated Group for which they serve as sole corporate member:

- Directing the placement of funds and capital and the making of gifts, donations, loans and transfers of funds or other assets;
- Election and removal of Directors;
- Amending the bylaws;
- Approval or disapproval of hospital management personnel;
- Approval or disapproval of operating bylaws;
- Approval or disapproval of opening or closing facilities or major changes in operation;
- Approval or disapproval of major building programs or transactions in assets above certain minimums;
- Setting limits and terms on borrowing;
- Establishment of general policies;
- Approval or disapproval of annual operating and capital budgets; and
• Approval or disapproval of certain salary rates.

The Members of the Obligated Group from time to time engage in financial transactions in cooperation with or in support of the Parent and each other. The Parent has the power to cause the Members of the Obligated Group to loan funds to, to contribute assets to, and to guaranty the obligations of the Parent, except as may be prohibited by the Master Indenture and other debt agreements of the Members of the Obligated Group.

See Note 3 to the audited consolidated financial statements and supplementary information of the Parent, included herein as Appendix B, for more information on investments and assets whose use is limited.

**FINANCIAL AND STATISTICAL INFORMATION PRESENTATION**

This Appendix A generally provides information on AdventHealth which is derived from the audited consolidated financial statements of the Parent attached hereto as Appendix B wherein financial information of the Obligated Group is set forth in consolidating schedules. The Obligated Group comprised 84.8% of total assets, 94.9% of total operating revenue and 99.7% of operating EBITDA of AdventHealth as of December 31, 2018. See “MANAGEMENT’S DISCUSSION AND ANALYSIS” herein for more information. Financial and operating data on AdventHealth Dade City is included beginning April 1, 2018, and AdventHealth Ocala beginning August 1, 2018.
The following tables summarize, by operating division, the locations and bed sizes of each of the hospitals that will be owned or leased by the Parent or its affiliates after issuance of the Series 2019 Bonds and the relative total operating revenue and total operating EBITDA attributable to controlling interest of each hospital at and for the year ended December 31, 2018. Thirty-eight of AdventHealth’s 43 hospitals are owned or leased by Members of the Obligated Group.

<table>
<thead>
<tr>
<th>Region</th>
<th>Hospital</th>
<th>Licensed Beds, Acute (including neonatal)</th>
<th>Licensed Beds, Other Non-Acute</th>
<th>% of Total Operating Revenue for Year Ended 12/31/18</th>
<th>% of Total Operating EBITDA for Year Ended 12/31/18</th>
</tr>
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<tbody>
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<td>Central Florida Division</td>
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<tr>
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<td>40.77%</td>
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<tr>
<td></td>
<td>Apopka</td>
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<td>120</td>
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<td></td>
<td>Celebration</td>
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<td>--</td>
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<td></td>
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<td>Kissimmee</td>
<td>162</td>
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<td>308</td>
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<tr>
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<td>Palm Coast</td>
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<td>Waterman</td>
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<td>West Florida Division</td>
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<td>15.55%</td>
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<td>95</td>
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<td>Connerton</td>
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<td>Dade City</td>
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<td>Ocala</td>
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<td>Wesley Chapel</td>
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<td></td>
<td>Zephyrhills(a)</td>
<td>149</td>
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</table>

7 Includes psychiatric, rehabilitation, skilled nursing, and other licensed beds.
<table>
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<tr>
<th>Region</th>
<th>Hospital</th>
<th>Licensed Beds, Acute (including neonatal)</th>
<th>Licensed Beds, Other Non-Acute&lt;sup&gt;8&lt;/sup&gt;</th>
<th>Staffed Beds</th>
<th>Total Operating Revenue for Year Ended 12/31/18</th>
<th>Total Operating EBITDA for Year Ended 12/31/18</th>
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<td>Shawnee Mission</td>
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<td>Durand</td>
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<td><strong>Midwest Region</strong></td>
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<td>Bolingbrook</td>
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<td>Glen Oaks</td>
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<td>Castle Rock</td>
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<td><strong>Southeast Region</strong></td>
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<td>2.46%</td>
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<td>Gordon</td>
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<td>Hendersonville</td>
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<tr>
<td>Manchester</td>
<td>49</td>
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<td>41</td>
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<tr>
<td><strong>Southwest Region</strong></td>
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<td></td>
<td>0.93%</td>
<td>0.31%</td>
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<tr>
<td>Central Texas Medical Center</td>
<td>157</td>
<td>13</td>
<td>100</td>
<td></td>
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<tr>
<td><strong>Other Entities &amp; Eliminations within Obligated Group&lt;sup&gt;b&lt;/sup&gt;</strong></td>
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<td>--</td>
<td>--</td>
<td></td>
<td>(0.38%)</td>
<td>(9.34%)</td>
</tr>
<tr>
<td><strong>Total Obligated Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7,794</td>
<td>7,783</td>
</tr>
<tr>
<td></td>
<td><strong>Other Facilities outside Obligated Group&lt;sup&gt;c&lt;/sup&gt;</strong></td>
<td>--</td>
<td>--</td>
<td>--</td>
<td></td>
<td>2.52%</td>
</tr>
<tr>
<td>Murray</td>
<td>42</td>
<td>--</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Pinellas&lt;sup&gt;d&lt;/sup&gt;</td>
<td>136</td>
<td>32</td>
<td>168</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Texas&lt;sup&gt;e&lt;/sup&gt;</td>
<td>170</td>
<td>60</td>
<td>186</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rollins Brook&lt;sup&gt;e&lt;/sup&gt;</td>
<td>25</td>
<td>--</td>
<td>25</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Entities &amp; Eliminations outside Obligated Group&lt;sup&gt;b&lt;/sup&gt;</strong></td>
<td>--</td>
<td>--</td>
<td>--</td>
<td></td>
<td>2.58%</td>
<td>(0.61%)</td>
</tr>
<tr>
<td><strong>Total AdventHealth</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8,167</td>
<td>8,174</td>
</tr>
</tbody>
</table>

<sup>8</sup> Includes psychiatric, rehabilitation, skilled nursing, and other licensed beds.
Notes to AdventHealth’s Hospitals Chart:

(a) The real property and original improvements used in the operation of AdventHealth Zephyrhills are owned by Sunbelt and leased to Zephyrhills for use in the operation of a general acute health care facility.
(b) The majority of this amount is attributable to the corporate office and also includes $43.7 million of branding expense, intercompany eliminations and certain non-hospital entities.
(c) Effective May 1, 2019, the Parent finalized an agreement to sublease substantially all of the associated assets of the 44-bed hospital known as Ransom Memorial Health and rename it AdventHealth Ottawa. AdventHealth Ottawa is not included in the list above. Texas Health Huguley (“THH”) is a joint venture between the Parent and Texas Health Resources. AdventHealth records its 49% investment in THH under the equity method of accounting.
(d) Tarpon Springs leases AdventHealth North Pinellas pursuant to a lease agreement scheduled to expire on August 31, 2070. AdventHealth North Pinellas joined the Obligated Group in February 2019.
(e) These entities are part of a joint venture with Baylor Scott & White Health and not part of the Obligated Group. Central Texas was formerly known as Metroplex Adventist Hospital.

DESCRIPTION OF CENTRAL FLORIDA, WEST FLORIDA AND MULTISTATE DIVISIONS

AdventHealth’s operating philosophy is built around a co-operating model that seeks to leverage the organization’s national scale and regional relevance while empowering local market leadership through inclusive decision-making and shared accountability.

Co-Operating Model

National Scale | Regional Relevance | Market Leadership

Integrated Leadership | Inclusive Decision-making | Shared Accountability

To maximize the benefits of national scale, AdventHealth provides a number of services on a centralized basis. This coordination gives the operating entities access to expertise and resources that might not be available to them on an individual hospital basis.

To ensure regional relevance while empowering local market leadership and shared accountability, AdventHealth manages its operations through a divisional structure where each division has a dedicated management structure. AdventHealth has three main operating divisions, the Central Florida Division (“CFD”), which is organized into two regions, South and North, West Florida Division and Multistate Division, which is organized into five regions.
Included below is information regarding the three main operating divisions of AdventHealth (with the two regions of the Central Florida Division displayed) and more detailed information on certain locations. This Official Statement provides information about facilities owned or leased by AdventHealth, including locations, licensed and staffed beds, percent of 2018 total operating revenue and percent of 2018 operating EBITDA under the caption “ADVENTHEALTH’S HOSPITALS” herein. In total, AdventHealth produced $10.97 billion of total operating revenues and $1.45 billion of operating EBITDA for the year ended December 31, 2018.
DESCRIPTION OF CENTRAL FLORIDA DIVISION

The Central Florida Division provides acute, ambulatory, rehabilitation, psychiatric and skilled nursing care to patients and communities in Orange, Seminole, Osceola, Polk, Sumter, Lake, Flagler and Volusia counties.

The Central Florida Division primarily consists of 13 hospital campuses and numerous ambulatory assets in two regions: (1) the South Region ("CFD-S"), which includes seven hospital campuses with 2,893 licensed beds in the Greater Orlando area, and (2) the North Region ("CFD-N"), which includes six hospital campuses with 1,227 licensed beds in areas spanning from north and immediately west of Orlando up Interstate-4 through Daytona Beach and north to Flagler County.

Included within the Central Florida Division South Region is AdventHealth’s flagship facility, AdventHealth Orlando (f.k.a. Florida Hospital Orlando), which has 1,297 acute care licensed beds.
AdventHealth Orlando was founded in 1908 and is a major tertiary referral hospital for Central Florida. AdventHealth Orlando provides care to more than one million patients each year and based on admissions, is one of the busiest hospitals in Florida and in the United States. The Central Florida Division is located within a fast-growing region, with a population that is projected to grow by 7.8% between 2019 and 2024, compared to a projected national growth rate of 3.6%.

AdventHealth Orlando operates several significant Institutes including the following:

- The AdventHealth Cardiovascular Institute is first in the State of Florida in cardiovascular surgery inpatient discharges. During 2018, 2,451 open-heart surgeries were completed, and 13,559 cardiac catheterizations were performed. Management reports that AdventHealth routinely ranks among the top five centers in the United States based on the number of coronary bypass procedures performed annually.

- The AdventHealth Orlando Neuroscience Institute has more neurosurgery inpatient discharges than any other facility in the State of Florida. In addition, the Institute treats more stroke and transient ischemic attack patients and has more neurology patients than any other facility in the state of Florida. It is one of the most comprehensive institutes of its kind in the Southeast, supported by highly trained physicians and AdventHealth professionals, technologically advanced diagnostic and treatment facilities and minimally invasive treatment options, as well as, comprehensive rehabilitation programs and applications of clinical research trials.

- The AdventHealth Orlando Transplant Center is one of the nation’s busiest kidney transplant centers, with 165 kidney transplants performed in 2018. In addition, the Center performed 64 liver transplants, 56 heart transplants, 7 pancreas transplants and 16 lung transplants in 2018.

- AdventHealth Cancer Institute serves more cancer patients than any other program in Florida. The Cancer Institute offers a multidisciplinary team of cancer specialists, advanced technology and a complete array of patient and family support services through six central Florida locations.

Specialized hospital services for children and women are offered on the campus of AdventHealth Orlando through the “Walt Disney Pavilion” at AdventHealth Orlando for Children and AdventHealth for Women, respectively. The “Walt Disney Pavilion” at AdventHealth Orlando for Children is a state-of-the-art facility that has 198 licensed beds and a Children’s Emergency Department. The hospital includes a team of more than 100 pediatric sub-specialists covering more than 35 pediatric sub-specialties, including pediatric surgery, neurosurgery, epilepsy, cardiology, hematology and oncology, neuro-oncology, neurofibromatosis, orthopedics and transplant. In 2019, U.S. News & World Report ranked AdventHealth for Children’s neonatology program No. 31 nationally and No. 1 in Florida.

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11 SOURCE: US Census Bureau National Projections Table, September 2018.
AdventHealth for Women is a twelve story, 400,000 square foot facility dedicated to offering women services. The facility includes 72 mother-baby rooms, high-risk OB rooms, labor and delivery suites, 10 operating rooms for robotic and laparoscopic gynecology, 82 neonatal intensive-care unit beds, 36 medical oncology beds, 32 bone marrow transplant beds and 36 gynecology oncology beds. In the Greater Orlando market, AdventHealth Orlando holds a 41.7% market share for inpatient obstetrics compared to 42.3% for Orlando Health and 7.2% for HCA.16

In addition to medical and surgical services, AdventHealth Orlando offers a large number of specialized services, including advanced robotic and laparoscopic surgery, fracture care, radiation therapy, interventional endoscopy, rehabilitation, hyperbaric medicine and wound care, gamma knife, diabetes services, computerized axial tomography (“CAT”), advanced magnetic resonance imaging (“MRI”), positron emission tomography, sleep disorders center, and lithotripsy. Florida Flight One is a fully equipped “air ambulance” that provides critical care for patients living within a 150-mile radius of AdventHealth Orlando.

Within the Central Florida Division South Region (the greater Orlando market), AdventHealth held an inpatient market share of 43.4% as compared to 33.5% for Orlando Health and 13.0% for HCA. AdventHealth’s market share based upon emergency department visits was 49.0% as compared to 27.4% for Orlando Health and 15.7% for HCA.17

Within the Central Florida Division North Region, AdventHealth held an inpatient market share of 44.4% as compared to 15.8% for Halifax Health and 11.9% for Orlando Health. AdventHealth’s market share based upon emergency department visits was 53.2% as compared to 19.7% for Halifax Health and 10.0% for Orlando Health.18

The Central Florida Division South Region contributed approximately 41% of AdventHealth’s total operating revenues and approximately 58% of operating EBITDA for the year ended December 31, 2018.

The Central Florida Division North Region contributed approximately 12% of AdventHealth’s total operating revenues and approximately 13% of operating EBITDA for the year ended December 31, 2018.

FUTURE GROWTH PLANS FOR THE CENTRAL FLORIDA DIVISION

Central Florida Division Ambulatory Expansion

The Central Florida Division has developed a multi-year plan to significantly expand its outpatient networks in the greater Orlando metropolitan region. These investments will be used to create a broader and more connected consumer focused healthcare network and will include the expansion of ambulatory services (laboratory, outpatient pharmacy, sports medicine/rehabilitation and imaging services), urgent care, free standing emergency departments, ambulatory surgery centers and health parks.

AdventHealth Winter Garden Expansion

Adjacent to the existing 24-bed emergency department and 72,000 square-foot medical office building, the Central Florida Division is constructing a $174 million, 120-patient bed hospital on its Winter Garden campus. The hospital construction will also feature two operating rooms and one catheterization

The Central Florida Division broke ground on the site in March 2019 and expects the hospital to open in 2021.

**AdventHealth Fish Memorial Expansion**

Construction is underway on a $100 million expansion at AdventHealth Fish Memorial. The expansion features a new four-story patient tower at Fish Memorial which will increase the number of licensed patient beds from 179 to 225 while fully privatizing all patient rooms. The expansion will also include a state-of-the-art 20-bed labor and delivery unit, increase the size of the emergency department, and enhance cardiac, intensive care and surgical services. Construction is expected to be complete by the end of 2020.

**AdventHealth Kissimmee Expansion**

The Central Florida Division will add on to its Kissimmee campus to meet the area’s growing healthcare needs with an $84 million, 123,000-square-foot expansion on top of its existing three-story patient tower at AdventHealth Kissimmee. The three-story project is expected to be completed by fall 2021 and will add 80-patient beds, bringing the total bed count to 242.

**Heart of Florida Regional Medical Center and Lake Wales Medical Center Acquisition**

The Parent has signed definitive agreements to purchase 193-bed Heart of Florida Regional Medical Center in Davenport, Florida, and 160-bed Lake Wales Medical Center in Lake Wales, Florida from affiliates of Community Health Systems, Inc. In addition, the agreements include both hospitals’ related businesses, physician clinic operations, and outpatient services. The pending acquisition will expand AdventHealth’s presence into a fast-growing Polk County market and will help to fill-in a current service gap between the greater Orlando and Tampa metropolitan markets. Both transactions are expected to be complete in third quarter of this year with due diligence currently in process, although there is no assurance if or when these acquisitions will be completed and on what final terms.

**Health First Investment**

The Parent signed a definitive agreement to acquire a minority interest of Health First on June 17, 2019 that will help to expand its network into a desirable Brevard County market. Health First’s current network is highly complementary to AdventHealth’s footprint in Central Florida. Health First currently comprises 4 hospitals with 900-patient beds and approximately 40,000 patient discharges, a 412-physician medical group, and an insurance plan with 127,000 Commercial/ASO members and 38,000 Medicare Advantage members. Total operating revenues of Health First are approximately $1.7 billion. The Parent will receive board representation on Health First’s board of directors based on its minority interest percentage. In addition, the Parent will have the right of first refusal on changes in ownership of Health First. The agreement is subject to due diligence and is expected to close during the fourth quarter of 2019, although there is no assurance if or when this investment will be completed and on what final terms.
Central Florida Division Future Map

Below is a map depicting hospital facilities in the Central Florida Division with planned future growth initiatives. More details on these plans, the timing and any possibility that they may not be completed are discussed above under the caption “FUTURE GROWTH PLANS FOR THE CENTRAL FLORIDA DIVISION.”
DESCRIPTION OF WEST FLORIDA DIVISION

The West Florida Division provides acute, ambulatory, rehabilitation, psychiatric and skilled nursing care to patients and communities in Hillsborough, Pinellas, Pasco, Highlands, Hardee and Marion counties.

The West Florida Division consists of 11 hospital campuses and numerous ambulatory assets. The majority of revenue is generated in the greater Tampa-St. Petersburg-Clearwater market, which includes Hillsborough, Pinellas and Pasco counties, one of the fastest growing regions in the United States. In 2018, the West Florida Division expanded its footprint as a result of two separate hospital acquisitions. Bayfront Health Dade City (now known as AdventHealth Dade City) was acquired effective April 1, 2018. Separately the West Florida Division expanded into Ocala, Florida through the acquisition of Munroe Regional Medical Center (now known as AdventHealth Ocala) effective August 1, 2018.

The West Florida Division represents one of the fastest growing divisions within AdventHealth, with total operating revenues for the division increasing from $473 million during FY 2010 to $1.7 billion during FY 2018, which represents a compounded annual growth rate of 17.1%.
Within its primary service area in the Tampa-St. Petersburg-Clearwater market, AdventHealth held an inpatient market share of 25.1% as compared to 35.0% for BayCare Health System and 20.0% for HCA. AdventHealth’s market share based upon emergency department visits was 33.0% as compared to 33.1% for BayCare Health System and 21.8% for HCA.\textsuperscript{19}

The West Florida Division contributed approximately 14% of AdventHealth’s total operating revenues and approximately 16% of operating EBITDA for the year ended December 31, 2018.

The West Florida Division’s largest facility is AdventHealth Tampa, which is located a half mile from the campus of the University of South Florida in Tampa, Florida. AdventHealth Tampa has 478 acute care licensed beds and is home to the Pepin Heart Institute, one of the region’s busiest cardiovascular institutes.\textsuperscript{20} During 2018, 754 open-heart surgeries were completed, and 6,501 cardiac catheterizations were performed. Additionally, AdventHealth Tampa’s emergency department is one of the region’s busiest with over 110,000 emergency room visits during 2018.

In 2014, the West Florida Division opened AdventHealth Wesley Chapel, a 145 acute care licensed bed facility, in response to high population growth in the city of Wesley Chapel, Florida. Located 11 miles north of AdventHealth Tampa, the city of Wesley Chapel has been one of the fastest growing cities in Florida since 2000, with its population increasing from 15,500 to 53,000 residents.\textsuperscript{21} AdventHealth Wesley Chapel has seen significant volume growth since its opening.

**FUTURE GROWTH PLANS FOR THE WEST FLORIDA DIVISION**

**West Florida Division Ambulatory Expansion**

Similar to the Central Florida Division, the West Florida Division has also developed a multi-year plan to significantly expand its outpatient networks in the greater Tampa metropolitan region. These investments will be used to create a broader and more connected consumer focused healthcare network and will include the expansion of ambulatory services (laboratory, outpatient pharmacy, sports medicine/rehabilitation and imaging services), urgent care, free standing emergency departments, and ambulatory surgery centers.

**AdventHealth Tampa Campus Transformation**

As part of a $256 million campus transformation, the West Florida Division will be constructing a new patient tower on the campus of AdventHealth Tampa with 6 additional floors, 96 new patient beds, 18 new surgical suites from the 11 existing operating and rooms and 5 one-day rooms, a new central sterile processing department, a 300-stall parking garage and an additional central energy plant. The newly transformed campus is expected to open in 2021.

**H. Lee Moffitt Cancer Center Affiliation**

The West Florida Division and Moffitt Cancer Center are partnering together to open a 28,000 square foot outpatient cancer center on the campus of AdventHealth Wesley Chapel in Pasco County. The new Moffitt outpatient center at AdventHealth Wesley Chapel will provide medical and radiation oncology services and is designed to accommodate 20 exam rooms, 22 infusion stations and two linear accelerators. The outpatient center is expected to open in the fall of 2020.

\textsuperscript{19} \textit{SOURCE}: Agency for Healthcare Administration, 2017Q3 – 2018Q2.
\textsuperscript{20} \textit{SOURCE}: Agency for Healthcare Administration, 2017Q3 – 2018Q2.
\textsuperscript{21} \textit{SOURCE}: U.S. Census Bureau, Population Division.
DESCRIPTION OF MULTISTATE DIVISION

The Multistate Division provides acute, ambulatory, rehabilitation, psychiatric and skilled nursing care to patients and communities in eight states including Colorado, Georgia, Kansas, Kentucky, Illinois, North Carolina, Texas and Wisconsin and organized into five regions, Rocky Mountain Region, Mid-America Region, Mid-West Region, Southwest Region, and Southeast Region.

The Multistate Division consists of 19 hospital campuses and numerous ambulatory assets. Total operating revenues for this division were $3.3 billion during fiscal year 2018. The majority of revenues and operating EBITDA are generated in three markets: Rocky Mountain Region (Denver, Colorado), Mid-America Region (primarily the greater Kansas City, Kansas market) and the Midwest Region (primarily Chicago, Illinois). The Parent also has a significant joint venture relationship with Texas Health Resources in Fort Worth, Texas, however this entity is not a member of the Obligated Group.

The Multistate Division contributed approximately 29% of AdventHealth’s total operating revenues and approximately 22% of operating EBITDA for the year ended December 31, 2018. The chart below shows the breakout by region in the Multistate Division of total operating revenue and operating EBITDA.
**Rocky Mountain Region (Denver, CO)**

AdventHealth’s largest market by revenues and net income in the Multistate Division is the Rocky Mountain Region. The Rocky Mountain Region includes five hospitals and a variety of ambulatory facilities including physician clinics and free-standing emergency, urgent care, and imaging facilities all primarily located in the Greater Denver metropolitan area. Since 1996, these facilities have been managed and operated by Centura Health, pursuant to an Affiliation Agreement between Centura Health, the Parent, and CommonSpirit Health (formerly Catholic Health Initiatives).

In total, Centura Health manages and operates 17 hospitals, three free-standing emergency departments, eight urgent care facilities, seven facilities that combine emergency and urgent care, and numerous ambulatory assets in Colorado and Western Kansas. While the Parent and CommonSpirit Health share governance of Centura Health, each retains ownership of its facilities and the financial performance of the facilities consolidates to their respective owners.

Centura Health’s statewide network has grown substantially through ownership, management and affiliation, and capitalizing on the rapid population growth across the state of Colorado. Centura Health has extensive brand and ambulatory presence across metropolitan Denver, Colorado Springs, and other Colorado communities as well as western Kansas. Management at Centura is working to optimize its market relationships and payer partnerships. To do so, Centura is advancing Colorado Health Neighborhoods, its statewide Clinically Integrated Network (“CIN”), which currently has the largest pool of specialists and the most facilities of any CIN in Colorado and western Kansas.

Within its primary service area in the greater Denver market, Centura held an inpatient market share of 22.5% as compared to 33.4% for Health ONE (part of HCA) and 19.2% for SCL Health.\(^{22}\)

**Mid-America Region (Kansas City, KS)**

Within the Mid-America Region, Kansas City represents one of AdventHealth’s fastest growing markets. Today, AdventHealth owns and operates two hospital campuses, one free-standing emergency department, three urgent care centers and numerous ambulatory assets in the Greater Kansas City market. AdventHealth’s largest facility in Kansas is AdventHealth Shawnee Mission, which is located 16 miles southwest of Kansas City.

As a full network of care AdventHealth Shawnee Mission provides Cancer Care, Obstetrics, Cardiology, and Neurology Services among many other services. AdventHealth Shawnee Mission is a 504-bed facility with more than 22,000 inpatient admissions and more than 200,000 outpatient admissions annually. AdventHealth Shawnee Mission is the only certified member of MD Anderson Cancer Network®, a program of MD Anderson Cancer Center, in Kansas City and was the leader in the market with over 5,000 babies delivered during 2018\(^{23}\).

On May 1, 2019, AdventHealth acquired a 44-bed hospital known as Ransom Memorial Health and renamed it AdventHealth Ottawa. AdventHealth Ottawa is located 44 miles from AdventHealth Shawnee Mission in Ottawa, Kansas.

AdventHealth has significant plans to grow the Greater Kansas City market including:


- The construction of a $145 million, 85-bed hospital next to an existing free-standing emergency department at South Overland Park, located 14 miles south of AdventHealth Shawnee Mission. The new hospital will also include five operating rooms and 45 shelled beds for future growth. The anticipated opening of this facility is July 2021.

- The construction of AdventHealth at College Blvd., a 57,000 square foot, three-floor outpatient campus that is scheduled to open in late 2019. This center is located between the AdventHealth Shawnee Mission and the South Overland Park campuses, strategically expanding AdventHealth’s network in this market. The College Blvd. campus will provide emergency care, radiology, lab services, and primary care.

Within its primary service area in the Kansas City market, AdventHealth held an inpatient market share of 22.5% as compared to 21.3% for University of Kansas Health System and 10.9% for HCA. AdventHealth’s market share based upon emergency department visits was 17.3% as compared to 22.7% for University of Kansas Health System and 11.1% for HCA.24

**Midwest Region (Chicago, IL)**

Since February 1, 2015, AdventHealth has operated as part of AMITA Health in Chicago, Illinois, which is a joint operating company formed by Ascension Health and the Parent. The Parent contributed 4 Illinois hospitals and related healthcare facilities to the joint venture and Ascension contributed 5 Illinois hospitals and related healthcare facilities. The affiliation agreement preserves each of Ascension’s and the Parent’s ownership over its respective operations and as such, the Parent continues to consolidate its ownership portion of operations in the Parent’s consolidated financial statements.

Effective March 1, 2018, Presence Health was acquired by Ascension and incorporated into AMITA Health. With the addition of Presence Health into Ascension Healthcare, AMITA Health is now well positioned in the Chicago market as one of the largest health systems in Illinois. In total, AMITA Health operates 17 hospitals with service areas that include over 6 million residents. The Parent and Ascension share in cash flows of the joint operating company based on a predetermined percentage split and have a shared governance structure.

Within its primary service area in the Chicago market, AMITA held an inpatient market share of 15.3% as compared to 19.6% for Advocate Aurora Health and 12.4% for Northwestern Memorial HealthCare.25

**CLINICIANS AND PHYSICIAN ENTERPRISE**

AdventHealth’s medical staffs consist of more than 16,000 physicians including more than 1,400 employed physicians.

Each hospital (or hospitals if they operate under a single license) has a separate medical staff. The members of each medical staff are appointed by the board of each hospital in accordance with the appointment and reappointment procedures in the respective medical staff bylaws and according to the respective hospital’s governance procedures. The categories of membership for each hospital’s medical staff are determined by each hospital’s medical staff bylaws.

Physicians practice across all major clinical specialties and subspecialties including cardiovascular care, oncology, neurology and neurosurgery, solid organ and soft tissue transplants, orthopaedics, and women’s health.

AdventHealth’s Physician Enterprise Division focuses on hospital-physician alignment and integration and provides coordination and a uniform approach across AdventHealth regarding physician policies, procedures and compliance issues. The Physician Enterprise Division also has responsibility for overseeing physician acquisition activity. In this role, the Physician Enterprise Division reviews potential acquisitions to determine if they meet the overall goals of AdventHealth and the Parent and have strategic value. Finally, the Physician Enterprise Division assists in the development, review and implementation of electronic systems to enable hospital facilities, physicians and other parts of the healthcare delivery system to provide quality care in an efficient manner.

**UTILIZATION STATISTICS**

The following table shows, for the years ended December 31, 2018, 2017 and 2016, the aggregate operating statistics of AdventHealth’s hospitals.

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>Average Beds in Service</th>
<th>Average Daily Census</th>
<th>Percent Occupancy</th>
<th>Admissions</th>
<th>Patient Days</th>
<th>Average Length of Stay (Days)</th>
<th>Adjusted Patient Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>8,297</td>
<td>4,840</td>
<td>58.33%</td>
<td>380,682</td>
<td>1,766,579</td>
<td>4.64</td>
<td>3,534,841</td>
</tr>
<tr>
<td>2017</td>
<td>7,754</td>
<td>4,800</td>
<td>61.91%</td>
<td>367,895</td>
<td>1,752,168</td>
<td>4.76</td>
<td>3,436,734</td>
</tr>
<tr>
<td>2016</td>
<td>7,407</td>
<td>4,792</td>
<td>64.70%</td>
<td>369,317</td>
<td>1,754,048</td>
<td>4.75</td>
<td>3,385,234</td>
</tr>
</tbody>
</table>

**SOURCES OF PATIENT SERVICE REVENUES**

For the years ended December 31, 2018, 2017 and 2016, the sources of gross patient service revenues of AdventHealth’s hospitals were as follows:

<table>
<thead>
<tr>
<th>Source</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>47.50%</td>
<td>47.05%</td>
<td>46.10%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>13.52%</td>
<td>14.08%</td>
<td>14.05%</td>
</tr>
<tr>
<td>Managed Care</td>
<td>28.00%</td>
<td>28.49%</td>
<td>29.86%</td>
</tr>
<tr>
<td>Other</td>
<td>4.55%</td>
<td>4.27%</td>
<td>3.84%</td>
</tr>
<tr>
<td>Self-pay/Charity</td>
<td>6.43%</td>
<td>6.11%</td>
<td>6.15%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Medicare currently reimburses the AdventHealth’s hospitals for most inpatient services on the basis of each case’s “Diagnosis Related Group” payment weight. State Medicaid programs reimburse each of the AdventHealth’s hospitals in accordance with the Medicaid program in place in the state of the patient being treated. Commercial insurance contracts are numerous and vary broadly from market to market. No assurance can be given that revenues from third-party payors will continue in the relative percentages set forth in the above table. See “BONDHOLDERS’ RISKS – Payment for Health Care Services” in the front part of this Official Statement.
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF ADVENTHEALTH

The following condensed consolidated statements of revenue and expenses of AdventHealth for the years ended December 31, 2018 and 2017 and condensed consolidated balance sheets as of December 31, 2018 and 2017 were prepared by management. The financial information should be read in conjunction with AdventHealth’s audited consolidated financial statements and supplementary information, related notes and other financial information included in this Official Statement and the Appendices.

Condensed Consolidated Statements of Revenue and Expenses
(dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
<td></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net patient service revenue</td>
<td>$10,577,663</td>
<td>$9,644,644</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>396,461</td>
<td>438,481</td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Revenue</strong></td>
<td><strong>10,974,124</strong></td>
<td><strong>10,083,125</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee compensation</td>
<td>5,337,918</td>
<td>5,027,882</td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
<td>1,809,820</td>
<td>1,671,024</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>2,377,838</td>
<td>2,028,122</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>90,239</td>
<td>89,663</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>574,050</td>
<td>533,664</td>
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<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>10,189,865</strong></td>
<td><strong>9,350,355</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Income from Operations</strong></td>
<td><strong>784,259</strong></td>
<td><strong>732,770</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Nonoperating (Losses) Gains, Net</strong></td>
<td><strong>(165,597)</strong></td>
<td><strong>390,396</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Excess of Revenue and Gains over Expenses and Losses</strong>*</td>
<td>618,662</td>
<td>1,123,166</td>
<td></td>
</tr>
<tr>
<td><strong>Noncontrolling interests</strong></td>
<td>(333)</td>
<td>702</td>
<td></td>
</tr>
<tr>
<td><strong>Excess of Revenue and Gains over Expenses and Losses Attributable to Controlling Interest</strong>*</td>
<td>$ 618,329</td>
<td>$1,123,868</td>
<td></td>
</tr>
</tbody>
</table>

* These condensed consolidated statements of revenue and expenses exclude other direct effects on unrestricted net assets, including, but not limited to, changes in unrealized gains and losses on certain investments and pension related changes other than net periodic pension cost. See the consolidated statements of operations and changes in net assets in the audited consolidated financial statements and supplementary information of the Parent attached hereto as Appendix B.
### Condensed Consolidated Balance Sheets  
\(\text{(dollars in thousands)}\)

#### December 31,  
\(\text{2018}\)   \(\text{2017}\)

**Assets**

Current assets:
- Cash and cash equivalents $ 576,390 $ 338,346
- Investments 5,859,138 5,821,745
- Current portion of assets whose use is limited 333,888 303,823
- Patient accounts receivable, net 581,568 478,091
- Other current assets 1,006,396 1,321,570

Total current assets 8,357,380 8,263,575

Property and Equipment 6,506,650 6,061,128

Assets Whose Use is Limited, net of current portion 359,718 398,005

Other Assets 752,942 745,143

**Total Assets** $15,976,690 $15,467,851

**Liabilities and Net Assets**

Current liabilities:
- Accounts payable and accrued liabilities $1,216,499 $1,099,159
- Estimated settlements to third parties 175,334 189,781
- Other current liabilities 704,693 1,008,181
- Short-term financings 104,420 179,420

Total current liabilities 2,302,482 2,581,249

Long-term Debt, net of current maturities 2,857,654 2,719,815

Other Noncurrent Liabilities 612,773 598,002

**Total Liabilities** 5,772,909 5,899,066

**Net Assets**

- Net assets without donor restrictions 9,984,702 9,349,046
- Net assets with donor restrictions 185,946 186,666

**Total Net Assets** 10,170,648 9,535,712

**Noncontrolling interests**

- Noncontrolling interests 33,133 33,073

**Total Noncontrolling interests** 33,133 33,073

**Total Liabilities and Net Assets** $15,976,690 $15,467,851
AdventHealth’s unaudited consolidated interim statements of operations and changes in net assets for the three months ended March 31, 2019 and 2018, and unaudited consolidated interim balance sheet as of March 31, 2019, are available from EMMA, together with supplementary information. The unaudited consolidated interim financial statements and supplementary information of AdventHealth were prepared by management in accordance with GAAP for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for annual financial statements. All adjustments necessary for a fair presentation have been included. All such adjustments are considered to be of a normal and recurring nature. Operating results for the three months ended March 31, 2019 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2019. The consolidated financial information for AdventHealth, together with supplementary information, that is available from EMMA is incorporated herein by reference and should be read in conjunction with AdventHealth’s audited consolidated financial statements and supplementary information, related notes, and other financial information included in this Official Statement and the Appendices.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Financial Management

The Board of Directors of the Parent and senior management have established policies and procedures that govern the operating and financial affairs of AdventHealth and its operating units. Three committees—the Board Finance and Strategy, the Board Audit and the Investment Advisory Committees—oversee the financial affairs of AdventHealth and make recommendations to the Parent Board of Directors.

The Board Finance and Strategy Committee, which meets four times a year, oversees all key financial and strategic issues of AdventHealth. It is responsible for, but not limited to, reviewing and recommending key strategic initiatives of AdventHealth to the Board of Directors, reviewing and approving combined operating, cash flow and capital budgets; monitoring actual to budget financial performance; and approving all capital expenditures over $10 million and the incurrence of debt.

The Board Audit Committee oversees all internal and external audit activities, meeting four times a year. It primarily reviews the work of both the internal audit department and independent external auditors, including the review and approval of AdventHealth’s audited consolidated financial statements. The Parent has an internal audit department comprised of 12 individuals.

The Investment Advisory Committee makes recommendations to the Board Finance and Strategy Committee and the Parent Board of Directors on all key issues surrounding the investment portfolio, including the amount of risk to be taken, the allocation of funds among various asset classes and strategies, and the ongoing review of actual performance versus goals.

In 2001, AdventHealth established a rolling five-year balance sheet improvement model that includes the consolidated financial operations and position of AdventHealth. It is used as a guide in decision-making and facilitates an understanding of the effect of major decisions on the earnings and financial position of AdventHealth.

Annual budgets are prepared by the management of each operating unit and include statements of revenue and expenses and proposed capital expenditures. Senior management of the Parent reviews and approves the budgets and supporting financial and operating information in detail. These budgets are also reviewed and approved by the local operating unit finance committees and boards of directors. Operating
unit finance committees and boards of directors review operating and financial performance on a regular basis against budget and planning goals. Senior management of the Parent reviews actual to budgeted financial and operating performance three times per year with the senior management at each operating unit. The Parent allocates up to 75% of its operating EBITDA to capital expenditures. That 75% is allocated in approximately the following manner:

<table>
<thead>
<tr>
<th>Category</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitals</td>
<td>33.0%</td>
</tr>
<tr>
<td>Divisions</td>
<td>9.5</td>
</tr>
<tr>
<td>Information Systems</td>
<td>4.5</td>
</tr>
<tr>
<td>Strategic</td>
<td>28.0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>75.0%</strong></td>
</tr>
</tbody>
</table>

Hospitals that do not spend all of their capital expenditure allocation in a given year can accumulate the unused portion for projects in future years.

**Analysis of AdventHealth’s financial performance and position for the Year Ended December 31, 2018 compared to the Year Ended December 31, 2017**

**Volume Trends**

During the year ended December 31, 2018, on a same store basis, AdventHealth experienced an increase in inpatient admissions from the prior year and an increase in adjusted admissions, which take into account observation patients. Substantially all markets experienced positive outpatient volume trends in comparison to the previous year. Most of AdventHealth’s hospitals are in markets that have experienced population growth in the past and are projected to continue to grow in the future.

<table>
<thead>
<tr>
<th>Volume Trends</th>
<th>Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Admissions</td>
<td>371,869</td>
</tr>
<tr>
<td>Adjusted admissions</td>
<td>746,183</td>
</tr>
<tr>
<td>Emergency room visits</td>
<td>1,455,262</td>
</tr>
<tr>
<td>Medicare average length of stay (days)</td>
<td>5.10</td>
</tr>
<tr>
<td>Medicare case mix</td>
<td>1.75</td>
</tr>
</tbody>
</table>

**Net Patient Service Revenue**

Net patient service revenue grew 8.4%, on a same store basis, for the year ended December 31, 2018 as compared with the previous year.

---

26 The dollar amounts included under this caption are set forth as dollars in thousands.
27 As used herein, “same store” means a comparison of the same hospital facilities and does not take into account any expansion of such facilities, any additional facilities or any facilities that were removed in the relevant reporting periods.
28 SOURCE: U.S. Census Bureau, Population Division.
Net Patient Service Revenue
Same Store
(dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Net patient service revenue</td>
<td>$10,456,760</td>
</tr>
<tr>
<td>Increase over prior year</td>
<td>8.4%</td>
</tr>
</tbody>
</table>

Income from Operations

During the year ended December 31, 2018, income from operations, same store, increased $84,937 or 11.6% to $817,708.

Income from Operations
Same Store
(dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Income from operations</td>
<td>$817,708</td>
</tr>
<tr>
<td>Increase over prior year</td>
<td>11.6%</td>
</tr>
<tr>
<td>Total operating revenue</td>
<td>$10,851,357</td>
</tr>
<tr>
<td>Income from operations as a percent of total operating revenue</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

Balance Sheet Ratios

AdventHealth had 232 days cash on hand at December 31, 2018. Days cash on hand is calculated as cash and cash equivalents, cash management deposits and investments, divided by daily operating expenses (excluding amortization and depreciation expenses).

Balance Sheet Ratios

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Days cash on hand</td>
<td>232</td>
</tr>
<tr>
<td>Total debt to capitalization</td>
<td>23.5%</td>
</tr>
<tr>
<td>Unrestricted cash to total debt</td>
<td>200%</td>
</tr>
</tbody>
</table>

At December 31, 2018, total debt to capitalization of AdventHealth decreased to 23.5% from 24.3% at the beginning of the year. Unrestricted cash to total debt, the ratio of AdventHealth’s unrestricted cash, investments and cash management deposits to total debt obligations, improved to 200% as of December 31, 2018. Management of AdventHealth continues to adhere to its balance sheet improvement model and believes that AdventHealth’s strong operating focus, absolute return investment process and capital expenditure model that is linked to operating performance has contributed to strengthening AdventHealth’s balance sheet.
Investment Strategies

AdventHealth had cash and cash equivalents, investments and other funds at December 31, 2018 as follows (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$576,390</td>
</tr>
<tr>
<td>Investments</td>
<td>$5,859,138</td>
</tr>
<tr>
<td>Due to brokers, net</td>
<td>$(310,880)</td>
</tr>
<tr>
<td><strong>TOTAL UNRESTRICTED CASH</strong></td>
<td><strong>$6,124,648</strong></td>
</tr>
<tr>
<td><strong>AND INVESTMENTS</strong></td>
<td></td>
</tr>
<tr>
<td>Assets whose use is limited</td>
<td>$693,606</td>
</tr>
<tr>
<td><strong>TOTAL CASH AND INVESTMENTS</strong></td>
<td><strong>$6,818,254</strong></td>
</tr>
</tbody>
</table>

AdventHealth participates in a cash management program managed by the Parent. This cash management program maintains separate accounts for each division and member affiliate at one central bank. Cash management deposits have the general characteristics of demand deposits in that any AdventHealth entity participating may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty, subject to limitations set by controls established by the Parent. Certain deposits are federally insured in limited amounts. Amounts are transferred each day to or from a central investment pool maintained by the Parent.

The Parent internally manages and retains the services of money managers to assist in implementing the investment of the central investment pool and the medical malpractice self-insurance trust funds. An Investment Advisory Committee oversees all aspects of the investment program and provides recommendations to the Finance and Strategy Committee of the Board of Directors of the Parent regarding policy, portfolio construction, financial risk management and certain other matters. A risk management system is used daily to model the potential and any possible realized losses in the central investment pool. Risk mitigation strategies are used if necessary to control losses.

The Parent has significant liquidity resources. As of December 31, 2018, its unrestricted fixed income portfolio, exchange traded funds, alternative investments and cash and cash equivalents were valued at $6.1 billion. In addition, the Parent maintains other liquid reserves. The Parent’s primary line of credit provides it with access to capital in the amount of $500 million to be used by the Parent or its affiliates. As of December 31, 2018, the Parent had approximately $1.1 million committed in the form of letters of credit with $498.9 million available to be drawn. In addition, the Parent has in place a $500 million commercial paper program which can be utilized for general corporate purposes. At December 31, 2018, the Parent had no commercial paper outstanding.
At December 31, 2018, the Parent’s unrestricted cash and investments of approximately $6.1 billion was allocated to the following asset classes and/or investment strategies:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>9%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>50%</td>
</tr>
<tr>
<td>Equity</td>
<td>26%</td>
</tr>
<tr>
<td>Alternative Investments/Other</td>
<td>15%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

The Parent utilizes an investment approach in which the risk taken in the central investment pool is tied to the balance sheet model. There can be no assurance of returns on the central investment pool or of any investment strategy that will be pursued by management in the future.

Exchange-traded and over-the-counter derivative instruments are held for trading purposes and to act as economic hedges to manage overall portfolio risk. AdventHealth records its investments at fair value. Investment returns include realized gains and losses, interest, dividends and net change in unrealized gains and losses. Investment returns from the cash management program are allocated to participants in the central investment pool. See the audited consolidated financial statements and supplementary information of the Parent included in Appendix B hereto, including note 3, for additional information on the Parent investments.
## OUTSTANDING DEBT

As of December 31, 2018, the Obligated Group had the following outstanding debt supported by Master Notes:

<table>
<thead>
<tr>
<th>Debt</th>
<th>Principal Outstanding</th>
<th>Credit Support</th>
<th>Put Date</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Rate Bonds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 2005I*</td>
<td>$ 17,580,000</td>
<td>--</td>
<td>2021</td>
<td></td>
</tr>
<tr>
<td>Series 2008*</td>
<td>124,715,000</td>
<td>--</td>
<td>2037</td>
<td></td>
</tr>
<tr>
<td>Series 2009C*</td>
<td>113,675,000</td>
<td>--</td>
<td>2029</td>
<td></td>
</tr>
<tr>
<td>Series 2009D*</td>
<td>10,585,000</td>
<td>--</td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td>Series 2009E*</td>
<td>20,855,000</td>
<td>--</td>
<td>2022</td>
<td></td>
</tr>
<tr>
<td>Series 2012A</td>
<td>276,965,000</td>
<td>--</td>
<td>2037</td>
<td></td>
</tr>
<tr>
<td>Series 2014E</td>
<td>75,000,000</td>
<td>--</td>
<td>2039</td>
<td></td>
</tr>
<tr>
<td>Series 2016A</td>
<td>150,000,000</td>
<td>--</td>
<td>2046</td>
<td></td>
</tr>
<tr>
<td>Series 2016B</td>
<td>52,750,000</td>
<td>--</td>
<td>2030</td>
<td></td>
</tr>
<tr>
<td>Series 2016C-1</td>
<td>86,500,000</td>
<td>5/15/2023</td>
<td>2036</td>
<td></td>
</tr>
<tr>
<td>Series 2016C-2</td>
<td>86,750,000</td>
<td>5/15/2026</td>
<td>2036</td>
<td></td>
</tr>
<tr>
<td>Series 2018A</td>
<td>257,055,000</td>
<td>--</td>
<td>2048</td>
<td></td>
</tr>
<tr>
<td>Series 2018B</td>
<td>86,340,000</td>
<td>11/15/2025</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$ 1,358,770,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Variable Rate Demand Bonds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 1997</td>
<td>$ 13,850,000</td>
<td>--</td>
<td>2019</td>
<td></td>
</tr>
<tr>
<td>Series 2007</td>
<td>104,420,000</td>
<td>--</td>
<td>2037</td>
<td></td>
</tr>
<tr>
<td>Series 2012 I</td>
<td>223,390,000</td>
<td>--</td>
<td>2035</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$ 341,660,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Direct Placement – Variable Rate Bonds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 2017 A</td>
<td>$ 42,500,000</td>
<td>7/31/2024</td>
<td>2036</td>
<td></td>
</tr>
<tr>
<td>Series 2017 B</td>
<td>48,500,000</td>
<td>7/31/2024</td>
<td>2036</td>
<td></td>
</tr>
<tr>
<td>Series 2017 C</td>
<td>43,000,000</td>
<td>7/31/2024</td>
<td>2036</td>
<td></td>
</tr>
<tr>
<td>Series 2017 D</td>
<td>91,000,000</td>
<td>7/26/2022</td>
<td>2036</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$ 225,000,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* To be refunded with proceeds from the 2019 Bonds.
<table>
<thead>
<tr>
<th>Debt</th>
<th>Principal Outstanding</th>
<th>Credit Support</th>
<th>Put Date</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct Placement – Fixed Rate Bonds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 2010B</td>
<td>$18,000,000</td>
<td>--</td>
<td>2036</td>
<td></td>
</tr>
<tr>
<td>Series 2010C</td>
<td>18,000,000</td>
<td>1/7/2021</td>
<td>2036</td>
<td></td>
</tr>
<tr>
<td>Series 2010D</td>
<td>18,000,000</td>
<td>1/7/2021</td>
<td>2036</td>
<td></td>
</tr>
<tr>
<td>Series 2011 A</td>
<td>78,700,000</td>
<td>1/7/2021</td>
<td>2031</td>
<td></td>
</tr>
<tr>
<td>Series 2012 B</td>
<td>45,580,000</td>
<td>11/15/2021</td>
<td>2022</td>
<td></td>
</tr>
<tr>
<td>Series 2012 C</td>
<td>53,855,000</td>
<td>--</td>
<td>2026</td>
<td></td>
</tr>
<tr>
<td>Series 2012 D</td>
<td>36,530,000</td>
<td>11/15/2022</td>
<td>2026</td>
<td></td>
</tr>
<tr>
<td>Series 2012 E</td>
<td>79,520,000</td>
<td>8/21/2023</td>
<td>2028</td>
<td></td>
</tr>
<tr>
<td>Series 2012 G</td>
<td>62,500,000</td>
<td>--</td>
<td>2029</td>
<td></td>
</tr>
<tr>
<td>Series 2012 H</td>
<td>62,500,000</td>
<td>8/29/2021</td>
<td>2029</td>
<td></td>
</tr>
<tr>
<td>Series 2013 A</td>
<td>211,410,000</td>
<td>8/28/2024</td>
<td>2032</td>
<td></td>
</tr>
<tr>
<td>Series 2013 B*</td>
<td>156,365,000</td>
<td>--</td>
<td>2025</td>
<td></td>
</tr>
<tr>
<td>Series 2014 A</td>
<td>34,999,997</td>
<td>--</td>
<td>2029</td>
<td></td>
</tr>
<tr>
<td>Series 2014 B</td>
<td>34,999,997</td>
<td>--</td>
<td>2029</td>
<td></td>
</tr>
<tr>
<td>Series 2014 C</td>
<td>21,000,000</td>
<td>--</td>
<td>2029</td>
<td></td>
</tr>
<tr>
<td>Series 2014 D</td>
<td>53,270,000</td>
<td>--</td>
<td>2028</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$ 985,229,994</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 2,910,659,994</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Commercial Paper**

- Authorized: $500,000,000
- Outstanding: $0

**Lines of Credit**

- Authorized: $515,000,000
- Outstanding: $0

* To be refunded with proceeds from the 2019 Bonds.
PRO FORMA FINANCIAL RATIOS

AdventHealth’s pro forma historic and maximum annual debt service coverage ratio and estimated historical debt service as a percent of total operating revenue for the year ended December 31, 2018, and pro forma long-term debt as a percent of total capitalization at December 31, 2018, are set forth below. The estimated maximum annual debt service requirement does not include any indebtedness not secured by Master Notes, including certain capitalized leases, commercial paper, mortgages and notes payable outstanding as of December 31, 2018 in an aggregate principal amount of approximately $153 million. The table assumes the issuance of the Series 2019 Bonds, and the related Master Notes, as of January 1, 2018. The Long-Term Debt of AdventHealth as of December 31, 2018 is described in note 7 to the audited consolidated financial statements and supplementary information of AdventHealth included in Appendix B hereto.

### Pro Forma:

<table>
<thead>
<tr>
<th>Description</th>
<th>Pro Forma based on assumptions above (dollars in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess of Revenue and Gains over Expenses and Losses Attributable to Controlling Interest</td>
<td>$618,590</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>574,050</td>
</tr>
<tr>
<td>Interest, including Financing Amortization and Accretion</td>
<td>87,543</td>
</tr>
<tr>
<td>Loss on Extinguishment of Debt</td>
<td>12,468</td>
</tr>
<tr>
<td>Less Unrealized Investment Gains/Losses</td>
<td>234,934</td>
</tr>
<tr>
<td>Excess of Revenue and Gains over Expenses and Losses Attributable to Controlling Interest Available for Debt Service (1)</td>
<td>$1,527,585</td>
</tr>
<tr>
<td>Estimated Maximum Annual Debt Service Requirement (2)*</td>
<td>$217,272</td>
</tr>
<tr>
<td>Maximum Annual Debt Service Coverage Ratio (1)=(2)</td>
<td>7.03x</td>
</tr>
<tr>
<td>Historical Debt Service (3)**</td>
<td>$150,781</td>
</tr>
<tr>
<td>Historical Debt Service Coverage Ratio (1)=(3)</td>
<td>10.13x</td>
</tr>
<tr>
<td>Total Operating Revenue (4)</td>
<td>$10,974,124</td>
</tr>
<tr>
<td>Historical Debt Service as a Percent of Total Operating Revenue (3)=(4)</td>
<td>1.37%</td>
</tr>
<tr>
<td>Long-term Debt (5)***</td>
<td>$3,004,555</td>
</tr>
<tr>
<td>Unrestricted Net Assets Attributable to Controlling Interest</td>
<td>10,170,909</td>
</tr>
<tr>
<td>Total Capitalization (6)</td>
<td>$13,175,464</td>
</tr>
<tr>
<td>Long-term Debt as a Percent of Total Capitalization (5)=(6)</td>
<td>22.80%</td>
</tr>
</tbody>
</table>

* Maximum Annual Debt Service (“MADS”) is calculated assuming an interest rate for variable rate long-term debt of AdventHealth equal to the average Municipal Swap index reported by the Security Industry and Financial Markets Association for the twelve months ended December 31, 2018. For indebtedness with an initial fixed rate that ends on a put date prior to maturity, an annual interest rate of 3.5% is assumed after such put date. In addition, the calculation for MADS is based on the actual required amortization for long-term debt of AdventHealth.

** Computed in accordance with the Master Indenture definitions; AdventHealth is not required to calculate a maximum annual debt service under the Master Indenture.

*** Long-Term Debt includes certain variable rate indebtedness supported by the self-liquidity of AdventHealth which is treated as short-term debt for GAAP purposes, as well as current maturities of long-term debt.
GOVERNANCE

Membership

The membership of the Parent is comprised of five groups: (i) the Executive Committee of the Southern Union Conference of Seventh-day Adventists; (ii) the Executive Committee of the Southwestern Union Conference of Seventh-day Adventists; (iii) the Executive Committee of the Lake Union Conference of Seventh-day Adventists; (iv) the Executive Committee of the Mid-America Union Conference of Seventh-day Adventists; and (v) the individuals comprising the Board of Directors of the Parent to the extent that they are not otherwise represented in (i), (ii), (iii) or (iv). The Executive Committees of the aforementioned four Unions are composed of the administrative leaders and select laymen of the Church and its institutions in the southeastern, southwestern, midwestern and great lakes regions of the United States.

Boards of Directors

Except for certain reserved and delegated powers to the Parent or its affiliates as further described herein, the articles of incorporation and the bylaws of each Member of the Obligated Group generally provide that its business and affairs shall be managed by its Board of Directors, except as limited (i) with respect to PorterCare by the rights of Centura and the Centura Members and (ii) with respect to AMH, GlenOaks and Bolingbrook by the rights of AMITA Health. Directors of the Board of the Parent, who must support the goals and objectives of the Church, are elected for five-year terms by its membership.

The bylaws of each Member of the Obligated Group provide that its sole corporate member shall elect the directors to the Board of Directors of such Member of the Obligated Group. The bylaws of each Obligated Group Member for which Sunbelt serves as the sole corporate member provide that certain responsibilities and authority are reserved to Sunbelt but may be delegated to the Parent. Pursuant to the bylaws of each Obligated Group Member for which MHS serves as sole corporate member, certain responsibilities and authority that MHS has with respect to such entities may be delegated to Sunbelt. Pursuant to the bylaws of each Obligated Group Member for which AMH serves as sole corporate member, certain responsibilities and authority that AMH has with respect to such entities may be delegated to the Parent.

Sunbelt’s bylaws provide that the members of the Board of Directors of Sunbelt shall be those persons who are members in good standing of the Executive Board of the Board of Directors of the Parent. Currently, the Board of Directors of Sunbelt meets approximately quarterly.

Listed on the following two pages are the current members of the Board of Directors of Sunbelt, their Board offices and their occupations.
<table>
<thead>
<tr>
<th>Board Member</th>
<th>Office</th>
<th>Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gary F. Thurber</td>
<td>Chairman</td>
<td>President, Mid-America Union Conference of Seventh-day Adventists Lincoln, Nebraska</td>
</tr>
<tr>
<td>Larry R. Moore</td>
<td>Vice Chairman</td>
<td>President, Southwestern Union Conference of Seventh-day Adventists Burleson, Texas</td>
</tr>
<tr>
<td>Ron C. Smith, D.Min., Ph.D.</td>
<td>Vice Chairman,</td>
<td>President, Southern Union Conference of Seventh-day Adventists Norcross, Georgia</td>
</tr>
<tr>
<td>Maurice Valentine, II, M.Div.</td>
<td>Vice Chairman</td>
<td>President, Lake Union Conference of Seventh-day Adventists Berrien Springs, Michigan</td>
</tr>
<tr>
<td>Ron Aguilera</td>
<td>Director</td>
<td>President, Illinois Conference of Seventh-day Adventists Bolingbrook, Illinois</td>
</tr>
<tr>
<td>Sherine R. Brown-Fraser,</td>
<td>Director</td>
<td>Associate Professor, Andrews University Berrien Center, Michigan</td>
</tr>
<tr>
<td>Ph.D., R.D.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ron H. Carlson</td>
<td>Director</td>
<td>President, Kansas-Nebraska Conference of Seventh-day Adventists Topeka, Kansas</td>
</tr>
<tr>
<td>Carlos Craig</td>
<td>Director</td>
<td>President, Texas Conference of Seventh-day Adventists Alvarado, Texas</td>
</tr>
<tr>
<td>James R. Davidson</td>
<td>Director</td>
<td>Secretary, Southern Union Conference of Seventh-day Adventists Norcross, Georgia</td>
</tr>
<tr>
<td>David Freeman</td>
<td>Director</td>
<td>Treasurer, Southern Union Conference of Seventh-day Adventists Norcross, Georgia</td>
</tr>
<tr>
<td>Buford Griffith, Jr.</td>
<td>Director</td>
<td>Secretary, Southwestern Union Conference of Seventh-day Adventists Burleson, Texas</td>
</tr>
<tr>
<td>Lars D. Houmann</td>
<td>Director</td>
<td>Corporate Relations Officer, the Parent Altamonte Springs, Florida</td>
</tr>
<tr>
<td>Don Jernigan</td>
<td>Director</td>
<td>Retired, Former Chief Executive Officer, the Parent Altamonte Springs, Florida</td>
</tr>
<tr>
<td>Mark Johnson, M.D.</td>
<td>Director</td>
<td>Executive Director, Jefferson County Department of Health &amp; Environment Golden, Colorado</td>
</tr>
<tr>
<td>Board Member</td>
<td>Office</td>
<td>Occupation</td>
</tr>
<tr>
<td>-----------------------</td>
<td>--------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Alan Machado</td>
<td>Director</td>
<td>President, Florida Conference of Seventh-day Adventists</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Altamonte Springs, Florida</td>
</tr>
<tr>
<td>John Page</td>
<td>Director</td>
<td>Treasurer, Southwestern Union Conference of Seventh-day Adventists</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Burleson, Texas</td>
</tr>
<tr>
<td>Troy K. Peoples</td>
<td>Director</td>
<td>Vice President for Finance, Mid-America Union Conference of Seventh-day Adventists</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lincoln, Nebraska</td>
</tr>
<tr>
<td>Steven Poenitz</td>
<td>Director</td>
<td>Executive Secretary and Ministerial Director, Lake Union Conference of Seventh-day Adventists</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Berrien Springs, Michigan</td>
</tr>
<tr>
<td>Paul Rathbun</td>
<td>Director</td>
<td>Senior Executive Vice President and Chief Financial Officer, the Parent</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Altamonte Springs, Florida</td>
</tr>
<tr>
<td>Glynn C.W. Scott</td>
<td>Director</td>
<td>Treasurer, Lake Union Conference of Seventh-day Adventists</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Berrien Springs, Michigan</td>
</tr>
<tr>
<td>Kenneth Shaw, Ed.D.</td>
<td>Director</td>
<td>President, Southwestern Adventist University</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Keene, Texas</td>
</tr>
<tr>
<td>Terry D. Shaw</td>
<td>Director</td>
<td>President and Chief Executive Officer, the Parent</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Altamonte Springs, Florida</td>
</tr>
<tr>
<td>Gil Webb</td>
<td>Director</td>
<td>Vice President for Administration, Mid-America Union Conference of Seventh-day Adventists</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lincoln, Nebraska</td>
</tr>
<tr>
<td>Thomas L. Werner</td>
<td>Director</td>
<td>Retired, Former President/Chief Executive Officer, the Parent</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Eustis, Florida</td>
</tr>
</tbody>
</table>

**Conflicts of Interest Policy**

Board members abide by the Conflicts of Interest Policy of the Parent and Sunbelt. Under the Conflicts of Interest Policy, members of the Board and principal officers are required to report to the Board any direct or indirect financial interest in any entity with which the Parent or a member hospital or member organization has a transaction or arrangement. Members of the Board are required to disclose all such potential conflicts and are required to abstain from voting on transactions involving conflicts of interest. Certain members of the Board have financial affiliations with businesses, associations, firms or persons that have professional relationships with the Parent, Sunbelt or an affiliate and represent that they comply with the Conflicts of Interest Policy with respect to such affiliations.
ADMINISTRATION

The day-to-day operations and long-term management planning for AdventHealth and its affiliates, including the Obligated Group, are handled by the key officers listed below.

**Terry D. Shaw, President and Chief Executive Officer**

Terry Shaw, age 57, is president and chief executive officer of AdventHealth. In this role, he provides leadership and oversight of the faith-based health care system, made up of 43 hospital campuses across nine states, with a continuum of integrated care that includes urgent care centers, home health and hospice agencies, physician practices and skilled nursing facilities.

Mr. Shaw’s career with AdventHealth spans more than 30 years, during which time, his broad understanding and knowledge of health care finance, information technology and overall operations has enabled him to play a pivotal role in defining the organization’s vision and direction. Prior to assuming leadership of the organization, he served as its executive vice president, chief financial officer and chief operations officer. Previous to that, Mr. Shaw served as senior vice president and chief financial officer of AdventHealth, a role he held until 2010 when he gained chief operations officer responsibilities. He also held numerous positions at AdventHealth Orlando, which included serving as senior vice president, vice president, assistant vice president and director.

Mr. Shaw earned a master’s degree in administration from the University of Central Florida, and bachelor’s degrees in accounting and computer science from Southern Adventist University.

He was appointed to the Healthcare Leadership Council, a coalition of health care chief executive officers, and serves as vice chairman of the Premier, Inc. board of directors.

**Randy L. Haffner, Ph.D., Senior Executive Vice President and President/Chief Executive Officer, Multistate Division**

Randy Haffner, age 53, is senior executive vice president of AdventHealth and president/chief executive officer of its Multistate Division. In this role, he leads the Multistate Division’s five regions, which comprise 20 campuses across eight states, and provides executive oversight for the ambulatory areas and people systems, including leadership development and talent management and its Leadership Institute.

He previously served as executive vice president of AdventHealth and president/chief executive officer of the Multistate Division. Mr. Haffner’s past experience also includes serving as chief executive officer of Porter Adventist Hospital, president of Centura Health’s South Denver Operating Group, administrator of AdventHealth Orlando and chief executive officer of AdventHealth Fish Memorial.

Mr. Haffner earned an undergraduate degree from Walla Walla College, and a master’s degree in business administration from Rollins College. In addition, he earned a doctorate in leadership studies from Andrews University.

**Paul C. Rathbun, Senior Executive Vice President and Chief Financial Officer**

Paul Rathbun, age 60, is senior executive vice president and chief financial officer of AdventHealth. In this role, he is responsible for AdventHealth’s enterprise wide financial strategy and operations.

Mr. Rathbun, who joined AdventHealth in 2001, previously served as chief financial executive and senior vice president of finance. His past experience also includes serving as chief financial officer for two
national long-term care companies and two for-profit hospitals in Florida. In addition, he has served as a director in the health care audit practice of PricewaterhouseCoopers in Florida.

Mr. Rathbun earned a bachelor’s degree in accounting from Southern Adventist University. He is a member of the American Institute of Certified Public Accountants and Florida Institute of Certified Public Accountants.

Michael H. Schultz, Senior Executive Vice President and President/Chief Executive Officer, West Florida Division

Michael Schultz, age 65, is senior executive vice president of AdventHealth and president/chief executive officer of its West Florida Division. In this role, he provides executive leadership and oversight of the 11 campus division.

Mr. Schultz has been a vice president with AdventHealth since 2000. His past experience includes serving as president/chief executive officer of AdventHealth hospitals in the states of Tennessee, Kentucky and North Carolina. Prior to joining AdventHealth, Schultz served in finance and hospital administration roles at health care facilities in California, Illinois and Tennessee.

He earned a master’s degree in business administration from Loyola University, and a bachelor’s degree in business administration from Southern Adventist University. Mr. Schultz is active in the Tampa Bay community, currently serving as chair of the board of directors of the Museum of Science and Industry and on the board of directors of the Tampa Bay Partnership, American Heart Association and Hillsborough County Economic Development Council.

Daryl Tol, Senior Executive Vice President and President/Chief Executive Officer, Central Florida Division

Daryl Tol, age 45, is senior executive vice president of AdventHealth and president/chief executive officer of AdventHealth’s Central Florida Division. In this role, he provides executive leadership and oversight of the 13 campus division across six counties in Central and East Florida. Mr. Tol previously served as chief executive officer of AdventHealth Daytona Beach and the five AdventHealth Hospitals within Volusia and Flagler counties.

Mr. Tol earned a master’s degree in health administration from Loma Linda University, and a bachelor’s degree in business administration from Walla Walla University. Mr. Tol also actively participates in several professional and service organizations.

David P. Banks, Executive Vice President and Chief Strategy Officer

David Banks, age 55, is executive vice president and chief strategy officer of AdventHealth. He is responsible for strategic planning, marketing, communications, innovation, development and branding and Population Health Services Organization.

Previously, he served as senior vice president and chief strategy officer of hospitals throughout Florida. Mr. Banks has also held positions as administrator of AdventHealth Celebration Health and AdventHealth Kissimmee, senior vice president of multi-campus administration of the central Florida Division South Region.
Mr. Banks earned a bachelor’s degree from Pacific Union College, and a master’s degree in nonprofit administration from the University of Maryland. Mr. Banks is a Fellow of the American College of Healthcare Executives. He also actively participates in several community service organizations.

**Jeffrey S. Bromme, Executive Vice President and Chief Legal Officer**

Jeffrey Bromme, age 59, is executive vice president and chief legal officer of AdventHealth. In this role, he leads the Legal Department, which has primary responsibility for providing legal services to most of AdventHealth’s entities. Among his other responsibilities, he also provides leadership to the Advocacy and Public Policy Department and the Tax Department of AdventHealth.

Prior to joining AdventHealth in 2009, Mr. Bromme practiced law as a partner with Arnold & Porter, LLP. He served as General Counsel to the U.S. Consumer Product Safety Commission from 1996 to 1999 and served as clerk for the Honorable Will Garwood, U.S. Fifth Circuit Court of Appeals in 1986 and 1987.

Mr. Bromme earned a bachelor’s degree from Southwestern Adventist University and a Juris Doctor from the University of Texas School of Law. Mr. Bromme is a member of the American Health Lawyers Association.

**Sandra K. Johnson, Executive Vice President and Chief Administrative Officer**

Sandra Johnson, age 58, is executive vice president and chief administrative officer of AdventHealth. In this role, she oversees human resources, risk management, corporate responsibility, merger and acquisition activities and areas that represent the care continuum of AdventHealth, including AdventHealth Care Centers as well as home health and hospice.

Ms. Johnson previously served as chief strategy and corporate responsibility executive. Her career in health care spans more than 30 years, and her past experience includes serving as vice president of Glendale Adventist Medical Center, vice president of managed care and business development of the Central Florida Division South Region, and president and chief executive officer of American Medical HealthCare.

Ms. Johnson earned a master’s degree in business administration from Rollins College, and a bachelor’s degree in business with a concentration in accounting from Andrews University. She is a founding member of the Privacy Officers Association, as well as a member of the Council of Ethical Organizations, the Health Care Compliance Association, and the Healthcare Financial Management Association.

**J. David Moorhead, M.D., Executive Vice President and Chief Clinical Officer**

J. David Moorhead, M.D., age 71, is executive vice president and chief clinical officer of AdventHealth. In this role, he provides leadership and direction for safety and quality programs and the clinical performance of the company.

Prior to this, he served as the chief clinical officer for the AdventHealth Central Florida Division South Region. Previously, he served as the chief of pediatric urology at Loma Linda University Medical Center, and from 1999 through 2001, he was the executive medical director for the King Faisal Hospital and Research Center in Riyadh, Saudi Arabia.
Dr. Moorhead received his medical degree from Loma Linda University School of Medicine and completed a residency in urology at Loma Linda University Medical Center. He trained in pediatric surgery at the Children’s Hospital of Los Angeles and in pediatric urology at the Children’s Hospital of Michigan. He is a fellow of the American College of Surgeons and the American Academy of Pediatrics.

Brent G. Snyder, Executive Vice President and Chief Information Officer

Brent Snyder, age 63, is executive vice president and chief information officer of AdventHealth. In this role, he provides leadership and direction for data security, analytics and information technology systems across the enterprise, and oversees the organization’s revenue cycle.

Prior to this, he served as chief financial officer of the Multistate Division, regional chief financial officer of the AdventHealth hospitals in the states of Tennessee, Georgia, Kentucky and North Carolina as well as hospital chief financial officer at several AdventHealth hospitals.

Mr. Snyder earned a doctorate degree in jurisprudence from the Nashville School of Law, a master’s degree in business from the University of South Carolina and both a bachelor’s degree in business with an emphasis in accounting, and an associate degree in computer science from Southern Adventist University. He is a Fellow of the Healthcare Financial Management Association.

Eddie Soler, Executive Vice President of Finance and Chief Financial Officer, Multistate Division

Eddie Soler, 55, is executive vice president of finance of AdventHealth and chief financial officer of its Multistate Division. In this position, he plays a critical role in driving financial results for the organization, providing financial leadership for its physician enterprise, managed care and population health as well as financial oversight of the Multistate Division. He is also the executive sponsor of the enterprise resource planning initiative, iSynergy.

Mr. Soler previously served as chief financial officer of AdventHealth Central Florida Division South Region and the AdventHealth hospitals in the state of Florida. Prior to that, Mr. Soler served in a number of other capacities with AdventHealth during his more than 30 years of service.

Mr. Soler earned a bachelor’s degree in business administration from Southern Adventist University, and is a member of the American Institute of Certified Public Accountants. He also actively participates in several community service organizations.

Olesea Azevedo, Senior Vice President and Chief Human Resources Officer

Olesea Azevedo, age 39, is senior vice president and chief human resources officer of AdventHealth. In this role, she leads the development and execution of system wide human resources strategies.

She previously served as vice president of human resources of Florida Blue/Guidewell, the largest health insurance provider in Florida, and assistant vice president of human resources leadership and employee communication of Baptist Health South Florida. Her varied experience also includes human resources leadership roles at Conagra Brands, one of North America’s largest packaged food companies.

Ms. Azevedo earned a master’s degree in business administration from Northern Illinois University, and a bachelor’s degree in business administration from Andrews University. Her personal volunteer work includes serving various youth organizations.
Penny L. Johnson, Senior Vice President of Finance

Penny Johnson, age 49, is senior vice president of finance of AdventHealth. In this role, she has oversight and responsibility for the corporate wide finance and accounting functions, treasury, strategic supply chain, shared services (finance and supply chain) and facility construction management. She also serves as the finance liaison with key clinical initiatives and chairs the finance committee of the long-term care division of the company.

Ms. Johnson joined AdventHealth in 2002 with the acquisition of Shawnee Mission AdventHealth. She has held financial leadership positions at several AdventHealth facilities, which include serving as chief financial officer of the Southwest Region and Texas Health Huguley Hospital Fort Worth South, and as chief financial officer of AdventHealth Central Texas. She has also previously served as assistant vice president and controller of AdventHealth Shawnee Mission.

Ms. Johnson earned a master’s degree in business administration from Baker University, and a bachelor’s degree in business administration and accounting from Union College.

AFFILIATIONS, JOINT VENTURES, EXPANSIONS, ACQUISITIONS AND DIVESTITURES

Significant numbers of affiliations, joint ventures, acquisitions and divestitures occur in the health care industry each year. AdventHealth is actively seeking, exploring and evaluating accretive opportunities to grow through joint ventures, partnerships or expansion of its facilities, services and resources. AdventHealth is currently in discussions related to potential acquisition, divestiture and joint venture opportunities. If any such affiliations, expansions, acquisitions, divestitures or joint ventures are completed, they may have a significant impact on the financial condition of AdventHealth. There is no assurance that any affiliations, expansions, acquisitions, divestitures or joint ventures currently being considered will be pursued or completed, and if so, under what terms or conditions.

RECENT EVENTS AND FUTURE PLANS

As part of its annual budget and planning, AdventHealth regularly directs funds toward the maintenance, renovation and expansion of its existing hospital facilities. At any time, multiple projects are ongoing across AdventHealth. See “DESCRIPTION OF CENTRAL FLORIDA, WEST FLORIDA AND MULTISTATE DIVISIONS” herein for more information and current and future projects.

INFORMATION TECHNOLOGY

AdventHealth’s Information Technology department of over 2,000 employees provides implementation and support services for all applications and infrastructure technologies used by AdventHealth for clinical, business and financial operations. This includes inpatient, ambulatory, population health, business intelligence/analytics and health plan systems, and also involves creating and managing interoperability across venues of care to support clinical integration and continuity of care for AdventHealth’s patients. A cybersecurity team works to protect organizational information assets including electronic protected health information from both internal and external attacks. AdventHealth has multiple electronic health record (“EHR”) systems throughout its continuum with the two primary being Athena in the ambulatory facilities and Cerner in the inpatient facilities. AdventHealth made a decision to move to Cerner’s Revenue Cycle solutions in 2012, and over the last several years, the pieces needed to deliver a clinically-driven revenue cycle have been implemented. In 2019, the last major component of Cerner Patient Accounting went live in May in the Central Florida Division- South Region, replacing legacy systems at all campuses. With this replacement, all Revenue Management of the hospital’s patient accounts
receivables, including inpatient, outpatient, lab, etc. is now managed and integrated within the Cerner system.

Since 2013, AdventHealth has been named a Most Wired Award winner by the American Hospital Association and most recently by the College of Healthcare Information Management Executives. In addition, 15 facilities across AdventHealth have achieved the highest level of achievement for attaining the Electronic Medical Record Adoption Model Stage 7 status. AdventHealth is also among the group of 100 winners recognized for achievements in technology innovation for 2019 through the work in enabling Athenahealth’s Orlando Mission Control Command Center, developed in partnership with General Electric to support the development of a second-level learning node that synchronized medical operations data across systems and leverages an analytics engine.

COMMUNITY BENEFIT

AdventHealth is committed to improving the health of the communities it serves. This manifests through the provision of care to patients as charity care, financial support to community partners, the development of health improvement programs and serving through volunteer efforts in our communities. Each of AdventHealth’s facilities assembles a strategic committee—with representation from the hospital, local public health services, the broad community, low-income community members, minority community members and other underserved populations—to help inform our community benefit efforts at each hospital campus.

Following is an unaudited summary of AdventHealth’s quantifiable costs of community benefit provided in 2018:

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits to the Under Privileged</td>
<td>$838,238,759</td>
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<tr>
<td>Community Health Services</td>
<td>45,721,558</td>
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<tr>
<td></td>
<td><strong>$883,960,317</strong></td>
</tr>
<tr>
<td>Education &amp; Research</td>
<td>$ 70,540,380</td>
</tr>
<tr>
<td>Cash and In-Kind Donations</td>
<td>36,683,313</td>
</tr>
<tr>
<td></td>
<td><strong>107,223,693</strong></td>
</tr>
<tr>
<td>Total Community Benefit</td>
<td>$991,184,010</td>
</tr>
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</table>

EMPLOYEES

AdventHealth employed approximately 57,000 full-time equivalent employees as of December 31, 2018. None of the employees at any of AdventHealth’s hospitals is represented by a union. The management of each hospital believes that its employee relationships are good.
APPENDIX B

ADVENTHEALTH AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
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Audited Consolidated Financial Statements and Supplementary Information

AdventHealth
(formerly Adventist Health System)

December 31, 2018
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- Consolidated Balance Sheets 2
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**Supplementary Information**

- Consolidating Balance Sheet 33
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- AdventHealth Obligated Group Combined Statement of Cash Flows 36
- AdventHealth Obligated Group Combined Interim Statement of Operations and Changes in Net Assets for the Three Months Ended December 31, 2018 (unaudited) 37

**Report of Independent Auditors** 38
## Consolidated Balance Sheets

**December 31, 2018 and 2017**

### ASSETS

#### Current Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 576,390</td>
<td>$ 338,346</td>
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<tr>
<td>Investments</td>
<td>5,859,138</td>
<td>5,821,745</td>
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<tr>
<td>Current portion of assets whose use is limited</td>
<td>333,888</td>
<td>303,823</td>
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<tr>
<td>Patient accounts receivable, less allowance for uncollectible accounts of $420,784 in 2017</td>
<td>581,568</td>
<td>478,091</td>
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<tr>
<td>Due from brokers</td>
<td>82,240</td>
<td>338,621</td>
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<tr>
<td>Estimated settlements from third parties</td>
<td>63,732</td>
<td>28,267</td>
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<tr>
<td>Other receivables</td>
<td>516,849</td>
<td>611,295</td>
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<tr>
<td>Inventories</td>
<td>234,253</td>
<td>221,960</td>
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<tr>
<td>Prepaid expenses and other current assets</td>
<td>109,322</td>
<td>121,427</td>
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<tr>
<td>Totals</td>
<td>$8,357,380</td>
<td>$8,263,575</td>
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#### Property and Equipment

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
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</thead>
<tbody>
<tr>
<td>Property and Equipment</td>
<td>6,506,650</td>
<td>6,061,128</td>
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</table>

#### Assets Whose Use is Limited, net of current portion

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
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</thead>
<tbody>
<tr>
<td>Assets Whose Use is Limited, net of current portion</td>
<td>359,718</td>
<td>398,005</td>
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#### Other Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
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</thead>
<tbody>
<tr>
<td>Other Assets</td>
<td>752,942</td>
<td>745,143</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$15,976,690</strong></td>
<td><strong>$15,467,851</strong></td>
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### LIABILITIES AND NET ASSETS

#### Current Liabilities

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<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$1,216,499</td>
<td>$1,099,159</td>
</tr>
<tr>
<td>Estimated settlements to third parties</td>
<td>175,334</td>
<td>189,781</td>
</tr>
<tr>
<td>Due to brokers</td>
<td>393,120</td>
<td>696,721</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>311,573</td>
<td>311,460</td>
</tr>
<tr>
<td>Short-term financings</td>
<td>104,420</td>
<td>179,420</td>
</tr>
<tr>
<td>Current maturities of long-term debt</td>
<td>101,536</td>
<td>104,708</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>$2,302,482</td>
<td>$2,581,249</td>
</tr>
</tbody>
</table>

#### Long-Term Debt, net of current maturities

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Term Debt, net of current maturities</td>
<td>2,857,654</td>
<td>2,719,815</td>
</tr>
</tbody>
</table>

#### Other Noncurrent Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Noncurrent Liabilities</td>
<td>612,773</td>
<td>598,002</td>
</tr>
<tr>
<td><strong>Total Other Liabilities</strong></td>
<td>5,772,909</td>
<td>5,899,066</td>
</tr>
</tbody>
</table>

### Net Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets without donor restrictions</td>
<td>9,984,702</td>
<td>9,349,046</td>
</tr>
<tr>
<td>Net assets with donor restrictions</td>
<td>185,946</td>
<td>186,666</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td><strong>10,170,648</strong></td>
<td><strong>9,535,712</strong></td>
</tr>
</tbody>
</table>

#### Noncontrolling interests

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noncontrolling interests</td>
<td>33,133</td>
<td>33,073</td>
</tr>
<tr>
<td><strong>Total Noncontrolling interests</strong></td>
<td><strong>10,203,781</strong></td>
<td><strong>9,568,785</strong></td>
</tr>
</tbody>
</table>

### Commitments and Contingencies

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Commitments and Contingencies</strong></td>
<td><strong>$15,976,690</strong></td>
<td><strong>$15,467,851</strong></td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of these consolidated financial statements.*
Consolidated Statements of Operations and Changes in Net Assets

For the years ended December 31, 2018 and 2017

(dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patient service revenue</td>
<td>$10,212,644</td>
<td></td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>(568,000)</td>
<td></td>
</tr>
<tr>
<td>Net patient service revenue</td>
<td>$10,577,663</td>
<td>9,644,644</td>
</tr>
<tr>
<td>Other</td>
<td>396,461</td>
<td>438,481</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td>10,974,124</td>
<td>10,083,125</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee compensation</td>
<td>5,337,918</td>
<td>5,027,882</td>
</tr>
<tr>
<td>Supplies</td>
<td>1,809,820</td>
<td>1,671,024</td>
</tr>
<tr>
<td>Purchased services</td>
<td>868,384</td>
<td>765,073</td>
</tr>
<tr>
<td>Professional fees</td>
<td>650,620</td>
<td>563,299</td>
</tr>
<tr>
<td>Other</td>
<td>858,834</td>
<td>699,750</td>
</tr>
<tr>
<td>Interest</td>
<td>90,239</td>
<td>89,663</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>574,050</td>
<td>533,664</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>10,189,865</td>
<td>9,350,355</td>
</tr>
<tr>
<td><strong>Income from Operations</strong></td>
<td>784,259</td>
<td>732,770</td>
</tr>
<tr>
<td><strong>Nonoperating (Losses) Gains</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment return</td>
<td>(155,564)</td>
<td>392,170</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>(10,033)</td>
<td>(1,774)</td>
</tr>
<tr>
<td><strong>Total nonoperating (losses) gains, net</strong></td>
<td>(165,597)</td>
<td>390,396</td>
</tr>
<tr>
<td><strong>Excess of revenue and gains over expenses and losses</strong></td>
<td>618,662</td>
<td>1,123,166</td>
</tr>
<tr>
<td>Noncontrolling interests</td>
<td>(333)</td>
<td>702</td>
</tr>
<tr>
<td><strong>Excess of Revenue and Gains over Expenses and Losses Attributable to Controlling Interest</strong></td>
<td>618,329</td>
<td>1,123,868</td>
</tr>
</tbody>
</table>

Continued on following page.
<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONTROLLING INTEREST</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Assets Without Donor Restrictions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of revenue and gains over expenses and losses</td>
<td>$618,329</td>
<td>$1,123,868</td>
</tr>
<tr>
<td>Net assets released from restrictions for purchase of property and equipment</td>
<td>25,961</td>
<td>24,669</td>
</tr>
<tr>
<td>Change in unrealized gains and losses on investments</td>
<td>(4,457)</td>
<td>8,337</td>
</tr>
<tr>
<td>Accumulated derivative losses reclassified into excess of revenue and gains over expenses and losses</td>
<td>–</td>
<td>6,019</td>
</tr>
<tr>
<td>Pension-related changes other than net periodic pension cost</td>
<td>26</td>
<td>1,161</td>
</tr>
<tr>
<td>Other</td>
<td>(4,203)</td>
<td>18,133</td>
</tr>
<tr>
<td>Increase in net assets without donor restrictions</td>
<td>635,656</td>
<td>1,182,187</td>
</tr>
<tr>
<td><strong>Net Assets With Donor Restrictions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment return</td>
<td>691</td>
<td>2,838</td>
</tr>
<tr>
<td>Gifts and grants</td>
<td>37,840</td>
<td>32,476</td>
</tr>
<tr>
<td>Net assets released from restrictions for purchase of property and equipment or use in operations</td>
<td>(43,237)</td>
<td>(49,937)</td>
</tr>
<tr>
<td>Other</td>
<td>3,986</td>
<td>(168)</td>
</tr>
<tr>
<td>Decrease in net assets with donor restrictions</td>
<td>(720)</td>
<td>(14,791)</td>
</tr>
<tr>
<td><strong>NONCONTROLLING INTERESTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Assets Without Donor Restrictions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess (deficiency) of revenue and gains over expenses and losses</td>
<td>333</td>
<td>(702)</td>
</tr>
<tr>
<td>Distributions</td>
<td>(1,018)</td>
<td>(462)</td>
</tr>
<tr>
<td>Other</td>
<td>745</td>
<td>1,392</td>
</tr>
<tr>
<td>Increase in noncontrolling interests</td>
<td>60</td>
<td>228</td>
</tr>
<tr>
<td><strong>Increase in Net Assets</strong></td>
<td>634,996</td>
<td>1,167,624</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>9,568,785</td>
<td>8,401,161</td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>$10,203,781</td>
<td>$9,568,785</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
### Consolidated Statements of Cash Flows

*For the years ended December 31, 2018 and 2017*

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>$634,996</td>
<td>$1,167,624</td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>–</td>
<td>568,000</td>
</tr>
<tr>
<td>Depreciation</td>
<td>569,465</td>
<td>529,232</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>4,585</td>
<td>4,432</td>
</tr>
<tr>
<td>Amortization of deferred financing costs and original issue discounts and premiums</td>
<td>(9,161)</td>
<td>(9,417)</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>10,033</td>
<td>1,774</td>
</tr>
<tr>
<td>Change in unrealized gains and losses on investments</td>
<td>239,391</td>
<td>(182,846)</td>
</tr>
<tr>
<td>Restricted gifts and grants and investment return</td>
<td>(38,531)</td>
<td>(35,314)</td>
</tr>
<tr>
<td>Income from unconsolidated entities</td>
<td>(59,303)</td>
<td>57,682</td>
</tr>
<tr>
<td>Distributions from unconsolidated entities</td>
<td>25,521</td>
<td>23,124</td>
</tr>
<tr>
<td>Pension-related changes other than net periodic pension cost</td>
<td>(26)</td>
<td>(1,161)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patient accounts receivable</td>
<td>(103,477)</td>
<td>(548,464)</td>
</tr>
<tr>
<td>Other receivables</td>
<td>94,446</td>
<td>(49,566)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>16,130</td>
<td>(38,536)</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>114,570</td>
<td>108,057</td>
</tr>
<tr>
<td>Estimated settlements to third parties, net</td>
<td>(49,912)</td>
<td>(4,863)</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>(1,068)</td>
<td>(5,407)</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>14,797</td>
<td>(5,130)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>$1,462,456</td>
<td>$1,473,583</td>
</tr>
</tbody>
</table>

| **Investing Activities** |          |          |
| Purchases of property and equipment, net | (879,353) | (792,974) |
| Cash paid for acquisitions, net of cash received | (150,149) |          |
| Sales and maturities of investments | 3,028,615 | 5,603,674 |
| Purchases of investments | (3,304,219) | (6,361,655) |
| Due from brokers | 256,381    | (97,686)  |
| Due to brokers | (303,601) | 53,482 |
| Sales, maturities and uses of assets whose use is limited | 256,484 | 633,060 |
| Purchases of and additions to assets whose use is limited | (249,442) | (722,812) |
| **Decrease (increase) in other assets** | 23,610    | (21,499)  |
| **Net cash used in investing activities** | (1,321,674) | (1,706,592) |

| **Financing Activities** |          |          |
| Repayments of long-term borrowings | (242,341) | (338,905) |
| Additional long-term borrowings | 379,269    | 239,471  |
| Repayments of short-term borrowings | (206,000) | (76,580) |
| Additional short-term borrowings | 131,000    | 75,000   |
| Payment of deferred financing costs | (3,197)   | (1,414)  |
| Restricted gifts and grants and investment return | 38,531    | 35,314   |
| **Net cash provided by (used in) financing activities** | 97,262    | (67,114)  |

| **Increase (Decrease) in Cash and Cash Equivalents** |          |          |
| Cash and cash equivalents at beginning of year | 338,346  | 638,469 |
| **Cash and Cash Equivalents at End of Year** | $576,390 | $338,346 |

AdventHealth

*The accompanying notes are an integral part of these consolidated financial statements.*
1. Significant Accounting Policies

Reporting Entity
Advent Health System Sunbelt Healthcare Corporation (Healthcare Corporation) is a not-for-profit healthcare corporation that owns and/or operates hospitals, nursing homes, physician offices, urgent care centers and other healthcare facilities and a philanthropic foundation with various informal divisions (collectively referred to herein as the System). The System’s affiliated healthcare facilities are operated or controlled through their by-laws, governing board appointments, or operating agreements.

The System was formerly known as Adventist Health System and, on January 2, 2019, as a part of a systemwide brand transformation, began operating as AdventHealth. No changes were made to the System’s governance structure, ownership or not-for-profit status. The System’s 43 hospitals, 11 nursing homes, and philanthropic foundations operate in 9 states – Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, North Carolina, Texas and Wisconsin.

SunSystem Development Corporation (Foundation) is a charitable foundation operated by Healthcare Corporation for the benefit of many of the hospitals that are divisions or controlled affiliates. Healthcare Corporation is the Foundation’s member and appoints its board of managers. The Foundation engages in philanthropic activities.

Healthcare Corporation and the System are collectively controlled by the Lake Union Conference of Seventh-day Adventists, the Mid-America Union Conference of Seventh-day Adventists, the Southern Union Conference of Seventh-day Adventists and the Southwestern Union Conference of Seventh-day Adventists.

Mission
The System exists solely to improve and enhance the local communities that it serves in harmony with Christ’s healing ministry. All financial resources and excess of revenue and gains over expenses and losses are used to benefit the communities in the areas of patient care, research, education, community service, and capital reinvestment.

Specifically, the System provides:

- Benefit to the underprivileged, by offering services free of charge or deeply discounted to those who cannot pay, and by supplementing the unreimbursed costs of the government’s Medicaid assistance program.

- Benefit to the elderly, as provided through governmental Medicare funding, by subsidizing the unreimbursed costs associated with this care.

- Benefit to the community’s overall health and wellness through the cost of providing clinics and primary care services, health education and screenings, in-kind donations, extended education and research.

- Benefit to the faith-based and spiritual needs of the community in accordance with its mission of extending the healing ministry of Christ.

- Benefit to the community’s infrastructure by investing in capital improvements to ensure the facilities and technology provide the best possible care to the community.
Notes to Consolidated Financial Statements

For the years ended December 31, 2018 and 2017  
(dollars in thousands)

Principles of Consolidation
The accompanying consolidated financial statements include the accounts of affiliated organizations that are controlled by Healthcare Corporation. Any subsidiary or other operations owned and controlled by divisions or controlled affiliates of Healthcare Corporation are included in these consolidated financial statements. Investments in entities that Healthcare Corporation does not control are recorded under the equity or cost method of accounting, depending on the ability to exert significant influence. Income from unconsolidated entities is included in other operating revenue or as a reduction to supplies expense (Note 6) in the accompanying consolidated statements of operations and changes in net assets. All significant intercompany accounts and transactions have been eliminated in consolidation. Partial ownership by another entity in the net assets and results of operations of a consolidated subsidiary is reflected as noncontrolling interests in the accompanying consolidated balance sheets.

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

Recently Adopted Accounting Guidance
In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09). The FASB codified ASU 2014-09 in the FASB Accounting Standards Codification (ASC) as Topic 606 (ASC 606). The standard is a single, comprehensive revenue recognition model that requires revenue to be recognized in a manner depicting the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. 

On January 1, 2018, the System adopted the new revenue recognition standard using a modified retrospective method of application to all contracts existing on January 1, 2018. The adoption of ASC 606 resulted in changes to the presentation for revenue related to uninsured or underinsured patients. Prior to the adoption of ASC 606, a significant portion of the System’s provision for bad debts related to self-pay patients, as well as co-pay and deductibles owed by patients with insurance. Under ASC 606, the estimated uncollectable amounts due from these patients are generally considered implicit price concessions that are a direct reduction to net patient service revenue, rather than as a provision for bad debts. For the year ended December 31, 2018, the System recorded approximately $575,000 of implicit price concessions as a direct reduction of net patient service revenue that would have been recorded as provision for bad debts prior to adoption of ASC 606. At December 31, 2018, the System recorded approximately $467,000 as a direct reduction of patient accounts receivable that would have been reflected as allowance for uncollectable accounts prior to the adoption of ASC 606. Other than these changes in presentation, the adoption of ASC 606 did not have a material impact on the consolidated balance sheet or statement of operations and changes in net assets as of and for the year ended December 31, 2018. Expanded disclosures required by ASC 606 are included within Note 1.

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14), which changes the presentation and disclosure requirements of not-for-profit entities. The System adopted the standard effective for the December 31, 2018 consolidated
financial statements. The adoption results in the presentation of two classes of net assets, without donor restrictions and with donor restrictions, which were previously presented as unrestricted and temporarily restricted net assets, respectively. Additionally, ASU 2016-14 requires additional disclosures around liquidity, which have been included within Note 4.

**Recent Accounting Guidance Not Yet Adopted**

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments*, which addresses the presentation of certain cash flows with the objective of reducing the existing diversity in practice. Management is currently evaluating the potential impact of this guidance, which will be effective for the System beginning in 2019.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02), its new standard on accounting for leases. ASU 2016-02 introduces a lease accounting model that requires an entity to recognize assets and liabilities arising from most leases, including both finance and operating leases. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease and will be in a manner similar to the current accounting guidance. ASU 2016-02 will also require additional qualitative and quantitative lease disclosures. Upon adoption, the primary effect will be to record right-of-use assets and obligations for leases currently classified as operating leases. This guidance will be effective for the System beginning in 2019.

**Net Patient Service Revenue**

Net patient service revenue is reported at the amount that reflects the consideration the System expects to be due from patients and third-party payors in exchange for providing patient care. Providing patient care services is considered a single performance obligation, satisfied over time, in both the inpatient and outpatient setting. Generally, the System bills the patients and third-party payors several days after services are performed or when the patient is discharged from the facility.

Revenue for inpatient acute care services is recognized based on actual charges incurred in relation to total expected, or actual, charges. The System measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge.

As all the System’s performance obligations relate to contracts with a duration of less than one year, the System elected to apply the optional exemption provided in ASC 606 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially satisfied at the end of the reporting period, which are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

For patients covered by third-party payors, the System determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to those third-party payors. The System determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience.
Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. The System is subject to retroactive revenue adjustments due to future audits, reviews and investigations. In addition, the contracts the System has with commercial payors also provide for retroactive audit and review of claims. Settlements with third-party payors for retroactive adjustments are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor, and the System’s historical settlement activity, attempting to ensure that a significant revenue reversal will not occur when the final amounts are subsequently determined. Estimated settlements are adjusted in future periods as new information becomes available, or as years are settled or are no longer subject to such audits, reviews, and investigations. Net adjustments for prior-year cost reports and related valuation allowances, principally related to Medicare and Medicaid, resulted in increases to revenue of approximately $24,000 and $9,000 for the years ended December 31, 2018 and 2017, respectively.

Generally, patients covered by third-party payors are responsible for related deductibles and coinsurance, which is referred to as the patient portion. The System also provides services to uninsured patients and offers those uninsured patients a discount from standard charges in accordance with its policies.

Consistent with the System’s mission, care is provided to patients regardless of their ability to pay. Therefore, the System has determined that it has provided implicit price concessions to uninsured patients and patients with other uninsured balances such as copay and deductibles. The difference between amounts billed to patients and the amounts expected to be collected based on the System’s collection history with those patients is recorded as implicit price concessions, or as a direct reduction to net patient service revenue. Subsequent adjustments that are determined to be the result of an adverse change in the patient or payor’s ability to pay are recognized as bad debt expense. With the adoption of ASC 606, bad debt expense is included within other expense in the accompanying consolidated statement of operations and changes in net assets, rather than as a deduction to arrive at revenue. Bad debt expense for the year ended December 31, 2018 was not material for the System.

The System estimates the transaction price for the patient portion and uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

The composition of net patient service revenue by primary payor for the year ended December 31 is as follows:

<table>
<thead>
<tr>
<th>Primary Payor</th>
<th>Amount</th>
<th>%</th>
<th>Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Care</td>
<td>$5,408,252</td>
<td>51%</td>
<td>$4,927,857</td>
<td>51%</td>
</tr>
<tr>
<td>Medicare</td>
<td>$2,221,138</td>
<td>21</td>
<td>$2,118,785</td>
<td>22</td>
</tr>
<tr>
<td>Managed Medicare</td>
<td>$1,317,488</td>
<td>12</td>
<td>$1,117,924</td>
<td>11</td>
</tr>
<tr>
<td>Medicaid</td>
<td>$507,344</td>
<td>5</td>
<td>$384,113</td>
<td>4</td>
</tr>
<tr>
<td>Managed Medicaid</td>
<td>$473,556</td>
<td>5</td>
<td>$456,363</td>
<td>5</td>
</tr>
<tr>
<td>Self-pay</td>
<td>$137,863</td>
<td>1</td>
<td>$168,828</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>$512,022</td>
<td>5</td>
<td>$470,774</td>
<td>5</td>
</tr>
</tbody>
</table>

| Total Net Patient Service Revenue | $10,577,663 | 100% | $9,644,644 | 100% |
Notes to Consolidated Financial Statements

For the years ended December 31, 2018 and 2017 (dollars in thousands)

Charity Care
The System’s patient acceptance policy is based on its mission statement and its charitable purposes and as such, the System accepts patients in immediate need of care, regardless of their ability to pay. Patients that qualify for charity care are provided services for which no payment is due for all or a portion of the patient’s bill. Therefore, charity care is excluded from patient service revenue and the cost of providing such care is recognized within operating expenses.

The System estimates the direct and indirect costs of providing charity care by applying a cost to gross charges ratio to the gross uncompensated charges associated with providing charity care to patients. The System also receives certain funds to offset or subsidize charity care services provided. These funds are primarily received from uncompensated care programs sponsored by various states, whereby healthcare providers within the state pay into an uncompensated care fund and the pooled funds are then redistributed based on state-specific criteria.

The cost of providing charity care services, amounts paid by the System into uncompensated care funds and amounts received by the System to offset or subsidize charity care services are as follows:

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charity Care Cost</td>
<td>$364,078</td>
<td>$335,179</td>
</tr>
<tr>
<td>Charity Care Funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds received to offset or subsidize charity care services (included in patient service revenue)</td>
<td>$314,154</td>
<td>$146,590</td>
</tr>
<tr>
<td>Funds paid into trusts (included in other expenses)</td>
<td>(244,125)</td>
<td>(186,257)</td>
</tr>
<tr>
<td>Net charity care funding received (paid)</td>
<td>$70,029</td>
<td>$(39,667)</td>
</tr>
</tbody>
</table>

Excess of Revenue and Gains over Expenses and Losses
The consolidated statements of operations and changes in net assets include excess of revenue and gains over expenses and losses as the performance indicator, which is analogous to net income of a for-profit enterprise. Changes in net assets without donor restrictions that are excluded from the performance indicator may include transfers of net assets released from restrictions for the purpose of acquiring long-lived assets, change in unrealized gains and losses on certain investments, certain qualifying derivative activity, pension-related changes other than net periodic pension cost and other changes in net assets.

Contributed Resources
Resources restricted by donors for specific operating purposes or a specified time period are held as net assets with donor restrictions until expended for the intended purpose or until the specified time restrictions are met, at which time they are reported as other revenue. Resources restricted by donors for additions to property and equipment are held as net assets with donor restrictions until the assets are placed in service, at which time they are reported as transfers to net assets without donor restrictions. Gifts, grants and bequests not restricted by donors are reported as other revenue. At December 31, 2018 and 2017, the System had $185,946 and $186,666, respectively, of net assets with donor restrictions that will become available for various programs and capital expenditures at the System’s hospitals when time or purpose restrictions are met.
Notes to Consolidated Financial Statements

For the years ended December 31, 2018 and 2017 (dollars in thousands)

AdventHealth

Functional Expenses
The System does not present expense information by functional classification, because its resources and activities are primarily related to providing healthcare services. Further, since the System receives substantially all of its resources from providing healthcare services in a manner similar to a business enterprise, other indicators contained in the accompanying consolidated financial statements are considered important in evaluating how well management has discharged its stewardship responsibilities.

Cash Equivalents
Cash equivalents represent all highly liquid investments, including certificates of deposit and commercial paper with maturities not in excess of three months when purchased. Interest income on cash equivalents is included in investment return.

Investments
Investments include marketable securities and other investments. Investments in debt and equity securities with readily determinable fair values are reported at fair value, based on quoted market prices and are primarily designated as trading securities. The cost of securities sold is based on the average cost method.

Other investments include alternative investments, which are primarily hedge funds, commingled funds and various exchange-traded and over-the-counter derivative instruments. Hedge funds are accounted for under the equity method, which approximates fair value as determined by the net asset value (NAV). The System’s hedge funds are primarily invested in funds of hedge funds, and those hedge funds may have underlying investments that may not have quoted market values. The value of such investments is estimated and those estimates may change in the near term. The System’s risk is limited to its investment in the hedge fund. The financial statements and internal controls of the funds of hedge funds are audited annually by independent auditors.

Commingled funds are used to obtain the desired exposure targets within the investment portfolio. The fair value of the System’s investments in commingled funds is estimated using NAV as a practical expedient, as determined by the fund’s administrator. These commingled funds have daily redemption terms. There were no unfunded commitments relating to commingled funds as of December 31, 2018 or 2017.

Other investments may also include exchange-traded and over-the-counter derivative instruments held for trading purposes and to act as economic hedges to manage the risk of the investment portfolio. These instruments, which primarily include futures, options, and swaps, are used to gain broad market exposure and additional exposure to equity markets, adjust the fixed-income portfolio duration, provide an economic hedge against fluctuations in foreign exchange rates and generate investment returns. These derivative instruments are not designated as hedging instruments.

Investment return includes realized gains and losses, interest, dividends and net change in unrealized gains and losses. The investment return on investments restricted by donor or law is recorded as increases or decreases to net assets with donor restrictions. Investment return earned on the System’s self-insurance trust funds and employee benefits funds are recorded in other operating revenue.

Assets Whose Use is Limited
Certain of the System’s investments are limited as to use through the terms of trust agreements, internal designation, under the terms of bond indentures or the
provisions of other contractual arrangements. These investments are classified as assets whose use is limited in the accompanying consolidated balance sheets.

**Sale of Patient Accounts Receivable**

The System and certain of its member affiliates maintain a program for the continuous sale of certain patient accounts receivable to the Highlands County, Florida, Health Facilities Authority (Highlands) on a nonrecourse basis. Highlands has partially financed the purchase of the patient accounts receivable through the issuance of private placement, tax-exempt, variable-rate bonds (Bonds). Highlands had Bonds outstanding of $360,000 and $400,000 as of December 31, 2018 and 2017, respectively. The Bonds have a put date of December 2022 and a final maturity date of November 2027.

As of December 31, 2018 and 2017, the estimated net realizable value, as defined in the underlying agreements, of patient accounts receivable sold by the System and removed from the accompanying consolidated balance sheets was $797,383 and $894,366, respectively. The patient accounts receivable sold consist primarily of amounts due from government programs and commercial insurers. The proceeds received from Highlands consist of cash from the Bonds, a note on a subordinated basis with the Bonds and a note on a parity basis with the Bonds. The note on a subordinated basis with the Bonds is in an amount to provide the required over-collateralization of the Bonds and was $90,000 and $100,000 at December 31, 2018 and 2017, respectively. The note on a parity basis with the Bonds is the excess of eligible accounts receivable sold over the sum of cash received and the subordinated note and was $347,383 and $394,366 at December 31, 2018 and 2017, respectively. These notes are included in other receivables in the accompanying consolidated balance sheets. Due to the nature of the patient accounts receivable sold, collectibility of the subordinated and parity notes is not significantly impacted by credit risk.

**Inventories**

Inventories (primarily pharmaceuticals and medical supplies) are stated at the lower of cost or net realizable value using the first-in, first-out method of valuation.

**Property and Equipment**

Property and equipment are reported on the basis of cost, except for those assets donated, impaired or acquired under a business combination, which are recorded at fair value. Expenditures that materially increase values, change capacities or extend useful lives are capitalized. Depreciation is computed primarily utilizing the straight-line method over the expected useful lives of the assets. Amortization of capitalized leased assets is included in depreciation expense and allowances for depreciation.

**Goodwill**

Goodwill represents the excess of the purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of the businesses acquired. These amounts are included in other assets (noncurrent) in the accompanying consolidated balance sheets and are evaluated annually for impairment or when there is an indicator of impairment.

During 2018, the System performed a qualitative assessment of goodwill and determined that the impairment test under the Intangibles – Goodwill and Other Topic of the ASC was not required. During 2017, the System performed a quantitative assessment of each reporting unit and, as a result, no impairment was recognized.
Notes to Consolidated Financial Statements

For the years ended December 31, 2018 and 2017
(dollars in thousands)

Interest in the Net Assets of Unconsolidated Foundations
Interest in the net assets of unconsolidated foundations represents contributions received on behalf of the System or its member affiliates by independent fund-raising foundations. As the System cannot influence the foundations to the extent that it can determine the timing and amount of distributions, the System’s interest in the net assets of the foundations is included in other assets and changes in that interest are included in net assets with donor restrictions.

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

Deferred Financing Costs
Direct financing costs are included as a reduction to the carrying amount of the related debt liability and are deferred and amortized over the remaining lives of the financings using the effective interest method.

Bond Discounts and Premiums
Bonds payable, including related original issue discounts and/or premiums, are included in long-term debt. Discounts and premiums are being amortized over the life of the bonds using the effective interest method.

Income Taxes
Healthcare Corporation and its affiliated organizations, other than North American Health Services, Inc. and its subsidiary (NAHS), are exempt from state and federal income taxes. Accordingly, Healthcare Corporation and its tax-exempt affiliates are not subject to federal, state, or local income taxes except for any net unrelated business taxable income.

NAHS is a wholly owned, for-profit subsidiary of Healthcare Corporation. NAHS and its subsidiary are subject to federal and state income taxes. NAHS files a consolidated federal income tax return and, where appropriate, consolidated state income tax returns. All taxable income was fully offset by net operating loss carryforwards for federal income tax purposes; as such, there is no provision for current federal or state income tax for the years ended December 31, 2018 and 2017.

NAHS also has temporary deductible differences of approximately $53,000 and $55,700 at December 31, 2018 and 2017, respectively, primarily as a result of net operating loss carryforwards. At December 31, 2018, NAHS had net operating loss carryforwards of approximately $54,500, expiring beginning in 2022 through 2026. Deferred taxes have been provided for these amounts, resulting in a net deferred tax asset of approximately $13,400 and $14,100 at December 31, 2018 and 2017, respectively. NAHS remeasured its deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. A full valuation allowance has been provided at December 31, 2018 and 2017 to offset the deferred tax asset, since Healthcare Corporation has determined that it is more likely than not that the benefit of the net operating loss carryforwards will not be realized in future years.
The Income Taxes Topic of the ASC (ASC 740) prescribes the accounting for uncertainty in income tax positions recognized in financial statements. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. There were no material uncertain tax positions as of December 31, 2018 and 2017.

On December 22, 2017, the United States enacted tax reform legislation commonly known as the Tax Cuts and Jobs Act (Act), resulting in significant modifications to existing law. Certain provisions will impact tax-exempt organizations, including revisions to taxes on unrelated business activities, excise taxes on compensation of certain employees, and various other provisions. The regulations necessary to implement the law have not yet been promulgated, and the ultimate outcome of these regulations and the impact to the System cannot be determined presently. The System will continue to review and assess the impact of the legislation to the consolidated financial statements, but does not expect that the impact will be significant.

Reclassifications
Certain reclassifications were made to the 2017 consolidated financial statements to conform to the classifications used in 2018. These reclassifications had no impact on the consolidated excess of revenue and gains over expenses and losses, changes in net assets or cash flows previously reported.

2. Acquisitions

The System accounts for transactions that represent business combinations in accordance with the Not-for-Profit Entities, Business Combinations Topic of the ASC (ASC 958-805), where the assets acquired and liabilities assumed are recognized and measured at their fair values on the acquisition date. Fair values that are not finalized are estimated and reported as provisional amounts.

AdventHealth Dade City
On April 1, 2018, the System acquired a 120-bed hospital located in Dade City, Florida, which was renamed AdventHealth Dade City (Dade City). The acquisition included the purchase of substantially all the property and equipment of the hospital and its related outpatient services and certain working capital.

The results of operations and changes in net assets for Dade City were included in the System’s consolidated financial statements beginning April 1, 2018. Dade City had total operating revenue of $22,172 and a deficiency of revenue and gains over expenses and losses of $12,427 for the period from April 1, 2018 through December 31, 2018.

AdventHealth Ocala
On August 1, 2018, the System entered into an asset purchase agreement (the Agreement) under which, the System acquired certain assets related to Munroe Regional Medical Center, a 425-bed hospital located in Ocala, Florida, which was renamed AdventHealth Ocala (Ocala). The Agreement includes the purchase of certain major moveable equipment and the assumption of a lease agreement for the hospital and related land, with a remaining term of approximately 36 years.
Cash consideration was $140,673, which primarily represented the prepayment of the assumed lease obligation. The provisional amounts for the assets acquired and liabilities assumed were recorded based on the acquisition-date fair values recognized as of the acquisition date as follows:

### Assets

<table>
<thead>
<tr>
<th>Asset</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 5</td>
</tr>
<tr>
<td>Inventories</td>
<td>12,048</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>2,215</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>127,788</td>
</tr>
<tr>
<td>Other assets</td>
<td>2,212</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>144,268</strong></td>
</tr>
</tbody>
</table>

### Liabilities

<table>
<thead>
<tr>
<th>Liability</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$ 2,421</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>1,110</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>64</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,595</strong></td>
</tr>
</tbody>
</table>

**Fair Value of Net Assets Acquired**

<table>
<thead>
<tr>
<th></th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 140,673</strong></td>
</tr>
</tbody>
</table>

The assessment of fair value is preliminary and is based on information that was available at the time the consolidated financial statements were prepared. The System has not finalized its review of certain assets and liabilities recorded in the acquisition; however, management does not anticipate that adjustments to provisional amounts will be significant.

The results of operations and changes in net assets for Ocala were included in the System’s consolidated financial statements beginning August 1, 2018. Ocala had total operating revenue of $100,595 and a deficiency of revenue and gains over expenses and losses of $22,747 for the period from August 1, 2018 through December 31, 2018.

The following pro forma combined results of operations present the acquisition as if it had occurred on January 1, 2017. The pro forma combined results of operations do not necessarily represent the System’s consolidated results of operations had the acquisition occurred on the date assumed, nor are these results necessarily indicative of the System’s future consolidated results of operations. The System expects to realize certain benefits from integrating Ocala into the System and to incur certain one-time costs. The pro forma combined results of operations do not reflect these benefits or costs.

These combined results reflect the impact of amortizing the fair value adjustments to property and equipment as of January 1, 2017.
### 3. Investments and Assets Whose Use is Limited

Investments and assets whose use is limited are comprised of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Debt securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. government agencies and sponsored entities</td>
<td>$ 2,574,221</td>
<td>$ 2,610,430</td>
</tr>
<tr>
<td>Foreign government agencies and sponsored entities</td>
<td>5,944</td>
<td>5,082</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>745,545</td>
<td>779,207</td>
</tr>
<tr>
<td>Mortgage backed</td>
<td>44,018</td>
<td>43,253</td>
</tr>
<tr>
<td>Other asset backed</td>
<td>55,439</td>
<td>31,186</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>130,315</td>
<td>242,184</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>15,134</td>
<td>13,430</td>
</tr>
<tr>
<td></td>
<td><strong>3,570,616</strong></td>
<td><strong>3,724,772</strong></td>
</tr>
<tr>
<td>Exchange traded and mutual funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic equity</td>
<td>687,644</td>
<td>748,754</td>
</tr>
<tr>
<td>Foreign equity</td>
<td>532,048</td>
<td>543,951</td>
</tr>
<tr>
<td>Fixed income</td>
<td>549,195</td>
<td>289,740</td>
</tr>
<tr>
<td>Real estate</td>
<td>17,408</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td><strong>1,786,295</strong></td>
<td><strong>1,582,445</strong></td>
</tr>
<tr>
<td>Investments at NAV</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alternative investments</td>
<td>837,274</td>
<td>824,827</td>
</tr>
<tr>
<td>Commingled funds</td>
<td>249,821</td>
<td>304,460</td>
</tr>
<tr>
<td></td>
<td><strong>1,087,095</strong></td>
<td><strong>1,129,287</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents – assets whose use is limited</td>
<td>108,738</td>
<td>87,069</td>
</tr>
<tr>
<td></td>
<td><strong>6,552,744</strong></td>
<td><strong>6,523,573</strong></td>
</tr>
<tr>
<td>Less: assets whose use is limited</td>
<td>(693,606)</td>
<td>(701,828)</td>
</tr>
<tr>
<td>Investments</td>
<td><strong>$ 5,859,138</strong></td>
<td><strong>$ 5,821,745</strong></td>
</tr>
</tbody>
</table>
Investment Derivatives
The fair value of investment derivative instruments and the associated notional amounts, presented gross, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2018</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Notional</td>
<td>Fair Value</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Long</td>
<td>Short</td>
<td>Assets</td>
<td>Liabilities</td>
</tr>
<tr>
<td>Equity options</td>
<td>$ 158</td>
<td>$(177)</td>
<td>$ 158</td>
<td>$(177)</td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>768</td>
<td>(581)</td>
<td>768</td>
<td>(581)</td>
</tr>
<tr>
<td>Futures</td>
<td>347,020</td>
<td>(132,377)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total derivative</td>
<td>$ 347,946</td>
<td>$(133,135)</td>
<td>$ 926</td>
<td>$(758)</td>
</tr>
<tr>
<td>instruments, gross</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2017</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Notional</td>
<td>Fair Value</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Long</td>
<td>Short</td>
<td>Assets</td>
<td>Liabilities</td>
</tr>
<tr>
<td>Equity options</td>
<td>$ 172</td>
<td>$(166)</td>
<td>$ 172</td>
<td>$(166)</td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>991</td>
<td>(314)</td>
<td>991</td>
<td>(314)</td>
</tr>
<tr>
<td>Futures</td>
<td>307,724</td>
<td>(88,171)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total derivative</td>
<td>$ 308,887</td>
<td>$(88,651)</td>
<td>$ 1,163</td>
<td>$(480)</td>
</tr>
<tr>
<td>instruments, gross</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The System posted collateral related to investment derivative instruments totaling $18,731 and $8,889 as of December 31, 2018 and 2017, respectively. Collateral is included in either cash and cash equivalents or investments in the accompanying consolidated balance sheets, depending on the type of collateral posted.

Assets Whose Use is Limited
Assets whose use is limited as of December 31, 2018 includes investments held under trust agreements, internally designated investments for employee retirement plans, and investments held by bond trustees to fund debt service. Amounts to be used for the payment of current liabilities are classified as current assets.

Indenture requirements of tax-exempt financings by the System provide for the establishment and maintenance of various accounts with trustees. These arrangements require the trustee to control the expenditure of debt proceeds, as well as the payment of interest and the repayment of debt to bondholders. Self-insurance trust funds are set aside to provide funds for settling payments under the professional and general liability program.

A summary of the major limitations as to the use of assets whose use is limited consists of the following:
Investment Return and Unrealized Gains and Losses

Investment return from cash and cash equivalents, investments, and assets whose use is limited amounted to $(155,564) and $392,170 in the accompanying consolidated statements of operations and changes in net assets for the years ended December 31, 2018 and 2017, respectively, and consisted of the following:

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividend income</td>
<td>$ 137,391</td>
<td>$ 103,520</td>
</tr>
<tr>
<td>Net realized (losses) gains</td>
<td>(58,021)</td>
<td>114,141</td>
</tr>
<tr>
<td>Net change in unrealized gains and losses</td>
<td>(234,934)</td>
<td>174,509</td>
</tr>
<tr>
<td>$ (155,564)</td>
<td>$ 392,170</td>
<td></td>
</tr>
</tbody>
</table>

4. Liquidity and Available Resources

The System’s primary cash requirements are paying operating expenses, servicing debt, capital expenditures related to the expansion and renovation of existing facilities and acquisitions. Cash in excess of near-term working capital needs is invested as described in Notes 1 and 3. Primary cash sources are cash flows from operating and investing activities. Additionally, the System has access to public and private debt markets and maintains a revolving credit agreement and commercial paper program, as described in Note 7.

The System had 232 and 240 days cash on hand at December 31, 2018 and 2017, respectively. Days cash on hand is calculated as unrestricted cash and cash equivalents, investments, and due to brokers, net, divided by daily operating expenses (excluding depreciation and amortization expense). Unrestricted cash and cash equivalents, investments and due to brokers, net consist of the following:

<table>
<thead>
<tr>
<th>December 31</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 576,390</td>
<td>$ 338,346</td>
</tr>
<tr>
<td>Investments</td>
<td>5,859,138</td>
<td>5,821,745</td>
</tr>
<tr>
<td>Due to brokers, net</td>
<td>(310,880)</td>
<td>(358,100)</td>
</tr>
<tr>
<td>$ 6,124,648</td>
<td>$ 5,801,991</td>
<td></td>
</tr>
</tbody>
</table>

The System’s financial assets also consist of patient accounts receivable totaling $581,568 and $478,091 as of December 31, 2018 and 2017, respectively. Other receivables, totaling $516,849 and $611,295 as of December 31, 2018 and 2017, are primarily comprised of the notes associated with the System’s sale of patient accounts receivable, which is more fully described in Note 1. The System’s financial assets are available as its general expenditures, liabilities, and other obligations come due.

Certain assets whose use is limited are to be used for current liabilities for self-insured programs, employee benefit funds and required bond funds and are more fully described in Note 3.
5. Property and Equipment

Property and equipment consists of the following:

<table>
<thead>
<tr>
<th>December 31</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and improvements</td>
<td>$ 846,989</td>
<td>$ 801,473</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>5,655,951</td>
<td>5,212,371</td>
</tr>
<tr>
<td>Equipment</td>
<td>5,243,306</td>
<td>4,901,130</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11,746,246</strong></td>
<td><strong>10,914,974</strong></td>
</tr>
<tr>
<td>Less: allowances for depreciation</td>
<td>(5,762,370)</td>
<td>(5,411,723)</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>5,983,876</td>
<td>5,503,251</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,506,650</strong></td>
<td><strong>6,061,128</strong></td>
</tr>
</tbody>
</table>

Certain hospitals have entered into construction contracts or other commitments for which costs have been incurred and included in construction in progress. These and other committed projects will be financed through operations and proceeds of borrowings. The estimated costs to complete these projects approximated $288,400 at December 31, 2018.

During periods of construction, interest costs are capitalized to the respective property accounts. Interest capitalized approximated $7,400 and $10,000 for the years ended December 31, 2018 and 2017, respectively.

The System capitalizes the cost of acquired software for internal use. Any internal costs incurred in the process of developing and implementing software are expensed or capitalized, depending primarily on whether they are incurred in the preliminary project stage, application development stage or post-implementation stage. Capitalized software costs and estimated amortization expense in the table below exclude software in progress of approximately $9,900 and $4,800 at December 31, 2018 and 2017, respectively. Capitalized software costs and accumulated amortization expense, which are included in property and equipment in the accompanying consolidated balance sheets, were as follows:

<table>
<thead>
<tr>
<th>December 31</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalized software costs</td>
<td>$ 280,758</td>
<td>$ 319,689</td>
</tr>
<tr>
<td>Less: accumulated amortization</td>
<td>(167,792)</td>
<td>(195,799)</td>
</tr>
<tr>
<td>Capitalized software costs, net</td>
<td>$ 112,966</td>
<td>$ 123,890</td>
</tr>
</tbody>
</table>

Estimated amortization expense related to capitalized software costs for the next five years and thereafter is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$15,963</td>
</tr>
<tr>
<td>2020</td>
<td>13,120</td>
</tr>
<tr>
<td>2021</td>
<td>11,584</td>
</tr>
<tr>
<td>2022</td>
<td>10,524</td>
</tr>
<tr>
<td>2023</td>
<td>9,413</td>
</tr>
<tr>
<td>Thereafter</td>
<td>52,362</td>
</tr>
</tbody>
</table>
6. Other Assets

Other assets consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Goodwill</td>
<td>$182,177</td>
<td>$178,358</td>
</tr>
<tr>
<td>Notes and other receivables</td>
<td>71,894</td>
<td>70,566</td>
</tr>
<tr>
<td>Interests in net assets of unconsolidated foundations</td>
<td>64,954</td>
<td>64,150</td>
</tr>
<tr>
<td>Investments in unconsolidated entities</td>
<td>370,622</td>
<td>336,226</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>63,295</td>
<td>95,843</td>
</tr>
<tr>
<td></td>
<td><strong>$752,942</strong></td>
<td><strong>$745,143</strong></td>
</tr>
</tbody>
</table>

The System’s ownership interest and carrying amounts of investments in unconsolidated entities consist of the following:

<table>
<thead>
<tr>
<th>Ownership Interest</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Texas Health Huguley, Inc.</td>
<td>49%</td>
</tr>
<tr>
<td>Centura Health Corporation</td>
<td>35%</td>
</tr>
<tr>
<td>Premier Healthcare Alliance, LP</td>
<td>5%</td>
</tr>
<tr>
<td>Other 5% – 50%</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>$370,622</strong></td>
</tr>
</tbody>
</table>

Income from unconsolidated entities, excluding Premier Healthcare Alliance, LP (Premier LP), totaled $30,229 and $33,152 for 2018 and 2017, respectively, and is included in other operating revenue in the accompanying consolidated statements of operations and changes in net assets.

The System holds membership units in Premier LP, which is a group purchasing organization. In 2013, the general partner, Premier, Inc., restructured from a privately held to a publicly traded company in an initial public offering. In connection with the restructuring, the System’s membership units in Premier LP have vesting rights over a seven-year period and, upon vesting, become eligible for exchange into the common stock of Premier, Inc. The increase in estimated value of the membership units as they vest is considered a vendor incentive under GAAP, which increases the System’s investment in Premier LP and reduces supplies expense over the vesting period. The System recognized a vendor incentive for the stock vesting of $16,586 and $11,296 for the years ended December 31, 2018 and 2017, respectively. Additionally, Premier LP equity method earnings totaled $12,488 and $13,234 and were recognized as a reduction to supplies expense for the years ended December 31, 2018 and 2017, respectively.
7. Debt Obligations

Long-term debt consisted of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Fixed-rate hospital revenue bonds, interest rates from 1.90% to 7.25%, payable through 2048</td>
<td>$2,344,000</td>
<td>$2,212,222</td>
</tr>
<tr>
<td>Variable-rate hospital revenue bonds, payable through 2039</td>
<td>462,240</td>
<td>478,755</td>
</tr>
<tr>
<td>Capitalized leases payable</td>
<td>53,182</td>
<td>56,880</td>
</tr>
<tr>
<td>Unamortized original issue premium, net</td>
<td>115,738</td>
<td>92,422</td>
</tr>
<tr>
<td>Deferred financing costs</td>
<td>(15,970)</td>
<td>(15,756)</td>
</tr>
<tr>
<td></td>
<td>2,959,190</td>
<td>2,824,523</td>
</tr>
<tr>
<td>Less: current maturities</td>
<td>(101,536)</td>
<td>(104,708)</td>
</tr>
<tr>
<td></td>
<td>$2,857,654</td>
<td>$2,719,815</td>
</tr>
</tbody>
</table>

Master Trust Indenture

Long-term debt has been issued primarily on a tax-exempt basis. Substantially all bonds are secured under a Master Trust Indenture (MTI), which provides for, among other things, the deposit of revenue with the master trustee in the event of certain defaults, pledges of accounts receivable, pledges not to encumber property and limitations on additional borrowings. Certain affiliates controlled by Healthcare Corporation comprise the AdventHealth Obligated Group (Obligated Group). Members of the Obligated Group are jointly and severally liable under the MTI to make all payments required with respect to obligations under the MTI. The MTI requires certain covenants and reporting requirements be met by the System and the Obligated Group. At December 31, 2018 and 2017, the Obligated Group had total net assets of approximately $9,061,000 and $8,494,000, respectively.

Variable-Rate Bonds and Sources of Liquidity

Certain variable-rate bonds, including $104,420 classified as short-term financings in the accompanying consolidated balance sheets, may be put to the System at the option of the bondholder. The variable-rate bond indentures generally provide the System the option to remarket the obligations at the then prevailing market rates for periods ranging from one day to the maturity dates. The obligations have been primarily marketed for seven-day periods during 2018, with annual interest rates ranging from 0.93% to 1.81%. Additionally, the System paid fees, such as remarketing fees, on variable-rate bonds during 2018.

The System has various sources of liquidity, including a $500,000 revolving credit agreement (Revolving Note) with a syndicate of banks and a $500,000 commercial paper program (CP Program). In the event any variable-rate bonds are put and not remarketed, the Revolving Note is available for liquidity and the System’s obligation to the banks would be payable upon expiration of the Revolving Note. The Revolving Note, which expires in December 2024, is also available for letters of credit, liquidity facilities and general corporate needs, including working capital, capital expenditures, and acquisitions and has certain prime rate and LIBOR-based pricing options. No amounts were outstanding under the Revolving Note as of December 31, 2018 and 2017. At December 31, 2018, the System had approximately $1,100 committed to letters of credit under the Revolving Note.
The System’s CP Program allows for up to $500,000 of taxable, commercial paper notes (CP Notes) to be issued for general corporate purposes at an interest rate to be determined at the time of issuance. No amounts were outstanding under the CP Program as of December 31, 2018. As of December 31, 2017, the System had $75,000 of CP Notes outstanding with an interest rate of 1.30% and maturities of less than 90 days.

### 2018 Debt Transactions

During the second quarter of 2018, the System deposited $137,593 into irrevocable trusts for the advance repayments of existing fixed-rate bonds and the related interest obligations through the call dates. In accordance with GAAP, these bonds, along with the related trust assets, were excluded from the System’s accompanying consolidated balance sheet as of December 31, 2018. These advance repayments resulted in a loss on extinguishment of debt totaling $10,033 in the accompanying consolidated statement of operations and changes in net assets.

During the third quarter of 2018, the System issued fixed-rate bonds (Fixed-Rate Bonds) at a premium with par amounts totaling $257,055, a maturity date of 2048, stated interest rates ranging from 4.00% to 5.00% and effective interest rates ranging from 3.41% to 3.78% through the call date of 2028. The System also issued mandatory tender put bonds (Put Bonds) at a premium with par amounts totaling $86,340. The Put Bonds have a stated interest rate of 5.00% through a mandatory redemption of 2025 and a final maturity date of 2048. The effective interest rate on the Put Bonds is 2.62% through the mandatory redemption date. The Fixed-Rate Bonds and Put Bonds were issued with premiums totaling $31,614. The System used the bond proceeds to finance or refinance certain costs of the acquisition, construction, and equipping of certain facilities.

### 2017 Debt Transactions

During the third quarter of 2017, the System issued variable-rate bonds with par amounts totaling $238,500, mandatory redemption dates ranging from 2022 to 2024 and final maturity dates ranging from 2036 to 2039. The System used $232,500 of the bond proceeds for the repayment of existing fixed-rate bonds, which resulted in a loss on extinguishment of debt totaling $1,774 in the accompanying consolidated statement of operations and changes in net assets. The System used the remaining bond proceeds to finance or refinance certain costs of the acquisition, construction, and equipping of certain facilities.

### Debt Maturities

The following represents the maturities of long-term debt for the next five years and thereafter:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$101,536</td>
</tr>
<tr>
<td>2020</td>
<td>109,404</td>
</tr>
<tr>
<td>2021</td>
<td>109,233</td>
</tr>
<tr>
<td>2022</td>
<td>116,067</td>
</tr>
<tr>
<td>2023</td>
<td>119,231</td>
</tr>
<tr>
<td>Thereafter</td>
<td>2,303,951</td>
</tr>
</tbody>
</table>

Cash paid for interest, net of amounts capitalized, approximated $98,000 and $94,000 during the years ended December 31, 2018 and 2017, respectively.
8. Retirement Plans

Defined Contribution Plans
The System participates with other Seventh-day Adventist healthcare entities in a defined contribution retirement plan (Plan) that covers substantially all full-time employees who are at least 18 years of age. The Plan is exempt from the Employee Retirement Income Security Act of 1974 (ERISA). The Plan provides, among other things, that the employer contribute 2.6% of wages, plus additional amounts for highly compensated employees. Additionally, the Plan provides that the employer match 50% of an employee’s contributions up to 4% of the contributing employee’s wages, resulting in a maximum available match of 2% of the contributing employee’s wages each year.

Contributions for the Plan are included in employee compensation in the accompanying consolidated statements of operations and changes in net assets in the amount of $150,829 and $138,896 for the years ended December 31, 2018 and 2017, respectively.

Defined Benefit Plan – Multiemployer Plan
Prior to January 1, 1992, certain of the System’s entities participated in a multiemployer, noncontributory, defined benefit retirement plan, the Seventh-day Adventist Hospital Retirement Plan Trust (Old Plan) administered by the General Conference of Seventh-day Adventists that is exempt from ERISA. The risks of participating in multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If an entity chooses to stop participating in the multiemployer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as withdrawal liability.

During 1992, the Old Plan was suspended and the Plan was established. The System, along with the other participants in the Old Plan, may be required to make future contributions to the Old Plan to fund any difference between the present value of the Old Plan benefits and the fair value of the Old Plan assets. Future funding amounts and the funding time periods have not been determined by the Old Plan administrators; however, management believes the impact of any such future decisions will not have a material adverse effect on the System’s consolidated financial statements.

The most recent available plan asset and benefit obligation data for the Old Plan is as of December 31, 2017 and is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total plan assets</td>
<td>$653,469</td>
</tr>
<tr>
<td>Actuarial present value of accumulated plan benefits</td>
<td>632,334</td>
</tr>
<tr>
<td>Funded status</td>
<td>103.3%</td>
</tr>
</tbody>
</table>

The System did not make contributions to the Old Plan for the years ended December 31, 2018 or 2017.
Defined Benefit Plan – Frozen Pension Plans

Certain of the System’s entities sponsored noncontributory, defined benefit pension plans (Pension Plans) that have been frozen such that no new benefits accrue. The following table sets forth the remaining combined projected and accumulated benefit obligations and the assets of the Pension Plans at December 31, 2018 and 2017, the components of net periodic pension cost for the years then ended and a reconciliation of the amounts recognized in the accompanying consolidated financial statements:

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated benefit obligation, end of year</td>
<td>$ 137,726</td>
<td>$ 170,731</td>
</tr>
</tbody>
</table>

Change in projected benefit obligation:

- Projected benefit obligation, beginning of year | $ 170,731  | $ 163,649  |
- Interest cost | 6,299       | 6,988      |
- Benefits paid | (6,953)     | (10,348)   |
- Actuarial (gains) losses | (14,675)    | 10,442     |
- Settlements | (17,676)    | –          |
- Projected benefit obligation, end of year | 137,726     | 170,731    |

Change in plan assets:

- Fair value of plan assets, beginning of year | 152,376     | 134,404    |
- Actual return on plan assets | (10,104)    | 18,020     |
- Employer contributions | –           | 10,300     |
- Benefits paid | (6,953)     | (10,348)   |
- Settlements | (17,676)    | –          |
- Fair value of plan assets, end of year | 117,643     | 152,376    |

Deficiency of fair value of plan assets over projected benefit obligation, included in other noncurrent liabilities | $ (20,083) | $ (18,355) |

No plan assets are expected to be returned to the System during the fiscal year ending December 31, 2019.

Included in net assets without donor restrictions at December 31, 2018 and 2017 are unrecognized actuarial losses of $23,733 and $23,759, respectively, which have not yet been recognized in net periodic pension cost. None of the actuarial losses included in net assets without donor restrictions are expected to be recognized in net periodic pension cost during the year ending December 31, 2019.
Changes in plan assets and benefit obligations recognized in net assets without donor restrictions include:

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net actuarial (losses) gains</td>
<td>$(2,774)</td>
<td>$892</td>
</tr>
<tr>
<td>Amortization of net actuarial losses</td>
<td>190</td>
<td>269</td>
</tr>
<tr>
<td>Impact of settlement</td>
<td>2,610</td>
<td>–</td>
</tr>
<tr>
<td>Total increase recognized in net assets without donor restrictions</td>
<td>$26</td>
<td>$1,161</td>
</tr>
</tbody>
</table>

The components of net periodic pension cost were as follows:

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest cost</td>
<td>$6,299</td>
<td>$6,988</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>$(7,345)</td>
<td>$(6,686)</td>
</tr>
<tr>
<td>Recognized net actuarial losses</td>
<td>190</td>
<td>269</td>
</tr>
<tr>
<td>Net periodic pension (income) cost</td>
<td>$(856)</td>
<td>$571</td>
</tr>
</tbody>
</table>

The assumptions used to determine the benefit obligation and net periodic pension cost for the Pension Plans are set forth below:

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Used to determine projected benefit obligation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted-average discount rate</td>
<td>4.50%</td>
<td>3.80%</td>
</tr>
<tr>
<td>Used to determine pension cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted-average discount rate</td>
<td>3.80%</td>
<td>4.40%</td>
</tr>
<tr>
<td>Weighted-average expected long-term rate of return on plan assets</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
</tbody>
</table>

The Pension Plans’ assets are invested in a portfolio designed to protect principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, with a reasonable and prudent level of risk. The Pension Plans’ assets are managed solely in the interest of the participants and their beneficiaries. Diversification is achieved by allocating funds to various asset classes and investment styles and by retaining multiple investment managers with complementary styles, philosophies and approaches.

The expected long-term rate of return on the Pension Plans’ assets is based on historical and projected rates of return for current and planned asset categories and the target allocation in the investment portfolio. The target investment allocation for the Pension Plans during 2018 and 2017 was 70% debt securities, 27% equity securities and 3% alternative investments.
The following table presents the Pension Plans’ financial instruments as of December 31, 2018, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 11:

<table>
<thead>
<tr>
<th>Financial Instruments</th>
<th>Total</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,937</td>
<td>$2,937</td>
<td>$ –</td>
<td>$ –</td>
</tr>
<tr>
<td>Debt securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. government agencies and sponsored entities</td>
<td>22,494</td>
<td>–</td>
<td>22,494</td>
<td>–</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>60,139</td>
<td>–</td>
<td>60,139</td>
<td>–</td>
</tr>
<tr>
<td>Equity securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic equities</td>
<td>2,800</td>
<td>2,800</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Foreign equities</td>
<td>2,889</td>
<td>2,889</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Exchange traded funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic equity</td>
<td>16,107</td>
<td>16,107</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Foreign equity</td>
<td>5,548</td>
<td>5,548</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Alternative strategy mutual funds</td>
<td>4,729</td>
<td>4,729</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total plan assets</td>
<td>$117,643</td>
<td>$35,010</td>
<td>$82,633</td>
<td>$ –</td>
</tr>
</tbody>
</table>

The following table presents the Pension Plans’ financial instruments as of December 31, 2017, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 11:

<table>
<thead>
<tr>
<th>Financial Instruments</th>
<th>Total</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$ –</td>
<td>$ –</td>
</tr>
<tr>
<td>Debt securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. government agencies and sponsored entities</td>
<td>27,675</td>
<td>–</td>
<td>27,675</td>
<td>–</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>76,730</td>
<td>–</td>
<td>76,730</td>
<td>–</td>
</tr>
<tr>
<td>Equity securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic equities</td>
<td>3,114</td>
<td>3,114</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Foreign equities</td>
<td>2,269</td>
<td>2,269</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Exchange traded funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic equity</td>
<td>22,972</td>
<td>22,972</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Foreign equity</td>
<td>9,649</td>
<td>9,649</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Alternative strategy mutual funds</td>
<td>6,967</td>
<td>6,967</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total plan assets</td>
<td>$152,376</td>
<td>$47,971</td>
<td>$104,405</td>
<td>$ –</td>
</tr>
</tbody>
</table>

AdventHealth
The following represents the expected benefit plan payments for the next five years and the five years thereafter:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$6,431</td>
</tr>
<tr>
<td>2020</td>
<td>$6,760</td>
</tr>
<tr>
<td>2021</td>
<td>$7,083</td>
</tr>
<tr>
<td>2022</td>
<td>$7,404</td>
</tr>
<tr>
<td>2023</td>
<td>$7,691</td>
</tr>
<tr>
<td>2024-2028</td>
<td>$42,206</td>
</tr>
</tbody>
</table>

9. General and Professional Liability Program

The System has a self-insured revocable trust that covers its subsidiaries and their respective employees for professional and general liability claims within a specified level. A self-insured retention of $2,000 was established for the year ended December 31, 2001 was increased to $7,500 and $15,000 effective January 1, 2002 and 2003, respectively, and has remained at $15,000 through December 31, 2018. Claims above the self-insured retention are insured by claims-made coverage that is placed with Adhealth Limited (Adhealth), a Bermuda company. Adhealth has purchased reinsurance through commercial insurers for the excess limits of coverage.

The professional and general liability trust funds are recorded in the accompanying consolidated balance sheets as assets whose use is limited in the amount of $379,843 and $408,353 at December 31, 2018 and 2017, respectively. The related accrued claims are recorded in the accompanying consolidated balance sheets as other current liabilities in the amount of $103,799 and $95,174 and as other noncurrent liabilities in the amount of $360,608 and $334,309 at December 31, 2018 and 2017, respectively. These liabilities are based upon actuarially determined estimates using a discount rate of 3.75% at December 31, 2018 and 2017. The related estimated insurance recoveries are recorded as other assets in the amount of $13,629 and $13,213 in the accompanying consolidated balance sheets at December 31, 2018 and 2017, respectively.

10. Commitments and Contingencies

Operating Leases

The System leases certain property and equipment under operating leases. Lease and rental expense was approximately $135,300 and $129,400 for the years ended December 31, 2018 and 2017, respectively, and is included in other expenses in the accompanying consolidated statements of operations and changes in net assets.

The following represents the net future minimum lease payments under noncancelable operating leases for the next five years and thereafter:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$60,509</td>
</tr>
<tr>
<td>2020</td>
<td>47,214</td>
</tr>
<tr>
<td>2021</td>
<td>37,813</td>
</tr>
<tr>
<td>2022</td>
<td>26,350</td>
</tr>
<tr>
<td>2023</td>
<td>16,426</td>
</tr>
<tr>
<td>Thereafter</td>
<td>25,297</td>
</tr>
</tbody>
</table>
Notes to Consolidated Financial Statements

For the years ended December 31, 2018 and 2017 (dollars in thousands)

Compliance with Laws and Regulations

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. There is significant government activity within the healthcare industry with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future review and interpretation, as well as regulatory actions unknown or unasserted at this time. Management assesses the probable outcome of unresolved litigation and investigations and records contingent liabilities reflecting estimated liability exposure.

The System is involved in litigation regarding certain related professional liability claims. Based on the information available to date, management believes that the System has adequately provided for the most likely outcome of this professional liability matter after considering applicable insurance coverage. However, as more information becomes known, it is possible that the estimate could change. As such, assurance cannot be given that the resolution of these matters will not affect the consolidated financial position, results of operations or cash flows of the System, taken as a whole.

In addition, certain of the System’s affiliated organizations are involved in litigation and other regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters will be resolved without material adverse effect to the System’s consolidated financial statements, taken as a whole.

11. Fair Value Measurements

The System categorizes, for disclosure purposes, assets and liabilities measured at fair value, on a recurring basis, into a three-tier fair value hierarchy. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement, which should be determined based on assumptions that would be made by market participants.

In accordance with the Fair Value Measurement Topic of the ASC (ASC 820), investments that are valued using NAV as a practical expedient are excluded from this three-tier hierarchy. For all other investments measured at fair value, the hierarchy prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Level inputs are defined as follows:

- **Level 1** – based on unadjusted quoted prices for identical assets or liabilities in an active market that the System has the ability to access.

- **Level 2** – based on pricing inputs that are either directly observable or that can be derived or supported from observable data as of the reporting date. Level 2 inputs may include quoted prices for similar assets or liabilities in non-active markets or pricing models whose inputs are observable for substantially the full term of the asset or liability.

- **Level 3** – based on prices or valuation techniques that require inputs that are both significant to the fair value of the financial asset or liability and are generally less observable from objective sources. These inputs may be used
with internally developed methodologies that result in management’s best estimate of fair value. The System has no financial assets or financial liabilities with significant Level 3 inputs.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

**Recurring Fair Value Measurements**

The fair value of financial instruments measured at fair value on a recurring basis at December 31, 2018 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CASH AND CASH</strong></td>
<td>$576,390</td>
<td>$576,390</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>EQUIVALENTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>INVESTMENTS AND</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ASSETS WHOSE USE IS LIMITED</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>108,738</td>
<td>108,738</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Debt securities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. government agencies and sponsored entities</td>
<td>2,574,221</td>
<td>–</td>
<td>2,574,221</td>
<td>–</td>
</tr>
<tr>
<td>Foreign government agencies and sponsored entities</td>
<td>5,944</td>
<td>–</td>
<td>5,944</td>
<td>–</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>745,545</td>
<td>–</td>
<td>745,545</td>
<td>–</td>
</tr>
<tr>
<td>Mortgage backed</td>
<td>44,018</td>
<td>–</td>
<td>44,018</td>
<td>–</td>
</tr>
<tr>
<td>Other asset backed</td>
<td>55,439</td>
<td>–</td>
<td>55,439</td>
<td>–</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>130,315</td>
<td>–</td>
<td>130,315</td>
<td>–</td>
</tr>
<tr>
<td><strong>Exchange traded and mutual funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic equity</td>
<td>687,644</td>
<td>687,644</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Foreign equity</td>
<td>532,048</td>
<td>532,048</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Fixed income</td>
<td>549,195</td>
<td>549,195</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Real estate</td>
<td>17,408</td>
<td>17,408</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$6,026,905</td>
<td>$2,471,423</td>
<td>$3,555,482</td>
<td>$–</td>
</tr>
</tbody>
</table>
The fair value of financial instruments measured at fair value on a recurring basis at December 31, 2017 was as follows:

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Total</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH AND CASH EQUIVALENTS</td>
<td>$338,346</td>
<td>$318,071</td>
<td>$20,275</td>
<td>$ –</td>
</tr>
</tbody>
</table>

INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

Cash and cash equivalents | 87,069 | 86,895 | 174 | – |

Debt securities
U.S. government agencies and sponsored entities | 2,610,430 | – | 2,610,430 | – |
Foreign government agencies and sponsored entities | 5,082 | – | 5,082 | – |
Corporate bonds | 779,207 | – | 779,207 | – |
Mortgage backed | 43,253 | – | 43,253 | – |
Other asset backed | 31,186 | – | 31,186 | – |
Short-term investments | 242,184 | – | 242,184 | – |

Exchange traded funds
Domestic equity | 748,754 | 748,754 | – | – |
Foreign equity | 543,951 | 543,951 | – | – |
Fixed income | 289,740 | 289,740 | – | – |

Total | $5,380,856 | 1,669,340 | 3,711,516 | $ – |

The following tables represent a reconciliation of financial instruments at fair value to the accompanying consolidated balance sheets as follows:

<table>
<thead>
<tr>
<th>December 31</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments and assets whose use is limited measured at fair value</td>
<td>$5,450,515</td>
<td>$5,380,856</td>
</tr>
<tr>
<td>Alternative investments</td>
<td>837,274</td>
<td>824,827</td>
</tr>
<tr>
<td>Commingled funds</td>
<td>249,821</td>
<td>304,460</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>15,134</td>
<td>13,430</td>
</tr>
<tr>
<td>Total</td>
<td>$6,552,744</td>
<td>$6,523,573</td>
</tr>
</tbody>
</table>

Investments
$5,859,138 | $5,821,745 |

Assets whose use is limited:
Current | 333,888 | 303,823 |
Noncurrent | 359,718 | 398,005 |
Total | $6,552,744 | $6,523,573 |

AdventHealth
The fair values of the securities included in Level 1 were determined through quoted market prices. The fair values of Level 2 financial assets were determined as follows:

*Cash equivalents, U.S. and foreign government agencies and sponsored entities, corporate bonds, mortgage backed, other asset backed, and short-term investments* – These Level 2 securities were valued through the use of third-party pricing services that use evaluated bid prices adjusted for specific bond characteristics and market sentiment.

**Other Fair Value Disclosures**

The carrying values of accounts receivable, accounts payable and accrued liabilities are reasonable estimates of their fair values, due to the short-term nature of these financial instruments.

The fair values of the System’s fixed-rate bonds are estimated using Level 2 inputs based on quoted market prices for those or similar instruments. The estimated fair value of the fixed-rate bonds was approximately $2,440,000 and $2,360,000 as of December 31, 2018 and 2017, respectively. The carrying value of the fixed-rate bonds was approximately $2,344,000 and $2,212,000 as of December 31, 2018 and 2017, respectively. The carrying amount approximates fair value for all other long-term debt (Note 7).

**12. Subsequent Events**

The System evaluated events and transactions occurring subsequent to December 31, 2018 through March 1, 2019, the date the accompanying consolidated financial statements were issued. During this period, there were no subsequent events that required recognition in the accompanying consolidated financial statements. Additionally, there were no nonrecognized subsequent events that required disclosure.
13. Fourth Quarter Results of Operations (Unaudited)

The System’s operating results for the three months ended December 31, 2018 are presented below:

**Revenue**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net patient service revenue</td>
<td>$2,750,721</td>
</tr>
<tr>
<td>Other</td>
<td>98,995</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td><strong>2,849,716</strong></td>
</tr>
</tbody>
</table>

**Expenses**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee compensation</td>
<td>1,377,730</td>
</tr>
<tr>
<td>Supplies</td>
<td>475,816</td>
</tr>
<tr>
<td>Purchased services</td>
<td>278,756</td>
</tr>
<tr>
<td>Professional fees</td>
<td>138,697</td>
</tr>
<tr>
<td>Other</td>
<td>243,079</td>
</tr>
<tr>
<td>Interest</td>
<td>23,072</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>151,642</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>2,688,792</strong></td>
</tr>
</tbody>
</table>

**Income from Operations**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income from Operations</strong></td>
<td>160,924</td>
</tr>
</tbody>
</table>

**Nonoperating Losses**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment return</td>
<td>(169,672)</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>(241)</td>
</tr>
<tr>
<td><strong>Total nonoperating losses</strong></td>
<td><strong>(169,913)</strong></td>
</tr>
</tbody>
</table>

**Deficiency of revenue and gains over expenses and losses**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deficiency of revenue and gains</td>
<td>(8,989)</td>
</tr>
<tr>
<td>over expenses and losses</td>
<td></td>
</tr>
</tbody>
</table>

**Noncontrolling interests**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noncontrolling interests</td>
<td>(104)</td>
</tr>
</tbody>
</table>

**Deficiency of Revenue and Gains over Expenses and Losses Attributable to Controlling Interest**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deficiency of revenue and gains over expenses</td>
<td>(9,093)</td>
</tr>
<tr>
<td>and losses Attributable to Controlling Interest</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other changes in net assets without donor restrictions, net</td>
<td>21,013</td>
</tr>
<tr>
<td>Decrease in net assets with donor restrictions, net</td>
<td>(17,918)</td>
</tr>
</tbody>
</table>

**Decrease in Net Assets**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Decrease in Net Assets</strong></td>
<td><strong>$(5,998)</strong></td>
</tr>
</tbody>
</table>
Supplementary Information
## Consolidating Balance Sheet

**December 31, 2018**

*(dollars in thousands)*

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>AdventHealth Obligated Group</th>
<th>All Other Entities</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$61,422</td>
<td>$573,172</td>
<td>$(58,204)</td>
<td>$576,390</td>
</tr>
<tr>
<td>Cash management deposits</td>
<td>$5,404,086</td>
<td>–</td>
<td>$(5,404,086)</td>
<td>–</td>
</tr>
<tr>
<td>Investments</td>
<td>$11,570</td>
<td>$5,847,568</td>
<td>–</td>
<td>$5,859,138</td>
</tr>
<tr>
<td>Current portion of assets whose use is limited</td>
<td>$1,435</td>
<td>$332,453</td>
<td>–</td>
<td>$333,888</td>
</tr>
<tr>
<td>Patient accounts receivable</td>
<td>$520,336</td>
<td>$61,232</td>
<td>–</td>
<td>$581,568</td>
</tr>
<tr>
<td>Due from brokers</td>
<td>–</td>
<td>$82,240</td>
<td>–</td>
<td>$82,240</td>
</tr>
<tr>
<td>Estimated settlements from third parties</td>
<td>$61,506</td>
<td>$2,226</td>
<td>–</td>
<td>$63,732</td>
</tr>
<tr>
<td>Other receivables</td>
<td>$570,407</td>
<td>$119,511</td>
<td>$(173,069)</td>
<td>$516,849</td>
</tr>
<tr>
<td>Inventories</td>
<td>$220,191</td>
<td>$14,062</td>
<td>–</td>
<td>$234,253</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>$92,198</td>
<td>$53,819</td>
<td>$(36,695)</td>
<td>$109,322</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$6,943,151</td>
<td>$7,086,283</td>
<td>$(5,672,054)</td>
<td>$8,357,380</td>
</tr>
<tr>
<td><strong>Property and Equipment</strong></td>
<td>$5,877,010</td>
<td>$629,640</td>
<td>–</td>
<td>$6,506,650</td>
</tr>
<tr>
<td><strong>Assets Whose Use is Limited, net of current portion</strong></td>
<td>$24,232</td>
<td>$335,486</td>
<td>–</td>
<td>$359,718</td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td>$706,219</td>
<td>$221,409</td>
<td>$(174,686)</td>
<td>$752,942</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td>$13,550,612</td>
<td>$8,272,818</td>
<td>$(5,846,740)</td>
<td>$15,976,690</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th>AdventHealth Obligated Group</th>
<th>All Other Entities</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$830,260</td>
<td>$387,165</td>
<td>$(926)</td>
<td>$1,216,499</td>
</tr>
<tr>
<td>Estimated settlements to third parties</td>
<td>$166,065</td>
<td>$9,269</td>
<td>–</td>
<td>$175,334</td>
</tr>
<tr>
<td>Due to brokers</td>
<td>–</td>
<td>$393,120</td>
<td>–</td>
<td>$393,120</td>
</tr>
<tr>
<td>Due to affiliates – cash management deposits</td>
<td>–</td>
<td>$5,404,086</td>
<td>$(5,404,086)</td>
<td>–</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>$300,829</td>
<td>$243,341</td>
<td>$(232,597)</td>
<td>$311,573</td>
</tr>
<tr>
<td>Short-term financings</td>
<td>$104,420</td>
<td>–</td>
<td>–</td>
<td>$104,420</td>
</tr>
<tr>
<td>Current maturities of long-term debt</td>
<td>$97,294</td>
<td>$4,242</td>
<td>–</td>
<td>$101,536</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>$1,498,868</td>
<td>$6,441,223</td>
<td>$(5,637,609)</td>
<td>$2,302,482</td>
</tr>
<tr>
<td><strong>Long-Term Debt, net of current maturities</strong></td>
<td>$2,818,514</td>
<td>$46,669</td>
<td>$(7,529)</td>
<td>$2,857,654</td>
</tr>
<tr>
<td><strong>Other Noncurrent Liabilities</strong></td>
<td>$172,009</td>
<td>$638,110</td>
<td>$(197,346)</td>
<td>$612,773</td>
</tr>
<tr>
<td><strong>Total Other Noncurrent Liabilities</strong></td>
<td>$4,489,391</td>
<td>$7,126,002</td>
<td>$(5,842,484)</td>
<td>$5,772,909</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>$8,877,733</td>
<td>$1,111,225</td>
<td>$(4,256)</td>
<td>$9,984,702</td>
</tr>
<tr>
<td><strong>Net assets with donor restrictions</strong></td>
<td>$181,318</td>
<td>$4,628</td>
<td>–</td>
<td>$185,946</td>
</tr>
<tr>
<td><strong>Net assets with donor restrictions</strong></td>
<td>$9,059,051</td>
<td>$1,115,853</td>
<td>$(4,256)</td>
<td>$10,170,648</td>
</tr>
<tr>
<td><strong>Noncontrolling interests</strong></td>
<td>$2,170</td>
<td>$30,963</td>
<td>–</td>
<td>$33,133</td>
</tr>
<tr>
<td><strong>Total Noncontrolling interests</strong></td>
<td>$9,061,221</td>
<td>$1,146,816</td>
<td>$(4,256)</td>
<td>$10,203,781</td>
</tr>
<tr>
<td><strong>Commitments and Contingencies</strong></td>
<td>$13,550,612</td>
<td>$8,272,818</td>
<td>$(5,846,740)</td>
<td>$15,976,690</td>
</tr>
</tbody>
</table>

---

1. The AdventHealth Obligated Group (Obligated Group) is defined by the Amended and Restated Master Trust Indenture dated as of August 1, 2014, which secures substantially all long-term debt.

2. Cash management deposits represent deposits by the Obligated Group into the System's cash management program. The System invests these cash management deposits in a central investment pool.
AdventHealth

Consolidating Statement of Operations and Changes in Net Assets

For the Year Ended December 31, 2018

(dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th>AdventHealth Obligated Group</th>
<th>All Other Entities</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net patient service revenue</td>
<td>$10,086,071</td>
<td>$491,592</td>
<td>–</td>
<td>$10,577,663</td>
</tr>
<tr>
<td>Other</td>
<td>328,836</td>
<td>810,032</td>
<td>(742,407)</td>
<td>396,461</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td>10,414,907</td>
<td>1,301,624</td>
<td>(742,407)</td>
<td>10,974,124</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee compensation</td>
<td>4,688,526</td>
<td>779,383</td>
<td>(129,991)</td>
<td>5,337,918</td>
</tr>
<tr>
<td>Supplies</td>
<td>1,744,056</td>
<td>137,215</td>
<td>(71,451)</td>
<td>1,809,820</td>
</tr>
<tr>
<td>Purchased services</td>
<td>695,102</td>
<td>174,835</td>
<td>(1,553)</td>
<td>868,834</td>
</tr>
<tr>
<td>Professional fees</td>
<td>974,190</td>
<td>186,762</td>
<td>(510,332)</td>
<td>650,620</td>
</tr>
<tr>
<td>Other</td>
<td>892,589</td>
<td>(7,005)</td>
<td>(1,432)</td>
<td>858,350</td>
</tr>
<tr>
<td>Interest</td>
<td>90,417</td>
<td>1,254</td>
<td>(1,432)</td>
<td>90,239</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>517,306</td>
<td>59,074</td>
<td>(2,330)</td>
<td>574,102</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>9,602,186</td>
<td>1,331,518</td>
<td>(743,839)</td>
<td>10,189,865</td>
</tr>
<tr>
<td><strong>Income (Loss) from Operations</strong></td>
<td>812,721</td>
<td>(29,894)</td>
<td>1,432</td>
<td>784,259</td>
</tr>
<tr>
<td><strong>Nonoperating Losses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment return</td>
<td>(136,552)</td>
<td>(17,580)</td>
<td>(1,432)</td>
<td>(155,564)</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>(10,033)</td>
<td>–</td>
<td>–</td>
<td>(10,033)</td>
</tr>
<tr>
<td><strong>Total nonoperating losses, net</strong></td>
<td>(146,585)</td>
<td>(17,580)</td>
<td>(1,432)</td>
<td>(165,597)</td>
</tr>
<tr>
<td><strong>Excess (deficiency) of revenue over expenses and losses</strong></td>
<td>666,136</td>
<td>(47,474)</td>
<td>–</td>
<td>618,662</td>
</tr>
<tr>
<td><strong>Noncontrolling interests</strong></td>
<td>(1,098)</td>
<td>765</td>
<td>–</td>
<td>(333)</td>
</tr>
<tr>
<td><strong>Excess (Deficiency) of Revenue over Expenses and Losses Attributable to Controlling Interest</strong></td>
<td>665,038</td>
<td>(46,709)</td>
<td>–</td>
<td>618,329</td>
</tr>
</tbody>
</table>

Continued on following page.
## AdventHealth

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

For the Year Ended December 31, 2018
(dollars in thousands)

<table>
<thead>
<tr>
<th>CONTROLLING INTEREST</th>
<th>AdventHealth Obligated Group</th>
<th>All Other Entities</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets Without Donor Restrictions</td>
<td>665,038</td>
<td>(46,709)</td>
<td>0</td>
<td>618,329</td>
</tr>
<tr>
<td>Excess (deficiency) of revenue over expenses and losses</td>
<td>25,553</td>
<td>408</td>
<td>0</td>
<td>25,961</td>
</tr>
<tr>
<td>Net assets released from restrictions for purchase of property and equipment</td>
<td>(115)</td>
<td>(4,342)</td>
<td>0</td>
<td>(4,457)</td>
</tr>
<tr>
<td>Change in unrealized gains and losses on investments</td>
<td>(192,599)</td>
<td>192,599</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Transfers (to) from affiliates</td>
<td>74,376</td>
<td>(74,376)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Addition of net assets to the Obligated Group</td>
<td>252</td>
<td>(226)</td>
<td>0</td>
<td>26</td>
</tr>
<tr>
<td>Pension-related changes other than net periodic pension cost</td>
<td>(2,749)</td>
<td>(1,616)</td>
<td>162</td>
<td>(4,203)</td>
</tr>
<tr>
<td>Other</td>
<td>691</td>
<td>–</td>
<td>–</td>
<td>691</td>
</tr>
<tr>
<td>Increase in net assets without donor restrictions</td>
<td>569,756</td>
<td>65,738</td>
<td>162</td>
<td>635,656</td>
</tr>
</tbody>
</table>

| Net Assets With Donor Restrictions | 691 | – | – | 691 |
| Investment return | 35,580 | 2,260 | 0 | 37,840 |
| Gifts and grants | (2,749) | (1,616) | 162 | (4,203) |
| Net assets released from restrictions for purchase of property and equipment or use in operations | 3,954 | 32 | 0 | 3,986 |
| Other | (2,496) | 1,776 | 0 | (720) |

| NONCONTROLLING INTERESTS | 1,098 | (765) | – | 333 |
| Net Assets Without Donor Restrictions | – | (1,018) | – | (1,018) |
| Excess (deficiency) of revenue over expenses and losses | 919 | – | – | 919 |
| Distributions | 3,954 | 32 | 0 | 3,986 |
| Other | (94) | 154 | 0 | 60 |

| Increase in Net Assets | 567,166 | 67,668 | 162 | 634,996 |
| Net assets, beginning of period | 8,494,055 | 1,079,148 | (4,418) | 9,568,785 |
| Net assets, end of period | $9,061,221 | $1,146,816 | $ (4,256) | $10,203,781 |

3 AdventHealth Dade City and AdventHealth Ocala became members of the Obligated Group on July 1, 2018 and November 1, 2018, respectively.
AdventHealth Obligated Group

Combined Statement of Cash Flows

For the Year Ended December 31, 2018

(dollars in thousands)

<table>
<thead>
<tr>
<th>Operating Activities</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in net assets</td>
<td>567,166</td>
</tr>
<tr>
<td>Increase in net assets from addition of entities to the Obligated Group</td>
<td>(74,376)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>514,053</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>3,253</td>
</tr>
<tr>
<td>Amortization of deferred financing costs and original issue discounts and premiums</td>
<td>(9,161)</td>
</tr>
<tr>
<td>Transfers to affiliates, net</td>
<td>192,599</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>10,033</td>
</tr>
<tr>
<td>Change in unrealized gains and losses on investments</td>
<td>115</td>
</tr>
<tr>
<td>Restricted gifts and grants and investment return</td>
<td>(36,271)</td>
</tr>
<tr>
<td>Income from unconsolidated entities</td>
<td>(28,855)</td>
</tr>
<tr>
<td>Distributions from unconsolidated entities</td>
<td>11,485</td>
</tr>
<tr>
<td>Pension-related changes other than net periodic pension cost</td>
<td>(252)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
</tr>
<tr>
<td>Patient accounts receivable</td>
<td>(54,814)</td>
</tr>
<tr>
<td>Other receivables</td>
<td>154,755</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(12,910)</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>61,258</td>
</tr>
<tr>
<td>Estimated settlements to third parties, net</td>
<td>(47,659)</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>(20,263)</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>(5,134)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>1,225,022</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investing Activities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash from addition of entities to the Obligated Group</td>
<td>72,731</td>
</tr>
<tr>
<td>Purchase of property and equipment, net</td>
<td>(758,842)</td>
</tr>
<tr>
<td>Decrease in investments</td>
<td>880</td>
</tr>
<tr>
<td>Increase in assets whose use is limited</td>
<td>(1,310)</td>
</tr>
<tr>
<td>Increase in other assets</td>
<td>(23,089)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(709,630)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financing Activities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayments of long-term borrowings</td>
<td>(236,884)</td>
</tr>
<tr>
<td>Additional long-term borrowings</td>
<td>376,674</td>
</tr>
<tr>
<td>Repayments of short-term borrowings</td>
<td>(75,000)</td>
</tr>
<tr>
<td>Payment of deferred financing costs</td>
<td>(3,201)</td>
</tr>
<tr>
<td>Transfers to affiliates, net</td>
<td>(192,599)</td>
</tr>
<tr>
<td>Restricted gifts and grants and investment return</td>
<td>36,271</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(94,739)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Increase in Cash, Cash Equivalents and Cash Management Deposits</th>
<th>420,653</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash equivalents and cash management deposits at beginning of period</td>
<td>5,044,855</td>
</tr>
<tr>
<td><strong>Cash, Cash Equivalents and Cash Management Deposits at End of Period</strong></td>
<td><strong>$ 5,465,508</strong></td>
</tr>
</tbody>
</table>
AdventHealth Obligated Group

Combined Interim Statement of Operations and Changes in Net Assets
(unaudited)

For the Three Months Ended December 31, 2018
(dollars in thousands)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
</tr>
<tr>
<td>Net patient service revenue</td>
<td>$2,617,357</td>
</tr>
<tr>
<td>Other</td>
<td>91,373</td>
</tr>
<tr>
<td>Total operating revenue</td>
<td>2,708,730</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Employee compensation</td>
<td>1,210,442</td>
</tr>
<tr>
<td>Supplies</td>
<td>448,974</td>
</tr>
<tr>
<td>Purchased services</td>
<td>191,182</td>
</tr>
<tr>
<td>Professional fees</td>
<td>266,585</td>
</tr>
<tr>
<td>Other</td>
<td>248,782</td>
</tr>
<tr>
<td>Interest</td>
<td>23,058</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>135,797</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>2,524,820</td>
</tr>
<tr>
<td><strong>Income from Operations</strong></td>
<td>183,910</td>
</tr>
<tr>
<td><strong>Nonoperating Losses</strong></td>
<td></td>
</tr>
<tr>
<td>Investment return</td>
<td>(149,555)</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>(241)</td>
</tr>
<tr>
<td>Total nonoperating losses, net</td>
<td>(149,796)</td>
</tr>
<tr>
<td><strong>Excess of revenue over expenses and losses</strong></td>
<td>34,114</td>
</tr>
<tr>
<td><strong>Noncontrolling interests</strong></td>
<td>(325)</td>
</tr>
<tr>
<td><strong>Excess of Revenue over Expenses and Losses Attributable to Controlling Interest</strong></td>
<td>33,789</td>
</tr>
<tr>
<td>Other changes in net assets without donor restrictions, net</td>
<td>121,366</td>
</tr>
<tr>
<td>Decrease in net assets with donor restrictions, net</td>
<td>(19,740)</td>
</tr>
<tr>
<td><strong>Increase in Net Assets</strong></td>
<td>$135,415</td>
</tr>
</tbody>
</table>
Report of Independent Auditors

The Board of Directors
Adventist Health System Sunbelt Healthcare Corporation
d/b/a AdventHealth

We have audited the accompanying consolidated financial statements of Adventist Health System Sunbelt Healthcare Corporation (the System), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the System at December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating details and other supplementary information on pages 33 through 37 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that portion marked “unaudited,” has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information, except for that portion marked “unaudited” on which we express no opinion, is fairly stated, in all material respects, in relation to the financial statements as a whole.

AdventHealth

Orlando, Florida
March 1, 2019
APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE MASTER INDENTURE
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INTRODUCTION

This APPENDIX C contains the definitions of certain terms used in, and summarizes certain provisions of, the Master Indenture and the Series 2019B Note executed and delivered in connection with the Series 2019B Bonds described in the forepart of this Official Statement. The terms “Series 2019B Bonds” and “Bond Trustee” shall have the meanings set forth in the forepart of this Official Statement.

DEFINITIONS OF CERTAIN TERMS

The following terms shall have the following meanings when used in this APPENDIX C.

“Additional Master Notes” means the Master Notes of the Obligated Group issued under the Master Indenture after the Effective Date.

“Additional Regulated Indebtedness” means Regulated Indebtedness of any Member or of the Obligated Group incurred after the Effective Date.

“AHS/Georgia” means Adventist Health System Georgia, Inc., a Georgia not-for-profit corporation, and its successors and assigns.

“AMH” or “Hinsdale” means Adventist Midwest Health (formerly known as Adventist Hinsdale Hospital), an Illinois not-for-profit corporation, and its successors and assigns.

“Average Cost of Variable Rate Debt” means, for any Fiscal Year, the average of the SIFMA Indexes for such Fiscal Year.

“Bolingbrook” means Adventist Bolingbrook Hospital, an Illinois not-for-profit corporation, and its successors and assigns.

“Bond Counsel” means a nationally recognized firm of attorneys experienced in municipal bond financings.

“Book Value,” when used in connection with Property, means the value of such Property, net of accumulated depreciation and amortization.

“Business Day” means any day other than (i) a Saturday or a Sunday, or (ii) any day on which banks that are located in the cities in which the Principal Office of the Master Trustee or the principal offices of any other Paying Agent or the Obligated Group Representative are located are authorized or required to remain closed, or (iii) with respect to any Master Note securing Related Bonds entitled to the benefit of Credit Enhancement, any day on which banks that are located in the city in which the related Credit Enhancer is located or the city in which the office of such Credit Enhancer from which payments are made pursuant to such Credit

C-1
Enhancement is located are authorized or required to remain closed or (iv) a day on which the New York Stock Exchange is closed.

“Capitalized Lease Obligations” means all lease obligations which have been or are required to be, in accordance with GAAP, capitalized on the books of the lessee.¹

“Chippewa” means Chippewa Valley Hospital & Oakview Care Center, Inc., a Wisconsin not-for-profit corporation, and its successors and assigns.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations proposed or promulgated thereunder or under the Internal Revenue Code of 1954, as amended, if appropriate, as published in the Federal Register.

“Combined,” when used as part of a defined term, means such term as determined on a combined or consolidated basis, as the case may be, in accordance with GAAP at the time in effect.

“Combined Adjusted Annual Revenue” means, for the Obligated Group for any Fiscal Year, on a Combined basis, the total revenue of the Obligated Group for such Fiscal Year, including, without limitation, patient service revenues, interest income, other operating income and non-operating income, other than gifts restricted for purposes other than operations, less contractual adjustments with third party payors, bad debt classified as a reduction of patient service revenue and adjustments for free services relating to such Fiscal Year; but excluding in any event: (i) income derived from the sale of assets not in the ordinary course of business; (ii) any gain or loss from the extinguishment of debt or any other extraordinary item; (iii) earnings on amounts which are irrevocably deposited in escrow to pay the principal of or interest on any indebtedness; (iv) any gain or loss on the sale or other disposition of investments or fixed or capital assets not in the ordinary course of business; and (v) income resulting from any reappraisal, revaluation, write-up or write-down of assets.

“Combined Interest Expense” means, for the Obligated Group for any period ending on the date of computation thereof, on a Combined basis, the total interest expense (including without limitation, the interest component of any payments related to Capitalized Lease Obligations) of the Obligated Group during such period whether or not actually paid during such period.

“Combined Net Income” means, for any period ending on the date of computation thereof, on a Combined basis, the excess (deficiency) of revenues and gains over expenses and losses of the Members of the Obligated Group for such period (taken as a single accounting period) attributable to controlling interests.

¹ The Obligated Group proposes to amend this definition by changing the last clause of the definition to read “capitalized as financing leases on the books of the lessee, but shall not include those leases recorded on the books of the lessee as operating leases.” See the information under the caption “PROPOSED AMENDMENTS TO MASTER INDENTURE” in this APPENDIX C relating to the proposed amendment.
“Combined Net Income Available for Debt Service” means, for the Obligated Group for any period ending on the date of computation thereof, an amount equal to the sum, on a Combined basis, of (a) Combined Net Income, (b) Combined Interest Expense, (c) depreciation, and (d) amortization, provided, however, that no determination of Combined Net Income Available for Debt Service shall take into account (i) gains and losses on the sale of Property, Plant and Equipment not in the ordinary course of business, (ii) gains and losses on the extinguishment of indebtedness, (iii) extraordinary gains and losses, (iv) unrealized gains and losses related to the change in fair value of derivative financial instruments, including Swap Contracts, (v) unrealized gains and losses related to the change in fair value of Total Cash and Investments and other cash held for investments that are accounted for as other-than-trading investments, (vi) unrealized gains and losses related to the change in fair value of indebtedness, (vii) impairment charges or write-offs of Property, Plant and Equipment or goodwill or other intangible assets, (viii) non-cash costs related to pension and/or post-retirement plans, and (ix) other non-cash items, including the amortization or recognition of accumulated gains and losses on derivative financial instruments recorded in unrestricted net assets, including Swap Contracts, all as measured for the Obligated Group for its most recent four (4) fiscal quarters on a Combined basis.2

“Construction Index” means the health care component of the implicit price deflator for the gross national product as most recently reported prior to the date in question by the United States Department of Commerce or its successor agency, or, if such index is no longer published, such other index which is certified to be comparable and appropriate by the Obligated Group Representative in an Officer’s Certificate delivered to the Master Trustee.

“Credit Enhancement” means any bond insurance policy, surety bond, letter of credit, line of credit, bond purchase agreement or similar facility issued by a Credit Enhancer providing security for the payment of principal of and interest on Related Bonds.

“Credit Enhancer” means any insurance company, or association of insurance companies, bank or other institution insuring, or providing credit support for, the payment of all or a portion of the principal of or interest on any Related Bonds.

“Current Value” means, with respect to any Property: (a) the aggregate fair market value of such Property as reflected in the most recent written report (an “Appraisal”) of an appraiser who, in the case of real Property, is a member of the American Institute of Real Estate Appraisers (MAI), delivered to the Master Trustee (which Appraisal shall be dated not more than five years prior to the date as of which the Current Value of such Property is to be calculated)

2 The Obligated Group proposes to amend this definition by adding the following clause after clause (ix) therein: “provided however that, at the option of the Obligated Group, net realized gains and losses from the sale of investments may be included in the computation of Combined Net 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 investment for the period for which a computation is being made.” See the information under the caption “PROPOSED AMENDMENTS TO MASTER INDENTURE” in this APPENDIX C relating to the proposed amendment.
increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such Appraisal to the date as of which the Current Value of such Property is to be calculated; plus (b) the Book Value of any Property acquired since the date of such Appraisal increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such acquisition to the date as of which the Current Value of such Property is to be calculated; minus (c) the greater of the Book Value or the fair market value (as reflected in such Appraisal) of any Property disposed of since the date of such Appraisal increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the later of (i) the date of such Appraisal or (ii) the date of the acquisition of such Property, to the date as of which the Current Value of such Property is to be calculated.

“Dade City” means Florida Hospital Dade City, Inc., a Florida not-for-profit corporation, and its successors and assigns.

“Effective Date” means August 27, 2014, which is the date of the original execution and delivery of the Master Indenture.

“Electronic Notice” means (a) notice transmitted through electronic mail (“email”) or a time-sharing terminal or facsimile machine, if operative as between the party sending the notice and the party that is to receive the notice, and (b) if not so operative between any two parties, notice given in writing or by telephone (promptly confirmed in writing).

“Escrowed Interest” means (a) amounts irrevocably deposited in escrow to pay interest on Regulated Indebtedness or on Related Bonds and (b) interest earned on such amounts so deposited to the extent such interest earned is applied to pay interest on Regulated Indebtedness or on Related Bonds.

“Escrowed Securities” means (a) Government Securities and (b) Refunded Municipal Obligations.

“Event of Default” has the meaning set forth below under the heading “THE MASTER INDENTURE — Defaults and Remedies.”

“Excluded Property” means any assets of “employee benefit pension plans,” as defined in the Employee Retirement Income Security Act of 1974, as amended, and any property whose use is restricted by the donor thereof.

“Existing Master Indenture” means the Original Master Indenture, as supplemented and amended by the Original Master Indenture Supplements, the First Restated Master Indenture and the First Restated Master Indenture Supplements.

“Existing Master Notes” means Master Notes heretofore issued pursuant to the Existing Master Indenture and Outstanding on the Effective Date. The designation on each Existing Master Note as “Class A” or “Class B” shall be disregarded and be of no further force or effect on and after the Effective Date.
“Existing Members” means, individually or collectively, as the case may be, Sunbelt and all other Persons who are Members of the Obligated Group as of the Effective Date.

“First Restated Master Indenture” means the Amended and Restated Master Trust Indenture dated as of May 1, 1995, among AHS/Georgia, Sunbelt, Waterman, Jellico Community Hospital, Inc., a Tennessee not-for-profit corporation, Memorial and Metroplex Adventist Hospital, Inc., a Texas not-for-profit corporation, and Sun Bank, National, a national banking association and a predecessor in interest to the Master Trustee, as supplemented and amended by the First Restated Master Indenture Supplements.

“First Restated Master Indenture Supplements” means Supplemental Master Indentures numbered 50 through 207 between the Obligated Group, as then constituted, and the Master Trustee (or a predecessor in interest thereof), which supplemented the First Restated Master Indenture, as such Supplemental Master Indentures may be amended from time to time.

“Fiscal Year” means, for the Obligated Group Representative, any 12-month period beginning on January 1 of any calendar year and ending on December 31 of such calendar year, or any other consecutive 12-month period selected by the Obligated Group Representative as its fiscal year; and for any other Member, any consecutive 12-month period selected by such Member, acceptable to the Obligated Group Representative, as the fiscal year for such Member, whether or not such 12-month period corresponds to the 12-month period selected by the Obligated Group Representative as its fiscal year.

“Fixed Rate Debt” means all Regulated Indebtedness having (a) a final maturity date or (with respect to Capitalized Lease Obligations) a scheduled lease expiration date of more than one year from the date of creation thereof (or which is or may be renewable or extendible at the option of the obligor for a period or periods extending more than one year from the date of creation) and (b) only fixed interest rates or yields through at least the first full Fiscal Year after the date of creation thereof.

“Flagler” means Memorial Hospital Flagler, Inc., a Florida not-for-profit corporation, and its successors and assigns.

“Fletcher” means Fletcher Hospital, Incorporated, a North Carolina not-for-profit corporation, and its successors and assigns.

“Florida Hospital” means the buildings, land and equipment used in the operation or direct administration of Florida Hospital/Orlando, Florida Hospital/East Orlando, Florida Hospital/Altamonte Springs, Florida Hospital/Apopka, Florida Hospital/Kissimmee, Florida Hospital/Celebration and Florida Hospital/Winter Park Memorial, whether or not also used for other purposes, but shall not include (a) office buildings used by physicians for the practice of their profession or (b) ambulatory care centers, emergency care centers, surgical care centers, outpatient radiology centers, outpatient laboratories or other outpatient care centers not physically connected to a general acute care hospital or long-term acute care hospital used in such operation.
“Florida Hospital/Orlando” means the buildings, land and equipment used in the operation or direct administration of the Florida Hospital Orlando campus, whose principal address is 601 East Rollins Street, Orlando, Florida, which includes Florida Hospital for Children.

“GAAP” means accounting principles generally accepted in the United States of America.

“GlenOaks” means Adventist GlenOaks Hospital, an Illinois not-for-profit corporation, and its successors and assigns.

“Governing Body” means, with respect to any Member of the Obligated Group, the membership of such Member or 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.

“Government Securities” means (a) direct obligations of the United States of America and obligations on which the timely payment of principal and interest is fully guaranteed by the United States of America and (b) certificates evidencing a direct ownership interest in such obligations or in future interest or principal payments thereon held in a custody account by a custodian satisfactory to the Master Trustee.

“Gross Revenues” means all revenues of each Member from all sources to the extent the same may be legally assigned as security for the payment of the Master Notes and the performance of all covenants contained in the Master Indenture.

“Highlands County Authority Receivables Program” means the program of Sunbelt in effect on the Effective Date of selling accounts of certain Members of the Obligated Group to the Highlands County Health Facilities Authority, a public body corporate and politic duly created and existing under the laws of the State of Florida.

“Hinsdale” has the meaning of the term set forth under the definition of AMH herein.

“Historical Debt Service Requirements” means, with respect to the period of time and the Regulated Indebtedness for which calculated, the aggregate of the payments required to be made as payments of principal (whether at maturity, as a result of mandatory sinking fund redemption or mandatory prepayment or otherwise) and interest on such Regulated Indebtedness for such period, including any such payments required to be made during such period pursuant to guaranties of indebtedness of other Persons of the type described in clause (d) of the definition of “Regulated Indebtedness” herein; provided that: (a) interest shall be excluded from the determination of the Historical Debt Service Requirements for any period to the extent that Escrowed Interest was applied to pay such interest; (b) principal shall be excluded from the determination of the Historical Debt Service Requirements for any period to the extent that such principal was refunded with the proceeds of Refunding Debt or was paid in connection with an optional redemption of Regulated Indebtedness; (c) principal and interest shall be excluded from the determination of Historical Debt Service Requirements for any period to the extent that payments thereof are made from amounts on deposit in an Irrevocable Deposit for such
Regulated Indebtedness; (d) the principal amount of any Regulated Indebtedness of the Obligated Group or of an Obligated Group Member purchased by any Obligated Group Member that remains Outstanding after such purchase shall be excluded from the determination of Historical Debt Service Requirements for all purposes of the Master Indenture regardless of how such principal amount is treated on the financial statements of such Obligated Group Member in accordance with GAAP; and (e) principal on Regulated Indebtedness maturing in 270 days or less from its date of issuance shall be excluded from the determination of the Historical Debt Service Requirements for any period to the extent that such principal was paid with funds of any Member of the Obligated Group.

“Holder” or “Master Noteholder” means the Registered Owner of a Master Note.

“Independent Insurance Consultant” means a firm none of whose officers, directors or employees is an officer, director or employee of any Member or an employee or elected official of any Issuer which has issued a series of Related Bonds, appointed by the Obligated Group Representative, qualified to survey risks and to recommend insurance coverage for health care facilities and services and organizations engaged in like operations to those of the Member whose insurance coverage is being reviewed and having a favorable reputation for skill and experience in such surveys and such recommendations, and who may be a broker or agent with whom any Member transacts business. The term “Independent Insurance Consultant” shall include Adventist Risk Management, Inc., or any successor.

“Irrevocable Deposit” means the irrevocable deposit in trust of cash in an amount (or Escrowed Securities the principal of and interest on which will be in an amount) and under terms sufficient to pay all or a portion of the principal of, and premium, if any, and interest on, as the same shall become due and payable upon redemption, any Regulated Indebtedness which would otherwise be considered Outstanding; it being understood that the trustee of such deposit may be the Master Trustee, a Related Bond Trustee or any other trustee authorized to act in such capacity.

“Issuer” means any state of the United States of America or any municipal corporation or other political subdivision formed under the laws thereof or any constituted authority of any of the foregoing empowered to issue obligations on behalf thereof.

“Lien” means (a) any mortgage, pledge or lease of, security interest in or lien, charge, restriction or encumbrance on any Property of the Person involved in favor of, or which secures any indebtedness to, any Person other than a Member of the Obligated Group and (b) any Capitalized Lease Obligation under which any Member of the Obligated Group is the lessee and the lessor is not a Member of the Obligated Group.

“Management Consultant” means a firm selected by the Obligated Group Representative and qualified to pass upon questions relating to the financial affairs, condition and operations of legal entities similar to the Members and having a favorable and nationally recognized reputation for skill and experience in the analysis of such financial affairs, all in the sole discretion and judgment of the Obligated Group Representative.
“Master Indenture” means the Second Amended and Restated Master Trust Indenture dated as of August 1, 2014 among the Obligated Group and the Master Trustee, as heretofore amended and supplemented by the Original Master Indenture Supplements and the First Restated Master Indenture Supplements, and as the same has heretofore been supplemented and amended and as the same may from time to time hereafter be further supplemented and amended.

“Master Note” means any Existing Master Note and any Additional Master Note, including the Series 2019B Note described in the forepart of this Official Statement. A reference to Master Notes of a series means the Master Notes or series issued pursuant to a single Related Supplemental Master Indenture.

“Master Noteholder” or “Holder” means the Registered Owner of a Master Note.

“Master Trustee” means the trustee under the Master Indenture and its successors and assigns.

“Member” means, individually or collectively, as the case may be, Bolingbrook, GlenOaks, AHS/Georgia, Sunbelt, AMH, Chippewa, Fletcher, Dade City, Ocala, Waterman, Zephyrhills, MHS, Flagler, Memorial, West Volusia, PPHCHS, PorterCare, Shawnee Mission, SEVHC, SVHC, Tarpon Springs and UCH and any other Person admitted to the Obligated Group pursuant to the provisions of the Master Indenture, but shall not mean any Person which has withdrawn as a Member of the Obligated Group pursuant to the provisions of the Master Indenture.

“Memorial” means Memorial Hospital, Inc., a Kentucky not-for-profit corporation, and its successors and assigns.

“MHS” means Memorial Health Systems, Inc., a Florida not-for-profit corporation, and its successors and assigns.

“Obligated Group” means, collectively, Bolingbrook, GlenOaks, AHS/Georgia, Sunbelt, AMH, Chippewa, Fletcher, Dade City, Ocala, Waterman, Zephyrhills, MHS, Flagler, Memorial, West Volusia, PPHCHS, PorterCare, Shawnee Mission, SEVHC, SVHC, Tarpon Springs and UCH and any other Person admitted as a Member of the Obligated Group pursuant to the provisions of the Master Indenture, but shall not mean or include any Person which has withdrawn as a Member of the Obligated Group pursuant to the provisions of the Master Indenture.

“Obligated Group Member” means a Member of the Obligated Group.

“Obligated Group Representative” means Sunbelt or any other Member designated as such to the Master Trustee by a Written Request signed by all Members.

“Ocala” means Florida Hospital Ocala, Inc., a Florida not-for-profit corporation, and its successors and assigns.
“Officer’s Certificate” means a certificate signed, in the case of a certificate delivered on behalf of any corporation or other Person, by any officer of such corporation or other Person or by any other Person duly authorized by such corporation or other Person to sign such certificate. In the case of an Officer’s Certificate of the Obligated Group, such Officer’s Certificate may be executed and delivered on behalf of the Obligated Group by any officer of the Obligated Group Representative or by any other Person duly authorized by the Obligated Group Representative to sign such certificate.

“Opinion of Counsel” means an opinion in writing signed by legal counsel, who may be an employee of or counsel to any Member of the Obligated Group or who may be Bond Counsel.

“Original Master Indenture” means the Master Trust Indenture dated as of October 1, 1983, between Sunbelt and Barnett Banks Trust Company, N.A., as predecessor in interest to the Master Trustee, as supplemented and amended by the Original Master Indenture Supplements.

“Original Master Indenture Supplements” means Supplemental Master Indentures Numbers 1 through 49, which supplemented the Original Master Indenture, as such Supplemental Master Indentures may be amended from time to time.

“Outstanding” means, in the case of indebtedness of a Person other than Master Notes, all such indebtedness of such Person which has been issued, except (a) any such portion thereof cancelled after purchase or surrendered for cancellation or because of payment at or redemption prior to maturity, (b) any such indebtedness in lieu of which other indebtedness has been duly issued and (c) any such indebtedness which is no longer deemed outstanding under its terms and with respect to which such Person is no longer liable under the terms of such indebtedness; provided, however, that the determination of whether any indebtedness is “Outstanding” within the meaning of this definition shall not be governed by the way in which such indebtedness is treated on the financial statements of such Person in accordance with GAAP.

“Outstanding Master Notes” or “Master Notes Outstanding” means all Master Notes except:

(a) Master Notes cancelled after purchase thereof or because of payment at or prepayment or redemption prior to maturity;

(b) (1) Master Notes for the payment or redemption of which an Irrevocable Deposit shall have been theretofore established with the Master Trustee (whether upon or prior to the maturity or redemption date of any such Master Notes); provided that if such Master Notes are to be prepaid or redeemed prior to the maturity thereof, notice of such prepayment or redemption shall have been given or irrevocable arrangements satisfactory to the Master Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Master Trustee shall have been filed with the Master Trustee and (2) Master Notes securing Related Bonds for the payment or redemption of which an Irrevocable Deposit shall have been theretofore established with the Related Bond Trustee (whether upon or prior to the maturity or redemption date of any such Master Notes); provided that if such Master Notes are to be redeemed prior to the maturity
thereof, notice of such redemption shall have been given or arrangements satisfactory to
the Related Bond Trustee shall have been made therefor, or waiver of notice satisfactory
in form to the Related Bond Trustee shall have been filed with the Related Bond Trustee; and

(c) Master Notes in lieu of which others have been authenticated under the
Master Indenture:

provided, however, that the determination of whether any Master Note is “Outstanding” within
the meaning of this definition shall not be governed by the way in which the indebtedness
evidenced by such Master Note is treated on the financial statements of any Obligated Group
Member in accordance with GAAP.

“Paying Agent” means the Master Trustee, in its capacity as paying agent for the Master
Notes hereunder, and any other entity appointed as a paying agent for the Master Notes pursuant
to the provisions of the Master Indenture.

“Permitted Encumbrances” means, as of any particular time:

(a) Liens for ad valorem taxes and special assessments not then
delinquent or, if delinquent, being contested in accordance with the provisions of
the Master Indenture;

(b) utility, access and other easements and rights of way, restrictions
and exceptions that will not materially interfere with or impair the operations
being conducted in connection with the Property subject to such encumbrance (or,
if no operations are being conducted therein, the operations for which such
Property was designed or last modified);

(c) such minor defects, irregularities, encumbrances, easements, rights
of way and clouds on title as normally exist with respect to Property similar in
character to the Property subject to such encumbrance and as do not in the
aggregate materially impair the Property affected thereby for the purpose for
which it was acquired or is held;

(d) Liens in favor of the Master Trustee or a Related Bond Trustee on
the proceeds of indebtedness prior to the application of such proceeds;

(e) leases, licenses or similar use agreements that relate to Property
that is of a type that is customarily the subject of such agreements, such as office
space for physicians, other providers of health care and educational institutions,
food service facilities, parking facilities, gift shops and radiology or other
hospital-based specialty services, pharmacy and similar departments; leases
entered into in accordance with the provisions of the Master Indenture
summarized below under the caption “TRANSFERS OF PROPERTY;” and any leases,
licenses or similar use agreements whereunder a Member is the lessee, the licensee or the equivalent thereof;

(f) zoning laws and similar restrictions, not violated in any material respect, and Liens arising in connection with worker’s compensation, unemployment insurance, taxes, assessments, statutory obligations or Liens, social security legislation, undetermined Liens and charges incidental to construction (including mechanics’ liens and suppliers’ liens), or other similar charges arising in the ordinary course of operation and not overdue or, if overdue, being contested in good faith and such other Liens and charges at the time required by law as a condition precedent to the transaction of the health care activities of any Member or the exercise of any privileges or licenses necessary to any Member;

(g) purchase money security interests in equipment, all as defined in Article 9 of the UCC, whether now existing or hereafter created;

(h) security interests in the accounts of any Member, as defined in Article 9 of the UCC, provided that at the time of creation of any such security interest and after giving effect thereto, the Combined amount of the accounts subject to all security interests created pursuant to this clause (h) shall not exceed 50% of Combined net accounts receivable, as shown on the most recently available audited financial statements of the Obligated Group;

(i) security interests covering the accounts, as defined in Article 9 of the UCC, of any Member, including Self-Pay Receivables, created in connection with the sale of such accounts in accordance with the provisions of the Master Indenture summarized below under the caption “TRANSFERS OF PROPERTY,” including, without limitation, the Highlands County Authority Receivables Program and any successor program thereto;

(j) Liens securing indebtedness of a third party assumed by a Member in connection with the purchase or other acquisition of Property, whether by merger, consolidation or otherwise;

(k) other Liens on Property of a Member other than accounts and Gross Revenues; provided that at the time of creation of any such Lien and after giving effect thereto, the sum of, at the option of the Obligated Group Representative with respect to each Lien, either (i) the aggregate amount of indebtedness secured by each Lien created pursuant to this clause (k), or (ii) the Combined Book Value (or, at the option of the Obligated Group Representative with respect to all or any portion thereof, Current Value) of all Property subject to each Lien created pursuant to this clause (k), shall not exceed 25% of Property, Plant and Equipment of the Obligated Group, as shown in the most recently available annual audited financial statements of the Obligated Group;
(l) security interests in the revenue bonds of any Issuer issued for the benefit of any one or more Members and acquired and pledged by a Member to secure obligations of such Member under an agreement between such Member and a third party;

(m) Liens granted by one Member to another Member;

(n) the security interest created by the Master Indenture;

(o) Liens arising from (i) investment of funds to the extent held in the name of any Member, and (ii) Swap Contracts, which in the aggregate do not exceed an amount equal to 25% of the Total Cash and Investments of the Obligated Group as of the end of the most recent Fiscal Year for which annual audited financial statements of the Obligated Group are available;

(p) Liens on Property if such Lien equally and ratably secures all of the Master Notes and, at the option of the Obligated Group, any Related Bonds;

(q) Liens on or in Property given, granted, bequeathed or devised by the owner thereof existing at the time of such gift, grant, bequest or devise, provided that (i) such Liens consist solely of restrictions on the use thereof or on the use of the income therefrom or (ii) such Liens secure indebtedness which is not assumed by any Member; and that in either case such Liens attach solely to the Property (including the income therefrom) which is the subject of such gift, grant, bequest or devise;

(r) Liens on any Property of a Person existing at the time such Person becomes a Member of the Obligated 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 such Member not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified otherwise qualifies as a Permitted Encumbrance under the Master Indenture;

(s) Liens that are contractual rights of set-off (i) relating to the establishment of depository relations with banks and other financial institutions not given in connection with the issuance of indebtedness, (ii) relating to pooled deposits, sweep accounts, reserve accounts or similar accounts of any Member to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business, including credit card chargebacks and similar obligations, or (iii) relating to purchase orders and other agreements entered into with customers, suppliers or service providers incurred by any Member in the ordinary course of business; and

(t) with respect to any Property in which a Member holds a leasehold interest as lessee, Liens arising upon the lessor’s title to such Property not caused
by any action of such Member and in respect of which such Member has not assumed any obligation.

“Permitted Investments” means (i) with respect to any funds relating to a Master Note which secures a series of Related Bonds, the obligations in which the Related Bond Trustee may invest funds under the Related Bond Indenture, (ii) with respect to any Master Note for which a Supplemental Master Indenture specifies certain permitted investments, the investments so specified and (iii) in all other cases such legal and prudent investments as are selected by the Obligated Group Representative by notice in writing to the Master Trustee.

“Person” means an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a limited liability company, a trust, an unincorporated organization, a government or any agency or political subdivision thereof or any other legal entity recognized under the laws of the United States of America, any state thereof or any foreign country.

“PorterCare” means PorterCare Adventist Health System, a Colorado nonprofit corporation, and its successors and assigns.

“PPHCHS” means Pasco-Pinellas Hillsborough Community Health System, Inc., a Florida not-for-profit corporation, and its successors and assigns.

“Principal Office of the Master Trustee” means the principal office of the Master Trustee at which at any particular time its corporate trust business shall be administered. The address of such Principal Office as of the Effective Date and as of the date of this Official Statement is 225 East Robinson Street, Suite 250, Orlando, Florida 32801.

“Pro-Forma Debt Service Requirements” means, with respect to any Regulated Indebtedness then proposed to be issued and as of the date of such proposed issuance: (a) if such Regulated Indebtedness is Fixed Rate Debt, the total principal and interest requirements on such Fixed Rate Debt in the first full Fiscal Year after such date of issuance; and (b) if such Regulated Indebtedness is Variable Rate Debt, the total principal and interest requirements on such Variable Rate Debt in such first full Fiscal Year, assuming that (i) such Variable Rate Debt is payable over a period of 30 years in substantially equal annual installments of principal and interest, commencing with such first full Fiscal Year, and (ii) such Variable Rate Debt bears interest during such first full Fiscal Year at a rate of interest equal to the Average Cost of Variable Rate Debt for the most recent Fiscal Year for which audited financial statements are available; provided, however, that if the Regulated Indebtedness then proposed to be issued is a guaranty by the Obligated Group or any Member thereof of indebtedness of another Person of the type described in clause (d) of the definition of “Regulated Indebtedness” herein, the Pro-Forma Debt Service Requirements for such guaranty shall be 25% of the amount otherwise determined pursuant to clause (a) or (b) above.

“Property” means any and all right, title and interest of any Member in and to any and all property, whether real or personal, tangible or intangible and wherever situated, other than Excluded Property.
“Property, Plant and Equipment” means all Property of a Person which is classified as “property, plant and equipment” under GAAP.

“Refunded Municipal Obligations” means obligations of any state of the United States of America or of any municipal corporation or other public body organized under the laws of any such state which have been advance refunded through the deposit of non-callable Government Securities which are irrevocably pledged to the payment of all principal and interest on such obligations as the same becomes due and are in a principal amount sufficient, together with the interest to be earned thereon, without reinvestment, to pay all such principal and interest as the same becomes due.

“Refunding Debt” means Regulated Indebtedness, or the portion thereof, which is incurred for the purpose of refunding or advance refunding other Regulated Indebtedness of the Obligated Group or of any individual Member permitted hereby, together with related debt service reserve funds, if any, and funds for the payment of costs of issuance, if so desired by the Obligated Group.

“Register” means the register of the Master Noteholders maintained by the Master Trustee, as Registrar, pursuant to the provisions of the Master Indenture.

“Registered Owner” means the Person or Persons in whose name or names a particular registered Master Note shall be registered on the Register.

“Registrar” means the Master Trustee, in its capacity as registrar for the Master Notes hereunder.

“Regulated Indebtedness” means, for any Person: (a) indebtedness for borrowed money, Capitalized Lease Obligations, conditional sales contracts and similar title retention debt instruments evidencing or securing indebtedness incurred in connection with the acquisition of property, plant or equipment, in each case in an original principal amount of at least $5,000,000; (b) Refunding Debt; (c) Subordinated Debt; and (d) guaranties by the Obligated Group or any Member thereof of any individual item or evidence of indebtedness of any other Person of a type described in any of the foregoing clauses (a) through (c) with an original principal amount of at least $25,000,000; provided, however, that Regulated Indebtedness that could be described by more than one of the foregoing categories shall not in any case be considered more than once for the purpose of any calculation made pursuant to the Master Indenture; and provided further, that Regulated Indebtedness shall not include (i) indebtedness of one Member to another Member; (ii) the joint and several liability of any Member on Regulated Indebtedness issued by or for the benefit of another Member; or (iii) any guaranty by any Member of indebtedness of any other Member.

“Related Bonds” means revenue bonds issued by an Issuer pursuant to a single Related Bond Indenture, the proceeds of which have been loaned or otherwise made available to the Obligated Group or to any individual Member in consideration of the execution, authentication and delivery of a Master Note or Master Notes to such Issuer or to the Related Bond Trustee under such Related Bond Indenture.
“Related Bond Indenture” means any indenture or similar instrument pursuant to which a series of Related Bonds is issued.

“Related Bond Trustee” means the trustee and its successors in the trusts created under any Related Bond Indenture.

“Related Loan Document” means an instrument between an Issuer and any Member whereby the Member agrees to make payments equal to the principal of and interest on Related Bonds, but shall not include a Master Note.

“Related Supplemental Master Indenture” means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture for the purpose, inter alia, of creating a particular series of Master Notes and shall include any Original Master Indenture Supplement or First Restated Master Indenture Supplement executed and delivered wholly or partially for such purpose.

“Responsible Officer of the Master Trustee” means the chairman and vice chairman of the board of directors, the president, the chairman of the trust committee, every vice president or officer senior thereto, every assistant vice president, the secretary, every assistant secretary, the treasurer, every assistant treasurer, every corporate trust officer, every assistant corporate trust officer, and every other officer and assistant officer or authorized agent of the Master Trustee customarily performing functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his knowledge of, and familiarity with, a particular subject.

“Self-Pay Receivables” means accounts, as defined in Article 9 of the UCC, or portions thereof, with respect to which only the account obligor, and not any third-party, is responsible for payment.

“Series 2019B Note” means the Master Note of the Obligated Group issued pursuant to the Series 2019B Supplemental Indenture.

“Series 2019B Supplemental Indenture” means Supplemental Indenture Number 228 dated as of August 1, 2019, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture and relating to the Series 2019B Bonds described in the forepart of this Official Statement.

“SEVHC” means Southeast Volusia Healthcare Corporation, a Florida not-for-profit corporation, and its successors and assigns.

“Shawnee Mission” means Shawnee Mission Medical Center, Inc., a Kansas not-for-profit corporation, and its successors and assigns.

“SIFMA Index” means, on any date, an interest rate determined on the basis of the seven-day high grade market index of the interest rates on tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available for such
date by the Securities Industry and Financial Market Association ("SIFMA"), or any person acting in cooperation with or under the sponsorship of SIFMA.

“Subordinated Debt” means, generally, indebtedness the principal of and interest on which may not be paid at any time when the Master Notes are in default or while bankruptcy, insolvency, receivership or other similar proceedings with respect to any Member are underway. The term “Subordinated Debt” is defined in full in the Master Indenture.

“Sunbelt” means Adventist Health System/Sunbelt, Inc., a Florida not-for-profit corporation, and its successors and assigns.

“Supplemental Master Indenture” means (i) any supplemental indenture constituting a part of the Existing Master Indenture pursuant to which an Existing Master Note was issued and (ii) any supplemental indenture amending or supplementing the Master Indenture entered into pursuant to Articles Nine or Ten of the Master Indenture on or after the Effective Date.

“SVHC” means Southwest Volusia Healthcare Corporation, a Florida not-for-profit corporation, and its successors and assigns.

“Swap Contract” means (a) any and all swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, futures of any kind, forward contracts for the purchase of Property, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, cap transactions, floor transactions, collar transactions or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), or any similar instrument, whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc.


“Tax-Exempt Organization” means (a) a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code and which is exempt from federal income taxes 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 and (b) a governmental unit within the meaning of Section 145(a)(1) of the Code or corresponding provisions of federal income tax laws from time to time in effect.

“Total Cash and Investments” means, on a Combined basis, the sum of (a) cash, cash equivalents and short-term and long-term investments held by or for the benefit of the Obligated Group or any individual Member, which if for the benefit of any joint venture may be included only if one or more Members of the Obligated Group maintain more than 50% control of such
joint venture; (b) marketable securities of the Obligated Group or any individual Member (including long-term and short-term investments); and (c) board-designated funds, funded depreciation, debt service funds, construction funds and debt service reserve funds to the extent they have been funded with cash, cash equivalents, short-term or long-term investments; but shall not include pension and retirement funds, malpractice funds, funds held by a captive insurer and amounts set aside to fund litigation and self-insurance liabilities.

“UCC” means, with respect to matters relating to a Lien on Property, the Uniform Commercial Code of the state or states whose laws govern such matters with respect to such Property.

“UCH” means University Community Hospital, Inc., a Florida not-for-profit corporation, and its successors and assigns.

“Variable Rate Debt” means Regulated Indebtedness that is not Fixed Rate Debt.

“Waterman” means Florida Hospital Waterman, Inc., a Florida not-for-profit corporation, and its successors and assigns.

“West Volusia” means Memorial Hospital-West Volusia, Inc., a Florida not-for-profit corporation, and its successors and assigns.

“Written Request” means, (i) with reference to a Member, a request in writing signed by any officer of such Member or by any other Person duly authorized by such Member to sign such request and (ii) with reference to the Obligated Group, a request in writing signed on behalf of the Obligated Group by any officer of the Obligated Group Representative or by any other Person duly authorized by the Obligated Group Representative to sign such request.

“Zephyrhills” means Florida Hospital Zephyrhills, Inc., a Florida not-for-profit corporation, and its successors and assigns.

SUMMARY OF THE MASTER INDENTURE

The Master Indenture sets forth, among other things, the terms on which the Members of the Obligated Group may incur and secure debt and also imposes restrictions on the Members of the Obligated Group. Certain provisions of the Master Indenture are summarized below. However, such summary is not a comprehensive description, and reference is made to the full text of the Master Indenture for a complete statement of the terms and provisions thereof. A copy of the Master Indenture may be obtained from the Underwriters during the period that the Series 2019B Bonds are being offered and thereafter from the Bond Trustee (as defined in the forepart of this Official Statement) upon request. The definitions of certain words and terms used in these summaries and in the instruments themselves are set forth above in this APPENDIX C under the caption “DEFINITIONS OF CERTAIN TERMS.”

The Master Notes; Payment of the Master Notes. Each Master Note or series of Master Notes will be issued pursuant to the Master Indenture and will entitle each holder thereof to the
protection of the covenants, restrictions and other obligations imposed upon the Obligated Group by the Master Indenture. The number of Master Notes or series of Master Notes that may be issued by the Obligated Group is not limited, and the Obligated Group may in the future issue additional Master Notes or series of Master Notes for the purposes of borrowing on a taxable or a tax-exempt basis, either by private sale or public offering, subject in all cases, however, to the restrictions on the incurrence of additional indebtedness contained in the Master Indenture as described below under the caption “REGULATED INDEBTEDNESS.”

Each Member of the Obligated Group agrees in the Master Indenture, jointly and severally, to be fully obligated to pay or cause to be paid the principal of, premium, if any, and interest on all Master Notes, including the Existing Master Notes.

All Master Notes issued pursuant to the Master Indenture constitute full and unlimited obligations of the Obligated Group, but are not secured by any pledge or mortgage of, or security interest in, any Property of any Member of the Obligated Group, except for the security interest in the accounts (as defined in Article 9 of the UCC) and in the Gross Revenues, and all proceeds of such accounts and Gross Revenues, of each Member of the Obligated Group and except as may be subsequently required by the negative pledge covenant contained in the Master Indenture (see “PERMITTED LIENS” below).

Notwithstanding any other provision contained in the Master Indenture or of any Related Supplemental Master Indenture, the Obligated Group shall have the right to prepay or redeem all or such portion of the Master Notes of any particular series as shall be necessary to effect the payment, prepayment, defeasance, redemption, refunding or advance refunding of the series of Related Bonds secured by such Master Notes, or any portion thereof, in the manner provided in the Related Bond Indenture. If called for prepayment or redemption in such events, the Master Notes of such series shall be subject to prepayment or redemption in such amount, at such times, in the manner and with the premium necessary to effect the payment, prepayment, defeasance, redemption, refunding or advance refunding of all or the portion of the related series of Related Bonds to be so paid, prepaid, defeased, redeemed, refunded or advance refunded.

Corporate Existence, Maintenance of Properties. Each Member agrees in the Master Indenture to:

(a) except as permitted by the provisions of the Master Indenture summarized below under the caption “CONSOLIDATION, MERGER, SALE OR CONVEYANCE,” preserve its existence and all its rights and licenses to the extent deemed necessary or desirable by such Member in the operation of its business and affairs and be qualified to do business in each jurisdiction in which its ownership of Property or the conduct of its business requires such qualification; provided, however, that: (1) nothing in the Master Indenture contained shall be construed to obligate such Member to retain or preserve any of its rights or licenses no longer used or deemed useful in the conduct of its business; and (2) such Member shall not be in default hereunder for failing to preserve any of its rights, licenses or qualifications so long as the loss thereof shall be contested in good faith;
(b) remain a Member throughout the term of the Master Indenture, except as permitted by the provisions of the Master Indenture summarized below under the caption "WITHDRAWAL FROM THE OBLIGATED GROUP;"

(c) in the case of each of the Existing Members and each other Member which is a Tax-Exempt Organization at the time it becomes a Member, so long as the Master Indenture shall remain in force and effect and so long as all amounts due or to become due on all Related Bonds, the interest on which is excludable from gross income for federal income tax purposes to the extent afforded under Section 103 of the Code, have not been fully paid to the holders thereof or provision for such payment has not been made, to take no action or suffer any action to be taken by others: (1) which could result in the alteration or loss of its status as a Tax-Exempt Organization, or (2) which could result in any such Related Bond being declared invalid or result in the interest on any Related Bond, the interest on which is otherwise excludable from gross income for federal income tax purposes, no longer being so excludable; provided that, notwithstanding the foregoing, any Existing Member and any other Member which was a Tax-Exempt Organization when it became a Member may take actions which could result in the alteration or loss of its status as a Tax-Exempt Organization if, prior to such cessation or the taking of such action, there is delivered to the Master Trustee an opinion of Bond Counsel to the effect that such cessation or such alteration or loss will not adversely affect the validity of any Related Bond or the exclusion from gross income for federal income tax purposes of interest on any Related Bond otherwise entitled to such exclusion;

(d) at all times cause its business to be carried on and conducted in an efficient manner and its Property to be maintained, preserved and kept in good repair, working order and condition and all needful and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing in the Master Indenture contained shall be construed: (1) to prevent such Member from ceasing to operate any portion of its Property, if in its judgment it is advisable not to operate the same for the time being, or if such Member intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such a sale or other disposition; or (2) to obligate such Member to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or deemed useful in the conduct of its business;

(e) conduct its affairs and carry on its business and operations in such manner as to comply with any and all material applicable laws of the United States of America and the several states thereof and duly observe and conform to all material valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Property; provided, however, that nothing in the Master Indenture contained shall require such Member to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof shall be contested in good faith by appropriate proceedings;

(f) promptly pay all material lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided,
however, that such Member shall have the right to contest in good faith by appropriate proceedings any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof;

(g) promptly pay or otherwise satisfy and discharge all material obligations, indebtedness, demands and claims as and when the same become due and payable, other than any thereof whose validity, amount or collectability is being contested in good faith by appropriate proceedings by such Member;

(h) at all times comply with all material terms, covenants and provisions contained in any mortgages or instruments evidencing any Liens at any time existing upon its Property or any part thereof securing any indebtedness incurred or assumed by such Member and pay or cause to be paid, or to be renewed, refunded or extended or to be taken up, by such Member, all bonds, notes or other evidences of indebtedness secured by any such Lien, as and when the same shall become due and payable; and

(i) to the extent consistent with the business judgment of such Member, procure and maintain all material licenses and permits to own and operate its Property, and maintain the status, if any, of its Property consisting of health care facilities as eligible for reimbursement under the Medicare and Medicaid programs, including other future federal and state funding programs.

**Permitted Liens.** Except for Permitted Encumbrances, each Member agrees in the Master Indenture that it will not create or suffer or permit to exist any Lien, charge, encumbrance or security interest on or in its Property. The Obligated Group, or any Member thereof, may grant security interests in its accounts, as defined in Article 9 of the UCC, which are prior to the security interest in accounts and Gross Revenues granted to the Master Trustee pursuant to the provisions of the Master Indenture summarized below under the caption “SECURITY INTEREST IN ACCOUNTS AND GROSS REVENUES AND DEPOSIT OF GROSS REVENUES,” provided that such prior security interests constitute Permitted Encumbrances satisfying the requirements of paragraph (h) or (i) of the definition of Permitted Encumbrances set forth above.

**Regulated Indebtedness.** Each Member and the Obligated Group agree in the Master Indenture that it will not issue, incur, assume or guarantee any Regulated Indebtedness except for:

(a) Regulated Indebtedness of each individual Existing Member and of the Obligated Group existing on the Effective Date, including, without limiting the foregoing, the Existing Master Notes;

(b) Refunding Debt;

(c) Subordinated Debt;

(d) other Regulated Indebtedness if the Master Trustee shall have received at the time of issuance thereof an Officer’s Certificate of the Obligated Group...
Representative to the effect that either (i) the average annual Combined Net Income Available for Debt Service of the Obligated Group for the two most recent Fiscal Years for which audited financial statements are available or (ii) the Combined Net Income Available for Debt Service of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available, was not less than 115% of the sum of (A) the Historical Debt Service Requirements on all Regulated Indebtedness of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available plus (B) the Pro-Forma Debt Service Requirements for the Regulated Indebtedness then proposed to be issued; and

(e) other Regulated Indebtedness, in addition to the Regulated Indebtedness permitted by the preceding subparagraphs (a) through (d), provided that at the time of issuance thereof and after giving effect thereto, the aggregate principal amount of all Regulated Indebtedness issued pursuant to this subparagraph (e) then Outstanding does not exceed 25% of the Combined Adjusted Annual Revenue of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available.

When issued pursuant to subparagraph (e) above, the outstanding amount of any guaranty by the Obligated Group or any Member thereof of any individual item or evidence of indebtedness of any other Person shall be deemed to be 25% of the original amount guaranteed.

Additionally, any “indebtedness” (as defined by GAAP) that does not constitute Regulated Indebtedness may be issued in any amount without the need to meet any issuance test under the Master Indenture.

Rates and Charges. The Obligated Group agrees in the Master Indenture to establish rates, fees and charges for the services furnished by its Property in amounts sufficient to maintain Combined Net Income Available for Debt Service in each Fiscal Year in an amount not less than 115% of the Historical Debt Service Requirements of the Obligated Group on all Regulated Indebtedness for such Fiscal Year; provided, however, that in the event a Management Consultant shall deliver a report to the Master Trustee that state or federal laws or regulations then in effect do not permit the Obligated Group to maintain such ratio, then such ratio shall be reduced to the maximum ratio then permitted by such laws or regulations. In the event that it can be concluded from the annual audited financial statements and other financial records for any Fiscal Year of the Obligated Group that the ratio required by the preceding sentence is not being maintained, the Obligated Group shall, within 30 days following the delivery of such annual audited financial statements, employ a Management Consultant to prepare a report containing recommendations as to changes in the operating policies of the Obligated Group designed to re-attain such ratio, and the Obligated Group shall follow such recommendations to the extent deemed feasible by the Governing Body of the Obligated Group Representative. A copy of such report shall be delivered to the Master Trustee. Subject to the provisions of the immediately succeeding paragraph, no default shall be deemed to occur under the provisions of the Master Indenture summarized under the is caption if such recommendations are followed, notwithstanding that such 115% ratio is not subsequently re-attained, but the Obligated Group shall continue to be obligated to employ such a Management Consultant and
obtain such a report with respect to any Fiscal Year whose annual audited financial statements and other financial records disclose that such ratio is not being maintained.

The provisions of the Master Indenture summarized under this caption shall not be construed (a) to prohibit any Member of the Obligated Group from rendering services or using its Property without charge or at reduced charges, at the discretion of its Governing Body, to the extent required for such Member to maintain its status as a Tax-Exempt Organization and its eligibility for grants, loans, subsidies or payments from governmental entities or in compliance with any recommendation for free or reduced-rate services that may be made by a Management Consultant, so long as rendering such services or using such Property does not prevent the Obligated Group from satisfying the requirements of the immediately preceding paragraph, or (b) to require any Member of the Obligated Group to render services or use its Property in a manner that, in the judgment of such Member or of the Obligated Group Representative, is contrary to the beliefs of the General Conference of Seventh-day Adventists.

**Transfers of Property.** Except as permitted by the provisions of the Master Indenture relating to (i) consolidation, merger, sale or conveyance of all or substantially all assets and (ii) the withdrawal of Members from the Obligated Group, the Obligated Group agrees in the Master Indenture that it will not in any Fiscal Year sell, lease, transfer or otherwise dispose of any Property, except for sales, leases, transfers or other dispositions (referred to under this caption as “Dispositions”):

(a) in the ordinary course of business;

(b) in return for other Property of equal or greater value;

(c) to any Person, if such Property has, or within the next succeeding 24 calendar months is reasonably expected 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 any remaining Property;

(d) to another Obligated Group Member;

(e) which Disposition (which may include, without limitation, sales of accounts receivable pursuant to factoring transactions in the ordinary course of business) is upon fair and reasonable terms no less favorable to the Obligated Group Member disposing of the same than would obtain in a comparable arm’s-length transaction, and, if the Property to be disposed of constitutes Property, Plant and Equipment, following such Disposition the proceeds received by the Obligated Group are retained as cash, applied to acquire additional Property for the Obligated Group or applied to repay the principal of indebtedness of any Obligated Group Member;

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3 The Obligated Group proposes to amend and restate the provisions of the Master Indenture summarized under this caption “TRANSFERS OF PROPERTY” in their entirety. See the information under the caption “PROPOSED AMENDMENTS TO THE MASTER INDENTURE” in this APPENDIX C relating to the proposed amendment.
(f) to a Person which is not an Obligated Group Member, if such Person shall become an Obligated Group Member pursuant to the provisions of the Master Indenture substantially contemporaneously with such Disposition;

(g) to any Person, if such Property consists solely of assets which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payment on Master Notes or on other indebtedness for borrowed money or for the payment of costs and expenses of operation;

(h) in the case of cash or cash equivalents, as a loan or advance to any Person provided that (i) such loan or advance has been evidenced in writing, (ii) such loan or advance bears interest at a reasonable interest rate, as determined by the Obligated Group Representative, and (iii) there is a reasonable expectation that such loan or advance will be repaid in accordance with its terms;

(i) to any Person if such Property consists entirely of Self-Pay Receivables;

(j) to any Person if, immediately after such Disposition, the Obligated Group would be able to issue $1.00 of Additional Regulated Indebtedness pursuant to the provisions of the Master Indenture summarized above as subparagraph (d) under the caption “REGULATED INDEBTEDNESS,” as evidenced by the Officer’s Certificate required by said provisions; or

(k) which are in addition to Dispositions of Property permitted by paragraphs (a) through (j) above and which, when aggregated with all other such additional Dispositions of Property in the same Fiscal Year, total not more than 3% of the Combined Book Value (or, at the option of the Obligated Group Representative with respect to all or any portion thereof, Current Value) of the Combined Total Assets of the Obligated Group determined as of the end of the most recent Fiscal Year in respect of which annual audited financial statements of the Obligated Group have been delivered.

Each Member further agrees, notwithstanding the foregoing provisions of the Master Indenture summarized under this caption to the contrary, that the Obligated Group will not in any Fiscal Year sell, lease, transfer or otherwise dispose of any Property comprising Florida Hospital, other than in the ordinary cause of its operations, in excess of 3% of the Book Value (or, at the option of the Obligated Group Representative with respect to all or any portion thereof, Current Value) of Florida Hospital determined as of the end of the most recent Fiscal Year in respect of which annual audited financial statements of the Obligated Group have been delivered.

The foregoing notwithstanding, no Obligated Group Member will sell, lease, transfer or otherwise dispose of or use any Property (a) which could reasonably be expected to result in a reduction of the Combined Net Income Available for Debt Service of the Obligated Group such that the Master Trustee may require the Obligated Group Representative to retain a Management Consultant pursuant to the provisions of the Master Indenture summarized above under the caption “RATES AND CHARGES” or (b) if a Management Consultant has been retained pursuant to the provisions of the Master Indenture summarized above under the caption “RATES AND
and such action, in the opinion of such Management Consultant, would have a material adverse effect on the Combined Net Income Available for Debt Service of the Obligated Group.

Notwithstanding any provision to the contrary contained in the Master Indenture, any individual Member may, from time to time and at any time, sell all or any portion of its Property which is classified as accounts receivable in accordance with GAAP, including Self-Pay Receivables, on such terms as are deemed favorable by such Member, free of the security interest created by the Master Indenture; provided, however, that the restrictions on Dispositions of Property in the Master Indenture and summarized above are satisfied.

Consolidation, Merger, Sale or Conveyance. Each Member agrees in the Master Indenture that it will not dissolve or enter into any other transaction pursuant to which all or substantially all of its assets are disposed of to any Person other than a Member, and that it will not merge into, or consolidate with, one or more Persons which are not Members or allow one or more such Persons to merge into such Member, unless:

(a) with respect to a merger or consolidation with another Person that is not a Member, either such Member shall be the surviving Person or the surviving Person shall be an entity organized and existing under the laws of the United States of America or a state thereof that shall either (i) become a Member of the Obligated Group substantially concurrently with such merger or consolidation pursuant to the provisions of the Master Indenture summarized below under the caption “ADMISSION TO THE OBLIGATED GROUP” or (ii) expressly assume, on a joint and several basis with all Obligated Group Members, the due and punctual payment of the principal of and premium, if any, and interest on all Master Notes then Outstanding and the due and punctual performance and observance of all of the covenants and conditions of the Master Indenture to be performed and observed by such Obligated Group Members as fully as if such Person had become an Obligated Group Member, by an agreement (which may be a Supplemental Master Indenture) satisfactory to the Master Trustee, executed and delivered to the Master Trustee by such Person;

(b) with respect to a transaction resulting in a disposition of all or substantially all of the assets of a Member to another Person that is not a Member, the Person receiving such assets shall be an entity organized and existing under the laws of the United States of America or a state thereof that shall either (i) become a Member of the Obligated Group substantially concurrently with its acquisition of such assets pursuant to the provisions of the Master Indenture summarized below under the caption “ADMISSION TO THE OBLIGATED GROUP” or (ii) expressly assume, on a joint and several basis with all Obligated Group Members, the due and punctual payment of the principal of and premium, if any, and interest on all Master Notes then Outstanding and the due and punctual performance and observance of all of the covenants and conditions of the Master Indenture to be performed and observed by such Obligated Group Members as fully as if such Person had become an Obligated Group Member, by an agreement (which may be a Supplemental Master Indenture) satisfactory to the Master Trustee, executed and delivered to the Master Trustee by such Person;
(c) immediately after such merger, consolidation or disposition of assets, (i) no Member shall be in default in the performance or observance of any covenant or condition of the Master Indenture, (ii) no Event of Default shall have occurred and be continuing under the Master Indenture and (iii) no event shall have occurred and be continuing which, with the lapse of time or giving of notice, or both, would constitute an Event of Default;

(d) immediately after such merger, consolidation or disposition of assets, the Obligated Group would be able to issue $1.00 of Additional Regulated Indebtedness pursuant to the provisions of the Master Indenture summarized above as subparagraph (d) under the caption “REGULATED INDEBTEDNESS,” as evidenced by the Officer’s Certificate required by said provisions; provided, however, that in performing the calculations required by said provisions, the financial data of any Person merging into, or consolidating with, a surviving Member pursuant to subparagraph (a) above, receiving assets in compliance with subparagraph (b) above or substantially concurrently therewith becoming a Member shall be included;

(e) the Master Trustee receives an Opinion of Counsel to the effect that (i) such consolidation, merger or disposition of assets, and any assumption of liability or entry by a Person into the Obligated Group in connection therewith, comply with the requirements described in the Master Indenture; (ii) the consummation of such transaction does not conflict with any applicable law, rule or regulation or with the charter, bylaws or other organizational documents of any Person that is a party to such transaction, and no consent, permission, authorization, order or filing with any governmental body not already obtained is necessary in connection with such consummation; (iii) the Person which is the surviving entity of a merger or consolidation or the recipient of assets meets the conditions contained in the Master Indenture and is liable on all Master Notes hereunder, as if such Master Notes had been originally issued by such Person; and (iv) under then existing law such merger, consolidation or disposition of assets will not subject any Master Note to the registration provisions of the Securities Act of 1933, as amended (or that such Master Notes have been so registered if registration is required); and

(f) if all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or fully provided for, there shall be delivered to the Master Trustee an opinion of Bond Counsel to the effect that, under then existing law, the consummation of such merger, consolidation or disposition of assets will not adversely affect the validity of any Related Bonds or the exclusion from gross income for federal income tax purposes of interest on any Related Bonds otherwise entitled to such exclusion.

In case of any such merger, consolidation or disposition of assets involving a Person that is not, and does not substantially concurrently therewith become, a Member, upon such Person’s assumption of Master Note and New Master Indenture obligations pursuant to subparagraph (a)(ii) or (b)(ii) above, as the case may be, such Person shall succeed to and be substituted for the predecessor or transferor Person, with the same effect as if it had been named in the Master

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Indenture as a Member; provided, however, that such Person may not issue Master Notes in its own name unless prior thereto it becomes a Member.

In case of any such merger, consolidation or disposition of assets, such changes in phraseology and form (but not in substance) may be made in the Master Notes thereafter to be issued as may be appropriate and approved by the Master Trustee.

Financial Statements. In the Master Indenture, the Obligated Group agrees that it will:

(a) in no event later than 150 days after the end of each Fiscal Year of the Obligated Group Representative, file with the Master Trustee, with any Credit Enhancer, with each Master Noteholder who may have so requested or on whose behalf the Master Trustee may have so requested, and with any nationally recognized investment rating agency then rating Related Bonds supported solely by the credit of the Obligated Group, Combined annual financial statements of the Obligated Group prepared in accordance with GAAP, accompanied by an opinion of the independent certified public accountants auditing such financial statements, together with a copy of any letter or report from such independent certified public accountants that may be delivered to the Obligated Group in connection with such audit relating to compliance by the Obligated Group with specified provisions of the Master Indenture;

(b) in no event later than 150 days after the end of each Fiscal Year of the Obligated Group Representative, file with the Master Trustee, with any Credit Enhancer and with each Master Noteholder who may have so requested, an Officer’s Certificate of the Obligated Group stating whether or not to the best knowledge of the signer the Obligated Group or any Member is in default in the performance of any covenant contained in the Master Indenture, and, if so, specifying each such default of which the signer has knowledge, and further containing a calculation of the ratio of the Combined Net Income Available for Debt Service for such preceding Fiscal Year, as calculated from the audited financial statements referred to in the preceding paragraph (a) and other financial records, to the Combined Historical Debt Service Requirements on all Regulated Indebtedness for such Fiscal Year, as also calculated from such audited financial statements and other financial records; and

(c) if an Event of Default shall have occurred and be continuing, (i) file with the Master Trustee and any Credit Enhancer such other financial statements and information concerning the operations and financial affairs of the Obligated Group or any Member as the Master Trustee or any Credit Enhancer may from time to time reasonably request, excluding specifically donor records, any healthcare information protected by law and personnel records, and (ii) provide access to the facilities of the Obligated Group or any Member for the purpose of inspection by the Master Trustee or any Credit Enhancer during regular business hours or at such other times as the Master Trustee or any Credit Enhancer may reasonably request.
For purposes of combinations or consolidations of accounting information, with respect to any Member whose actual Fiscal Year is different from the Fiscal Year of the Obligated Group Representative, the financial information of such Member as of the end of, and for, the full Fiscal Year of the Obligated Group Representative shall be included in the annual audited financial statements of the Obligated Group delivered pursuant to subparagraph (a) above and shall be used in any such combinations or consolidations.

If at any time GAAP or generally accepted auditing standards do not permit the delivery of annual audited financial statements of the Obligated Group Members only, or if the Obligated Group Representative determines it to be desirable not to deliver annual audited financial statements of the Obligated Group Members only, the Obligated Group may deliver, in satisfaction of the requirements of the provisions of the Master Indenture summarized under this caption and of any other provision of the Master Indenture referring to annual audited financial statements of the Obligated Group, annual audited financial statements prepared in accordance with GAAP that contain financial information of all Obligated Group Members and financial information of entities that are not Obligated Group Members so long as: (a) supplemental information in sufficient detail to separately identify the information with respect to the Obligated Group Members in total as a group, which may include, without limitation, Combined balance sheets, statements of operations and changes in net assets and statements of cash flows, is delivered to the Master Trustee; and (b) such supplemental information is used for the purposes hereof or for any agreement, document or certificate executed and delivered in connection with or pursuant to the Master Indenture.

Dissemination of any of the foregoing information to the Municipal Securities Rulemaking Board using its Electronic Municipal Market Access (“EMMA”) system (or any successor thereto authorized, recognized or approved by the Securities and Exchange Commission for such filings) shall constitute compliance with the filing requirements of the foregoing subparagraphs (a) and (b) with respect to any Person other than the Master Trustee.

Security Interest in Accounts and Gross Revenues and Deposit of Gross Revenues. As security for the payment of the Master Notes and the performance of all covenants contained in the Master Indenture, each Member, pursuant to the provisions of the Master Indenture, grants the Master Trustee a security interest in its accounts, as defined in Article 9 of the UCC, and in its Gross Revenues, and all proceeds of such accounts and Gross Revenues, subject to Permitted Encumbrances, including the rights of any holder of a prior security interest in such accounts permitted by the provisions of the Master Indenture summarized above under the caption “PERMITTED LIENS” and as permitted by clause (h) or (i) of the definition of Permitted Encumbrances set forth above, and excluding any such accounts sold by any Member as permitted by the last paragraph of the caption entitled “TRANSFERS OF PROPERTY” set forth above.

The Master Indenture shall be deemed a “security agreement” for purposes of the UCC with respect to the security interest granted pursuant to the provisions of the Master Indenture summarized under this caption.
Each Member further agrees in the Master Indenture, subject to the rights of any such holder of a prior security interest in such accounts and the rights of any purchaser of such accounts pursuant to any such sale, to deposit with the Master Trustee upon its written request, on a daily basis, all Gross Revenues upon the occurrence of any of the following events (the "Deposit Events") and to continue such deposits in each instance until the period hereinafter specified therefor has elapsed:

(a) the failure for five calendar days to make any payment of principal and interest or both due on any Master Note on any payment date specified therein, until such payment has been made in full; or

(b) an Event of Default specified in paragraph (d), (e), (f), (g) or (h) of the first paragraph appearing under the caption "DEFAULTS AND REMEDIES" below shall occur and be continuing, until such Event of Default is cured; or

(c) the failure of the Obligated Group to perform any of its covenants contained in New Master Indenture and summarized above under the caption "PERMITTED LIENS" and the continuance of such default for a period of 180 days, until such default is cured; or

(d) the failure of the Obligated Group to perform any of its covenants contained in the Master Indenture and summarized above under the captions "REGULATED INDEBTEDNESS," "TRANSFERS OF PROPERTY," or "CONSOLIDATION, MERGER, SALE OR CONVEYANCE", until such default is cured.

All Gross Revenues, when so deposited, shall be held by the Master Trustee for the exclusive benefit of the Holders of all Master Notes issued under the Master Indenture, equally and ratably in proportion to the unpaid principal amounts thereof, but, in the sole discretion of the Master Trustee, the same may at any time and from time to time be released to one or more Members to pay expenses of operation. If the Deposit Event or Deposit Events that gave rise to a requirement to deposit Gross Revenues pursuant to the foregoing provisions of the Master Indenture summarized under this caption shall have elapsed and no other Deposit Events are then in existence, the Master Trustee shall release all Gross Revenues then remaining on deposit with it, including any investment earnings thereon, to one or more Members as directed by the Obligated Group Representative.

Each Obligated Group Member covenants in the Master Indenture to cause to be executed and filed such financing statements, continuation statements and other instruments as may be necessary to perfect the security interest in accounts and Gross Revenues granted pursuant to the provisions of the Master Indenture summarized under this caption insofar as the same can be perfected by filing.

Each Obligated Group Member agrees in the Master Indenture to execute and deliver all instruments as may be required to implement the security interest in accounts and Gross Revenues under the Master Indenture, including the foregoing provisions. Each Obligated Group Member further agrees that a failure to comply with the terms of the provisions of the
Master Indenture summarized under this caption shall cause irreparable harm to the Master Noteholders and shall entitle the Master Trustee, with or without notice, to take immediate action to complete the specific performance of the obligations of the Obligated Group Members as provided above under this caption.

The foregoing provisions of the Master Indenture summarized under this caption notwithstanding, nothing in the Master Indenture shall be construed to preclude any Obligated Group Member from applying its Gross Revenues to its own uses so long as no Event of Default shall have occurred and be continuing under the Master Indenture.

Maintenance of Insurance. Each Member agrees in the Master Indenture to maintain insurance, including self-insurance, with respect to its Property and operations against such casualties and other risks, including medical malpractice, and in such amounts as are, in its judgment, (a) customary for Persons engaged in the same or similar activities and similarly situated or (b) adequate to protect its Property and operations. Such insurance shall be subject to the annual review of an Independent Insurance Consultant, and such Member shall follow any recommendations of the Independent Insurance Consultant conducting such review to the extent deemed feasible by such Member.

Additional Master Notes Evidencing Swap Contracts. Additional Master Notes may be issued under the Master Indenture to evidence Swap Contracts without being subject to any of the requirements of the Master Indenture summarized above under the caption “REGULATED INDEBTEDNESS.” Any such Additional Master Note shall be equally and ratably secured by the Lien of the Master Indenture; provided, however, that any such Additional Master Note shall be deemed to be Outstanding under the Master Indenture solely for the purpose of receiving payment thereunder and the holder thereof shall not be entitled to exercise any other rights thereunder.

Admission to the Obligated Group. Any Person may become a Member only if:

(a) the Obligated Group Representative executes and delivers to the Master Trustee an instrument or instruments consenting to the admission of such Person to the Obligated Group;

(b) a Supplemental Master Indenture is executed and delivered by such Person whereby such Person agrees to become a Member and to be jointly and severally liable with the other Members for the performance of all covenants contained in the Master Indenture and in the Master Notes;

(c) the Obligated Group delivers to the Master Trustee an Opinion of Counsel to the effect that such Supplemental Master Indenture constitutes the legal, valid and binding obligation of such Person, enforceable in accordance with its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to fraudulent conveyances, bankruptcy, reorganization, insolvency, and moratorium and other laws affecting the enforcement of creditors’ rights generally;
(d) nothing in the corporate charter or bylaws of such Person or in any instrument or agreement to which such Person is a party or by which such Person or any of its Property is bound shall restrict the ability of such Person to perform its obligations under the Master Indenture or to aid, assist and confer benefits upon the other Members or acquire, own, hold, mortgage and dispose of and invest its funds for the use and benefit of the Obligated Group and in furtherance of the purposes of the Obligated Group and the Master Trustee shall have received an Opinion of Counsel to such effect;

(e) the Master Trustee receives an Officer’s Certificate of the Obligated Group to the effect that: (i) no Event of Default has occurred and is continuing, and no event has occurred and is continuing which with the lapse of time or giving of notice, or both, would constitute an Event of Default; (ii) immediately upon such Person becoming a Member, no Event of Default will have occurred, and no event will have occurred which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default; and (iii) immediately after such admission, the Obligated Group would be able to issue $1.00 of Additional Regulated Indebtedness pursuant to the provisions of the Master Indenture summarized above as subparagraph (d) under the caption “REGULATED INDEBTEDNESS,” which Officer’s Certificate shall be accompanied by, or incorporate, the Officer’s Certificate required by such provisions; and

(f) if all amounts due or to become due on all Related Bonds, the interest on which is excludable from gross income for federal income tax purposes to the extent afforded under Section 103(a) of the Code, have not been paid to the holders thereof, the Master Trustee receives an opinion of Bond Counsel to the effect that under then existing law the consummation of such transaction will not adversely affect the validity of such Related Bonds or the exclusion from gross income for federal income tax purposes of interest on such Related Bonds.

Upon compliance with the foregoing conditions, such Person shall become a Member of the Obligated Group and shall be jointly and severally liable for the performance of all covenants contained in the Master Indenture and in the Master Notes.

Withdrawal from the Obligated Group. Sunbelt shall always be a Member of the Obligated Group. Every Member further agrees in the Master Indenture that it will not take any action, corporate or otherwise, which would cause it or any other Member to cease being a Member unless:

(a) the Master Trustee shall have received an instrument or instruments in writing executed by the Obligated Group Representative consenting to such withdrawal;

(b) the Member proposing to cease such status is not a party to any Related Loan Document with respect to Related Bonds which remain Outstanding;

(c) prior to the cessation of such status, there is delivered to the Master Trustee an Officer’s Certificate of the Obligated Group to the effect that: (i) no Event of Default has occurred and is continuing, and no event has occurred and is continuing
which with the lapse of time or giving of notice, or both, would constitute an Event of Default; (ii) immediately after the cessation of such status, no Event of Default will have occurred, and no event will have occurred which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default; and (iii) immediately after the cessation of such status, the Obligated Group would be able to issue $1.00 of Additional Regulated Indebtedness pursuant to the provisions of the Master Indenture summarized above as subparagraph (d) under the caption “REGULATED INDEBTEDNESS,” which Officer’s Certificate shall be accompanied by, or incorporate, the Officer’s Certificate required by such provisions; and

(d) after the cessation of such status, Florida Hospital/Orlando will continue to be owned by one or more Members; and

(e) prior to the cessation of such status, there is delivered to the Master Trustee (i) an Opinion of Counsel to the effect that the cessation by such Member of such status will not adversely affect the status as a Tax-Exempt Organization of any other Member which otherwise has such status, and the liability of the Obligated Group with respect to any Outstanding Master Notes issued for the benefit of such Member will not be adversely affected by such cessation, and (ii) if all amounts due or to become due on all Related Bonds, the interest on which is excludable from gross income for federal income tax purposes to the extent afforded under Section 103(a) of the Code, have not been paid to the holders thereof, an opinion of Bond Counsel to the effect that under then existing law the cessation by such Member of such status will not adversely affect the validity of such Related Bonds or the exclusion from gross income for federal income tax purposes of the interest payable on such Related Bonds.

Upon compliance with the foregoing conditions, the Master Trustee shall, at the expense of the Obligated Group, deliver to such Member an instrument releasing such Member from the Obligated Group and from the performance of the covenants contained in the Master Indenture and in the Master Notes. Such release shall be binding on all Holders of the Master Notes and all other Members.

Supplements and Amendments to the Master Indenture Without the Consent of Master Noteholders. The Obligated Group and the Master Trustee may from time to time and at any time enter into a Supplemental Master Indenture for one or more of the following purposes:

(a) to evidence the admission or withdrawal of a Member to the Obligated Group pursuant to the provisions of the Master Indenture;

(b) to evidence the succession of another Person to any Member, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of such Member pursuant to the Master Indenture;

(c) to add to the covenants of the Obligated Group such further covenants, restrictions or conditions as the Master Trustee shall consider to be for the protection of the Holders of Master Notes, and, if so desired by the Obligated Group, to make the
occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions or conditions an Event of Default permitting the enforcement of all or any of the several remedies provided in the Master Indenture as therein set forth; provided, however, that in respect of any such additional covenant, restriction or condition such Supplemental Master Indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Master Trustee upon such default;

(d) to assign and pledge any additional revenues or other Property as collateral under the Master Indenture;

(e) to cure any ambiguity or to correct or supplement any provision contained in the Master Indenture or in any Supplemental Master Indenture which may be defective or inconsistent with any other provision contained in the Master Indenture or in any Supplemental Master Indenture, or to make such other provisions in regard to matters or questions arising under the Master Indenture or any Supplemental Master Indenture as shall not be inconsistent with the Master Indenture or any Supplemental Master Indenture and shall not impair the security of the Master Indenture or adversely affect the interests of the Holders of the Master Notes;

(f) to modify or supplement the Master Indenture in such manner as may be necessary or appropriate to qualify the Master Indenture under the Trust Indenture Act of 1939 as then amended, or under any similar federal or state statute hereafter enacted, including provisions whereby the Master Trustee accepts such powers, duties, conditions and restrictions thereunder and the Obligated Group undertakes such covenants, conditions or restrictions additional to those contained in the Master Indenture as would be necessary or appropriate so to qualify the Master Indenture;

(g) to modify or supplement the Master Indenture in such manner as to permit the issuance of coupon Master Notes thereunder and to permit the exchange of Master Notes from fully-registered form to coupon form and vice versa;

(h) to modify or supplement any Related Supplemental Master Indenture to (i) add to the covenants of the Obligated Group such further covenants, restrictions or conditions (“Required Additional Provisions”) as may be required by, and be expressed to be solely for the benefit of, a Credit Enhancer, a purchaser of Related Bonds or any other Person (other than a Member) (any such Credit Enhancer, purchaser of Related Bonds or other Person being referred to herein as an “Additional Provisions Beneficiary”) and, if so desired, to make the occurrence, or the occurrence and continuance, of a default in any of such Required Additional Provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in the Master Indenture as therein set forth; provided, however, that in respect of any Required Additional Provision, such Related Supplemental Master Indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon
such default or may limit the remedies available to the Master Trustee upon such default; (ii) revise or eliminate any existing Required Additional Provision in a Related Supplemental Master Indenture, with the consent of the related Additional Provisions Beneficiary and any other Person expressed in such Related Supplemental Master Indenture to have such consent rights; or (iii) to eliminate any or all Required Additional Provisions from a Related Supplemental Master Indenture when the same are expressed in such Related Supplemental Master Indenture to no longer be applicable;

(i) to modify, supplement, revise or eliminate any or all of the covenants or provisions of any Related Supplemental Master Indenture in connection with a change in the interest rate mode or rate period for Related Bonds secured by such Related Supplemental Master Indenture, a restructuring of such Related Bonds or a mandatory tender of such Related Bonds for any reason under a Related Bond Indenture; provided, however, that in connection with any such change in interest rate mode or rate period, restructuring or mandatory tender, all Related Bonds of the affected series are required to be mandatorily tendered or 100% of the Related Bondholders of the affected series have consented to such modification, supplement, revision or elimination; and

(j) to amend the Master Indenture in any other respect which, in the judgment of the Master Trustee, is not to the detriment of the Holders of the Master Notes.

In lieu of entering into a Related Supplemental Master Indenture for a purpose described in subparagraph (h) above, the Obligated Group and the Master Trustee may enter into an amendment to the Related Supplemental Master Indenture that contains the Required Additional Provisions that are sought to be added to, revised or eliminated to effect such addition, revision or elimination. In lieu of entering into a Related Supplemental Master Indenture for a purpose described in subparagraph (i) above, the Obligated Group and the Master Trustee may enter into an amendment to the Related Supplemental Master Indenture that modifies, supplements, revises or eliminates any or all of the covenants or provisions of such Related Supplemental Master Indenture that are sought to be modified, supplemented, revised or eliminated.

In lieu of entering into a Supplemental Master Indenture for any of the purposes described above, the Master Trustee may execute and deliver to the Obligated Group Representative a written waiver or consent to a departure from the due performance of, or compliance with, any express covenant, term or other provision of the Master Indenture if a Supplemental Master Indenture could have been executed and delivered by the Obligated Group and the Master Trustee for the same purpose without the consent of the Holders of the Master Notes then Outstanding; provided that such waiver or consent shall be effective only to the extent specifically set forth in such written waiver or consent.

The Obligated Group and the Master Trustee may from time to time enter into a Related Supplemental Master Indenture in order to create a series of Master Notes, subject to the compliance with the conditions set forth in the Master Indenture. Such Related Supplemental Master Indenture shall, with respect to the series of Master Notes created thereby, set forth the date thereof and the date or dates upon which principal of and premium, if any, and interest on
such Master Notes shall be payable, and shall contain such other terms and provisions as shall be established in the Related Supplemental Master Indenture.

Supplements and Amendments to the Master Indenture With the Consent of Master Noteholders. With the consent of the Holders of not less 51% in aggregate principal amount of the Master Notes then Outstanding (which may include original purchasers of Related Bonds), the Obligated Group and the Master Trustee may from time to time and at any time enter into a Supplemental Master Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Master Indenture or of any Supplemental Master Indenture or of modifying in any manner the rights of the Holders of the Master Notes; provided, however, that no such Supplemental Master Indenture shall (a) effect a change in the times, amounts or currency of payment of the principal of, premium, if any, or interest on any Master Note or a reduction in the principal amount or redemption price of any Master Note or the rate of interest thereon, (b) reduce the aforesaid percentage of Master Notes, the Holders of which are required to consent to any such Supplemental Master Indenture, (c) permit the preference or priority of any Master Note or Master Notes over any other Master Note or Master Notes, (d) amend the provisions of the Master Indenture summarized above in first sentence under the caption “WITHDRAWAL FROM THE OBLIGATED GROUP” without the consent of the Holders of all Master Notes then Outstanding or (e) amend the provisions of the Master Indenture summarized above in paragraph (d) appearing under the caption “WITHDRAWAL FROM THE OBLIGATED GROUP” without the consent of the Holders of not less than 66-2/3% in aggregate principal amount of all Master Notes then Outstanding.

It shall not be necessary for the consent of the Master Noteholders to approve the particular form of any proposed Supplemental Master Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Defaults and Remedies. Under the Master Indenture, the term “Event of Default” means any of the following events, whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body:

(a) the failure of the Obligated Group to make any payment of the principal of, the premium, if any, or interest on any Master Note when and as the same shall become due and payable, whether at maturity, by acceleration or otherwise, in accordance with the terms thereof, of the Master Indenture and any Related Supplemental Master Indenture, and the continuation of such failure for five calendar days; or

(b) the failure of the Obligated Group to perform any other covenant, condition or provision of the Master Indenture and to remedy such default within 30 days after written notice thereof from the Master Trustee to the Obligated Group Representative, unless the nature of the default is such that it can be remedied but cannot be remedied within the thirty-day period and the Master Trustee agrees in writing to an extension of time (which agreement shall not be unreasonably withheld) and the
Obligated Group institutes corrective action within the period agreed upon and diligently pursues such action until the default is remedied; or

(c) if any representation or warranty made by the Obligated Group or any Member in any statement or certificate furnished in connection with any sale of Master Notes or any Related Bonds or furnished by the Obligated Group or any Member pursuant to the provisions of the Master Indenture proves untrue in any material respect as of the date of the issuance or making thereof and shall not be made good within 30 days after written notice thereof to the Obligated Group Representative by the Master Trustee; or

(d) default shall occur in the payment of the principal of, premium, if any, or interest on any indebtedness (other than indebtedness evidenced by a Master Note) of any Obligated Group Member in an amount in excess of 1% of the total Outstanding indebtedness of the Obligated Group as of the most recent Fiscal Year for which audited financial statements are available, including without limitation any indebtedness created by any Related Loan Document, as and when the same shall become due, or an event of default as defined in any mortgage, indenture, loan agreement or other instrument under or pursuant to which there was issued or incurred, or by which there is secured, any indebtedness (including indebtedness secured by a Master Note) of any Obligated Group Member, and which default in payment or event of default entitles the holder thereof (or a Credit Enhancer exercising the rights of such holder) to declare or, in the case of any Master Note, to request that the Master Trustee declare, such indebtedness due and payable prior to the date on which it would otherwise become due and payable; provided, however, that if such indebtedness is not evidenced by a Master Note or issued, incurred or secured by or under a Related Loan Document, such default shall not constitute an Event of Default under the Master Indenture (i) if (A) within 60 days, or within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the indebtedness is commenced the Obligated Group Members in good faith commence proceedings to contest the existence or default in payment of such indebtedness, and (B) sufficient moneys are escrowed with a bank or trust company for the payment of such indebtedness; or (ii) unless the unpaid principal amount of such indebtedness, together with the unpaid principal amount of all other indebtedness so in default, exceeds one percent (1%) of the total Outstanding indebtedness of the Obligated Group as of the most recent Fiscal Year for which audited financial statements are available; or

(e) any judgment, writ or warrant of attachment or of any similar process in an amount in excess of one percent (1%) of the total Outstanding indebtedness of the Obligated Group as of the most recent Fiscal Year for which audited financial statements are available shall be entered or filed against any Member or against any of its Property and remains unvacated, unpaid, unbonded or unstayed for a period of 60 days; or

(f) certain events of bankruptcy or insolvency relating to any Member.

Upon the occurrence and continuance of an Event of Default, then and in each and every such case, unless the principal of Master Notes shall have already become due and payable, the
Master Trustee may, and if requested by the Holders of not less than 25% in aggregate principal amount of all Master Notes then Outstanding, the Master Trustee shall, by notice in writing to the Obligated Group Representative declare the principal and accrued interest of all the Master Notes to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything to the contrary contained in the Master Indenture or in the Master Notes notwithstanding. The entire principal amount of the Master Notes and the accrued interest thereon shall also become immediately due and payable upon any acceleration of the principal and interest payable on any Related Bond ipso facto and without the necessity of any action by the Master Trustee. The foregoing provisions, however, are subject to the condition that if, at any time after the principal of all the Master Notes shall have been so declared or become due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Obligated Group shall pay or shall deposit with the Master Trustee a sum sufficient to pay all matured installments of interest upon all Master Notes and the principal and premium, if any, of all Master Notes that shall have become due otherwise than by acceleration (with interest on overdue installments of interest and on such principal and premium, if any, at the respective rates borne by the Master Notes to the date of such payment or deposit) and the expenses of the Master Trustee, and any and all Events of Default, other than the nonpayment of principal of and accrued interest on the Master Notes that shall have become due by acceleration, shall have been remedied, then and in every such case the Holders of not less than 25% in aggregate principal amount of all Master Notes then Outstanding, by written notice to the Obligated Group Representative and to the Master Trustee, may waive all Events of Default and rescind and annul such acceleration and its consequences; but no such waiver or rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.4

The Obligated Group covenants in the Master Indenture that (1) in case default shall be made in the payment of any installment of interest on the Master Notes as and when the same shall become due and payable or (2) in case default shall be made in the payment of the principal of the Master Notes when the same shall have become due and payable, whether upon maturity of the Master Notes or upon redemption or upon declaration or otherwise then, upon demand of the Master Trustee, the Obligated Group will pay to the Master Trustee, for the benefit of the Holders of the Master Notes, the whole amount that then shall have become due and payable on all the Master Notes for principal or interest, or both, as the case may be, with interest upon the overdue principal and installments of interest (to the extent permitted by law) at the respective rates of interest borne by the Master Notes or as provided in the Related Supplemental Master Indenture.

In case the Obligated Group shall fail forthwith to pay the amounts due under the Master Indenture as described above upon such demand, the Master Trustee, in its own name and as trustee of an express trust shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such

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4 The Obligated Group proposes to amend and restate the provisions of the Master Indenture summarized in this paragraph in their entirety. See the information under the caption “PROPOSED AMENDMENTS TO MASTER INDENTURE” in this APPENDIX C relating to the proposed amendment.
action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against any Member and collect in the manner provided by law out of the Property of any Member, wherever situated, the moneys adjudged or decreed to be payable.

The Holders of a majority in aggregate principal amount of Master Notes then Outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred on the Master Trustee; provided, however, the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee, being advised by counsel, determines that the action so directed may not lawfully be taken, or if the Master Trustee in good faith shall, by a Responsible Officer or Officers of the Master Trustee, determine that the proceedings so directed would be illegal or involve it in personal liability, and provided further that nothing in the Master Indenture shall impair the right of the Master Trustee in its discretion to take any action deemed proper by the Master Trustee and which is not inconsistent with such direction by the Master Noteholders.

No remedy conferred in the Master Indenture upon or reserved to the Master Trustee or the Holders of the Master Notes is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the Master Indenture or now or hereafter existing at law or in equity or by statute; and the employment of any remedy hereunder, or otherwise, shall not prevent the concurrent employment of any other appropriate remedy or remedies.

Resignation, Removal and Successor Master Trustee. The Master Trustee may resign at any time without cause by giving at least 30 days’ prior written notice to the Obligated Group Representative and to each Holder of a Master Note at the address for such Holder on the Register, such resignation to be effective only upon the acceptance of such trusteeship by a successor. In addition, the Master Trustee may be removed without cause at the direction of the Holders of not less than a majority in aggregate principal amount of Master Notes, delivered to the Obligated Group Representative and the Master Trustee, or, if then permitted by law, by a court of competent jurisdiction upon application by the Obligated Group Representative, and the Master Trustee shall in each case promptly give notice thereof in writing to each Holder of a Master Note as provided above. In the case of the resignation or removal of the Master Trustee, a successor trustee may be appointed at the direction of the Holders of not less than a majority in aggregate principal amount of Master Notes or, if no Event of Default is then continuing under the Master Indenture, at the direction of the Obligated Group Representative. If a successor trustee shall not have been appointed within 30 days after such notice of resignation or removal, the Master Trustee, the Obligated Group Representative or any Holder of a Master Note may apply to any court of competent jurisdiction to appoint a successor to act until such time, if any, as a successor shall have been appointed as above provided. The successor so appointed by such court shall immediately and without further act be superseded by any successor appointed as above provided.

In addition to the foregoing provisions of the Master Indenture summarized above and notwithstanding anything to the contrary contained therein, if no Event of Default is then continuing under the Master Indenture, the Obligated Group Representative may, at any time,
remove the Master Trustee and appoint a successor Master Trustee meeting the qualifications set forth in the Master Indenture, by notice in writing to the Master Trustee being removed and to the designated successor Master Trustee. Upon the delivery of such notice and the delivery by such designee of an instrument in writing accepting its duties as Master Trustee thereunder to the Master Trustee being removed and to the Obligated Group Representative, such designee shall become the Master Trustee thereunder and shall promptly give notice of such removal and acceptance to each Holder of a Master Note at the address for such Holder on the Register.

Any corporation into which the Master Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Master Trustee shall be a party, or any corporation to which substantially all the corporate trust business and related assets of the Master Trustee may be transferred, shall, subject to the qualification requirements set forth below, become the Master Trustee under the Master Indenture without further act.

Any successor trustee, however appointed, shall be a bank or trust company having a combined capital and surplus of at least $500,000,000, if there be such an institution willing, able and legally qualified to perform the duties of the Master Trustee under the Master Indenture upon reasonable or customary terms.

Suit by Master Noteholders. Any Holder of a Master Note shall have any right by virtue or by availing of any provision in the Master Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Master Indenture or for the appointment of a receiver or trustee, or any other remedy under the Master Indenture, unless such Holder previously shall have given to the Master Trustee written notice of default and of the continuance thereof and unless also the Holders of not less than 25% in aggregate principal amount of the Master Notes then Outstanding shall have made written request upon the Master Trustee to institute such action, suit or proceeding in its own name as Master Trustee under the Master Indenture and shall have offered to the Master Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Master Trustee, for 30 days after its receipt of such notice, request and offer or indemnity, shall have neglected or refused to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Master Trustee pursuant to the Master Indenture; it being understood and intended, and being expressly covenanted by the taker and Holder of a Master Note with every other taker and Holder of a Master Note and the Master Trustee, that no one or more Holders of Master Notes shall have any right in any manner whatever by virtue or by availing of any provision of the Master Indenture to affect, disturb or prejudice the rights of any other Holder of a Master Note or to obtain or seek to obtain priority or preference to any other such Holder, or to enforce any right under the Master Indenture, except in the manner provided in the Master Indenture and for the equal, ratable and common benefit of all Holders of the Master Notes. For the protection and enforcement of the provisions of the

5 The Obligated Group proposes to amend and restate the provisions of the Master Indenture summarized in the first paragraph under this caption in their entirety. See the information under the caption “PROPOSED AMENDMENTS TO MASTER INDENTURE” in this APPENDIX C relating to the proposed amendment.
provisions of the Master Indenture summarized under this caption, each and every Holder of a Master Note and the Master Trustee shall be entitled to such relief as can be given either at law or in equity.

The Holder of any Master Note instituting a suit, action or proceeding in compliance with the provisions of the Master Indenture summarized under this caption shall be entitled in such suit, action or proceeding to such amounts as shall be sufficient to cover the costs of expenses of collection, including, to the extent permitted by applicable law, a reasonable compensation to its attorneys.

Notwithstanding any other provisions in the Master Indenture, the right of a Holder of a Master Note to receive payment of the principal of and interest on such Master Note, on or after the respective due dates expressed in such Master Note, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Evidence of Action by Master Noteholders; Related Bondholders Deemed Master Noteholders. Whenever in the Master Indenture it is provided that the Holders of a specified percentage in aggregate principal amount of Master Notes may take any action (including the making of any demand or request, the giving of any notice, consent, or waiver or the taking of any other action), (a) the fact that at the time of taking any such action the Holders of such specified percentage have joined therein shall be evidenced by any instrument or any number of instruments of similar tenor executed by such Holders in Person or by agent or proxy appointed in writing and (b) in determining whether the Holders of the requisite aggregate principal amount of Master Notes have concurred in taking any such action, Master Notes owned or held by a Related Bond Trustee as security for the payment of Related Bonds shall be disregarded and deemed not Outstanding for the purposes of such determination, and each holder of such a Related Bond then Outstanding under the Related Bond Indenture shall, for the purposes of such determination, be deemed to hold a Master Note then Outstanding in a principal amount equal to the aggregate principal amount of such Related Bonds held by such holder. For purposes of the foregoing, Related Bonds supported by Credit Enhancement shall be deemed to be held by the related Credit Enhancer.

In determining whether the Holders of the requisite aggregate principal amount of the Master Notes have concurred in any demand, direction, request, notice, consent, waiver or other action under the Master Indenture, the Master Notes or Related Bonds that are owned by any Member or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Member shall be disregarded and deemed not to be Outstanding or Outstanding under the Related Bond Indenture, as the case may be, for the purpose of any such determination, provided that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent or waiver, only such Master Notes or Related Bonds which the Master Trustee knows are so owned shall be so disregarded. Master Notes or Related Bonds so owned that have been pledged in good faith may be regarded as Outstanding or Outstanding under the Related Bond Indenture, as the case may be, for the purposes of the provisions of the Master Indenture summarized under this caption, if the pledgee shall establish to the satisfaction of the Master Trustee the pledgee’s right to vote
such Master Notes or Related Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by or under direct or indirect common control with any Member. In case of a dispute as to such right, any decision by the Master Trustee taken upon the advice of counsel shall be full protection to the Master Trustee.

Proposed Amendments to Master Indenture. Set forth below are proposed amendments to the Master Indenture to which the holders of the Series 2019B Bonds are deemed to have consented by their respective purchases of the Series 2019B Bonds.

The defined term “Capitalized Lease Obligations” appearing in the Master Indenture and summarized in this APPENDIX C of this Official Statement will be amended in its entirety to read as follows:

“Capitalized Lease Obligations” means all lease obligations which have been or are required to be, in accordance with GAAP, capitalized as financing leases on the books of the lessee, but shall not include those leases recorded on the books of the lessee as operating leases.”

The defined term “Combined Net Income Available for Debt Service” appearing in the Master Indenture and summarized in this APPENDIX C of this Official Statement will be amended in its entirety to read as follows:

“Combined Net Income Available for Debt Service” means, for the Obligated Group for any period ending on the date of computation thereof, an amount equal to the sum, on a Combined basis, of (a) Combined Net Income, (b) Combined Interest Expense, (c) depreciation, and (d) amortization, provided, however, that no determination of Combined Net Income Available for Debt Service shall take into account (i) gains and losses on the sale of Property, Plant and Equipment not in the ordinary course of business, (ii) gains and losses on the extinguishment of indebtedness, (iii) extraordinary gains and losses, (iv) unrealized gains and losses related to the change in fair value of derivative financial instruments, including Swap Contracts, (v) unrealized gains and losses related to the change in fair value of Total Cash and Investments and other cash held for investments that are accounted for as other-than-trading investments, (vi) unrealized gains and losses related to the change in fair value of indebtedness, (vii) impairment charges or write-offs of Property, Plant and Equipment or goodwill or other intangible assets, (viii) non-cash costs related to pension and/or post-retirement plans, and (ix) other non-cash items, including the amortization or recognition of accumulated gains and losses on derivative financial instruments recorded in unrestricted net assets, including Swap Contracts, all as measured for the Obligated Group.
for its most recent four (4) fiscal quarters on a Combined basis; *provided however* that, at the option of the Obligated Group, net realized gains and losses from the sale of investments may be included in the computation of Combined Net 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 investment for the period for which a computation is being made.”

The provisions of the Master Indenture summarized under the caption “TRANSFERS OF PROPERTY” will be amended in their entirety as follows:

“Transfers of Property. Except as permitted by the provisions of the Master Indenture relating to (i) consolidation, merger, sale or conveyance of all or substantially all assets and (ii) the withdrawal of Members from the Obligated Group, the Obligated Group agrees in the Master Indenture that it will not in any Fiscal Year sell, lease, transfer or otherwise dispose of any Property, except for sales, leases, transfers or other dispositions (referred to under this caption as “Dispositions”):

(a) in the ordinary course of business;
(b) in return for other Property of equal or greater value;
(c) to any Person, if such Property has, or within the next succeeding 24 calendar months is reasonably expected 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 any remaining Property;
(d) to another Obligated Group Member;
(e) which Disposition (which may include, without limitation, sales of accounts receivable pursuant to factoring transactions in the ordinary course of business) is upon fair and reasonable terms no less favorable to the Obligated Group Member disposing of the same than would obtain in a comparable arm’s-length transaction, and, if the Property to be disposed of constitutes Property, Plant and Equipment, following such Disposition the proceeds received by the Obligated Group are retained as cash, applied to acquire additional Property for the Obligated Group or
applied to repay the principal of indebtedness of any Obligated Group Member;

(f) to a Person which is not an Obligated Group Member, if such Person shall become an Obligated Group Member pursuant to the provisions of the Master Indenture substantially contemporaneously with such Disposition;

(g) to any Person, if such Property consists solely of assets which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payment on Master Notes or on other indebtedness for borrowed money or for the payment of costs and expenses of operation;

(h) in the case of cash or cash equivalents, as a loan or advance to any Person provided that (i) such loan or advance has been evidenced in writing, (ii) such loan or advance bears interest at a reasonable interest rate, as determined by the Obligated Group Representative, and (iii) there is a reasonable expectation that such loan or advance will be repaid in accordance with its terms;

(i) to any Person if such Property consists entirely of Self-Pay Receivables;

(j) to any Person if, immediately after such Disposition, the Obligated Group would be able to issue $1.00 of Additional Regulated Indebtedness pursuant to the provisions of the Master Indenture summarized above as subparagraph (d) under the caption “REGULATED INDEBTEDNESS,” as evidenced by the Officer’s Certificate required by said provisions; or

(k) which are in addition to Dispositions of Property permitted by subsections (a) through (j) above and which, when aggregated with all other such additional Dispositions of Property in the same Fiscal Year, total not more than 10% of the Combined Book Value (or, at the option of the Obligated Group Representative with respect to all or any portion thereof, Combined Current Value) of the Combined Total Assets of the Obligated Group determined as of the end of the most recent Fiscal Year in respect of which annual audited financial statements of the Obligated Group have been delivered.

The foregoing notwithstanding, no Obligated Group Member will sell, lease, transfer or otherwise dispose of or use any Property (a) which could reasonably be expected to result in a reduction of the Combined Net Income Available for Debt Service
of the Obligated Group such that the Master Trustee may require the Obligated Group Representative to retain a Management Consultant pursuant to the provisions of the Master Indenture summarized under the caption “RATES AND CHARGES” or (b) if a Management Consultant has been retained pursuant to the provisions of the Master Indenture summarized under the caption “RATES AND CHARGES”, and such action, in the opinion of such Management Consultant, would have a material adverse effect on the Combined Net Income Available for Debt Service of the Obligated Group.

Notwithstanding any provision to the contrary contained in the Master Indenture, any individual Member may, from time to time and at any time, sell all or any portion of its Property which is classified as accounts receivable in accordance with GAAP, including Self-Pay Receivables, on such terms as are deemed favorable by such Member, free of the security interest created by the provisions of the Master Indenture summarized under the caption “SECURITY INTEREST IN ACCOUNTS AND GROSS REVENUES AND DEPOSIT OF GROSS REVENUES”; provided, however, that the restrictions on Dispositions of Property set forth above in the provisions of the Master Indenture summarized under this caption are satisfied.”

The provisions of the Master Indenture summarized in the second full paragraph under the caption “DEFAULTS AND REMEDIES” will be amended in their entirety as follows:

“Upon the occurrence and continuance of an Event of Default, then and in each and every such case, unless the principal of Master Notes shall have already become due and payable, the Master Trustee may, and if requested by the Holders of not less than 51% in aggregate principal amount of all Master Notes then Outstanding, the Master Trustee shall, by notice in writing to the Obligated Group Representative declare the principal and accrued interest of all the Master Notes to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything to the contrary contained in the Master Indenture or in the Master Notes notwithstanding. The entire principal amount of the Master Notes and the accrued interest thereon shall also become immediately due and payable upon any acceleration of the principal and interest payable on any Related Bond ipso facto and without the necessity of any action by the Master Trustee. The foregoing provisions, however, are subject to the condition that if, at any time after the principal of all the Master Notes shall have been so declared or become due and payable, and before any judgment or decree for the payment of the
moneys due shall have been obtained or entered, the Obligated Group shall pay or shall deposit with the Master Trustee a sum sufficient to pay all matured installments of interest upon all Master Notes and the principal and premium, if any, of all Master Notes that shall have become due otherwise than by acceleration (with interest on overdue installments of interest and on such principal and premium, if any, at the respective rates borne by the Master Notes to the date of such payment or deposit) and the expenses of the Master Trustee, and any and all Events of Default, other than the nonpayment of principal of and accrued interest on the Master Notes that shall have become due by acceleration, shall have been remedied, then and in every such case the Holders of not less than 51% in aggregate principal amount of all Master Notes then Outstanding, by written notice to the Obligated Group Representative and to the Master Trustee, may waive all Events of Default and rescind and annul such acceleration and its consequences; but no such waiver or rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.”

The provisions of the Master Indenture summarized in the first paragraph under the caption “Suit by Master Noteholders” will be amended in their entirety as follows:

“No Holder of a Master Note shall have any right by virtue or by availing of any provision in the Master Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Master Indenture or for the appointment of a receiver or trustee, or any other remedy under the Master Indenture, unless such Holder previously shall have given to the Master Trustee written notice of default and of the continuance thereof and unless also the Holders of not less than 51% in aggregate principal amount of the Master Notes then Outstanding shall have made written request upon the Master Trustee to institute such action, suit or proceeding in its own name as Master Trustee under the Master Indenture and shall have offered to the Master Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Master Trustee, for 30 days after its receipt of such notice, request and offer or indemnity, shall have neglected or refused to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Master Trustee pursuant to the Master Indenture; it being understood and intended, and being expressly covenanted by the taker and Holder of a Master Note with every other taker and Holder of a Master Note and the Master Trustee, that no one or more Holders of Master Notes shall have any right in any manner
whatever by virtue or by availing of any provision of the Master Indenture to affect, disturb or prejudice the rights of any other Holder of a Master Note or to obtain or seek to obtain priority or preference to any other such Holder, or to enforce any right under the Master Indenture, except in the manner provided in the Master Indenture and for the equal, ratable and common benefit of all Holders of the Master Notes. For the protection and enforcement of the provisions of the provisions of the Master Indenture summarized under this caption, each and every Holder of a Master Note and the Master Trustee shall be entitled to such relief as can be given either at law or in equity.”

If so determined by the Obligated Group, the amendments to the Master Indenture set forth above shall become effective upon (i) the consent thereto of the holders of not less than 51% in aggregate principal amount of the Master Notes then Outstanding under the Master Indenture; (ii) the execution and delivery of a supplemental indenture to the Master Indenture evidencing the amendments to the Master Indenture set forth above; and (iii) the execution and delivery of such other documents and certificates that the Master Trustee shall reasonably request pursuant to the terms of the Master Indenture.

By acceptance of the Series 2019B Note, the Bond Trustee has consented to the amendments to the Master Indenture set forth above. Additionally, by purchasing the Series 2019B Bonds from the underwriters, the initial beneficial owners of the Series 2019B Bonds are deemed to consent for themselves and for all subsequent owners of the Series 2019B Bonds, to the amendments to the Master Indenture set forth above.

**ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2010B PURCHASER**

**General.** The Series 2010B Supplemental Indenture contains certain covenants and restrictions (the “Series 2010B Purchaser Covenants”) for the benefit of the Series 2010B Purchaser that apply in addition to, and not in substitution for, the terms and provisions of the Master Indenture. The Series 2010B Purchaser Covenants shall be enforceable by the Master Trustee and shall only be applicable during the period the Series 2010B Bonds (a) are Outstanding under the Series 2010B Bond Indenture, (b) are operating in the Initial Rate Period (as defined in the Series 2010B Bond Indenture) commencing on the date of issuance of the Series 2010B Bonds and (c) are owned by the Series 2010B Purchaser or any Approved Transferee (as defined in the Series 2010B Bond Indenture). Any one or more of the Series 2010B Purchaser Covenants may be modified, amended or waived at any time with the prior written consent of the Series 2010B Purchaser and any Approved Transferee, if then owning Series 2010B Bonds, and without the consent of the Master Trustee, the Series 2010B Bond Trustee, any other Related Bond Trustee, any holder of any Series 2010B Note or any other Master Notes, any other owner of any Series 2010B Bonds or any other Related Bonds or any other Person. A failure to comply with any of the Series 2010B Purchaser Covenants shall constitute an Event of Default under the Master Indenture.
The Series 2010B Purchaser Covenants are summarized below.

Additional Definitions. The following defined terms apply only to the provisions summarized under this caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2010B PURCHASER.” Other terms which are capitalized herein but not defined herein shall have the meanings assigned to them in the Master Indenture and the Series 2010B Supplemental Indenture.

“Capitalized Lease Obligations” shall mean all lease obligations which have been or are required to be, in accordance with GAAP, capitalized on the books of the lessee.

“Combined Cash Flow Available” shall mean, for the Obligated Group for any period ending on the date of computation thereof, an amount equal to the sum, on a Combined basis, of (a) Combined Net Income, (b) Combined Interest Expense, (c) depreciation and (d) amortization; provided, however, that no determination of Combined Cash Flow Available shall take into account (i) gains and losses on the sale of property, plant and equipment, (ii) gains and losses on the extinguishment of Combined Funded Debt, (iii) extraordinary gains and losses, (iv) unrealized gains and losses related to the change in fair value (as defined by GAAP) of derivative financial instruments (as defined by GAAP), including Swap Contracts, (v) unrealized gains and losses related to the change in fair value (as defined by GAAP) of Unrestricted Cash and Investments and other cash held for investments, (vi) unrealized gains and losses related to the change in fair value (as defined by GAAP) of Indebtedness, (vii) impairment charges or write-offs of property, plant, equipment or good will, (viii) costs related to pension and/or post-retirement plans, and (ix) other non-cash items, including the amortization of accumulated unrecognized gains and losses on derivative financial instruments (as defined by GAAP), including Swap Contracts, all as measured for the most recent four (4) fiscal quarters of the Obligated Group on a Combined basis.

“Combined Funded Debt” shall mean, for the Obligated Group for any period ending on the date of computation thereof, on a Combined basis, without duplication, all (a) Indebtedness for borrowed money; (b) Capitalized Lease Obligations; (c) conditional sales contracts and similar title retention debt instruments securing Indebtedness for borrowed money (regardless of when such Indebtedness matures); and (d) Indebtedness for borrowed money of any other Person which has been guaranteed by any Member of the Obligated Group, which is supported by a letter of credit issued for the account of such Member of the Obligated Group or as to which such Member of the Obligated Group or its assets have otherwise become liable for payment thereof; but excluding, in any case, current liabilities (except short-term Indebtedness for borrowed money), deferred revenues and other non-current liabilities.

“Combined Interest Expense” shall mean, for the Obligated Group for any period ending on the date of computation thereof, on a Combined basis, the total interest expense (including without limitation, the interest component of any payments in respect of Capitalized Lease Obligations during such period whether or not actually paid during such period).

“Combined Long-Term Debt” shall mean, for the Obligated Group for any period ending on the date of computation thereof, on a Combined basis, (a) all Indebtedness for borrowed
money, including Indebtedness incurred for refinancing purposes, or which has been incurred in connection with the acquisition of property, plant or equipment (other than current liabilities, deferred revenues and other non-current liabilities) and (b) the capitalized value of the liability under any lease of real or personal property which is properly capitalized on a balance sheet; in each case having a final maturity of more than one year from the date of creation thereof (or which is or may be renewable or extendible at the option of the obligor for a period or periods extending more than one year from the date of creation), but excluding, in each case, any portion thereof which is or may be properly included in current liabilities, all as determined in accordance with GAAP.

“Combined Long-Term Debt Service” shall mean, for the Obligated Group for any period ending on the date of computation thereof, the sum of (a) Combined Interest Expense for the most recent four (4) fiscal quarters of the Obligated Group and (b) Combined Scheduled Current Maturities of Long-Term Debt.

“Combined Net Assets Balance” shall mean, for the Obligated Group for any period ending on the date of computation thereof, the difference between (a) Combined Total Assets and (b) Combined Total Liabilities.

“Combined Net Income” shall mean, for any period ending on the date of computation thereof, on a Combined basis, the excess (deficiency) of revenues and gains over expenses and losses of the Obligated Group for such period (taken as a single accounting period) determined in accordance with GAAP.

“Combined Scheduled Current Maturities of Long-Term Debt” shall mean, for the Obligated Group for any period ending on the date of computation thereof, that portion of Combined Long-Term Debt scheduled to become due within the twelve (12) month period from the date of the most recent fiscal year end of the Obligated Group; provided that, with respect to any Indebtedness 25% or more of the original principal amount of which comes due during any consecutive twelve (12) month period beginning on or after the date of issuance thereof if such maturing principal is not required to be amortized by mandatory redemption or prepayment prior to such period, for any future period such Indebtedness shall be assumed to mature in equal annual principal installments over a period equal to (a) if the term over which such Indebtedness was originally payable is less than 25 years, the term over which such Indebtedness was originally payable, and (b) if the term over which such Indebtedness was originally payable is equal to or greater than 25 years, 25 years from the date of issuance thereof, provided, however, that in determining the Combined Scheduled Current Maturities of Long-Term Debt as to any such Indebtedness scheduled to become due within 12 months after the date of such determination, the actual amounts of principal and interest payable thereon shall be included.

“Combined Total Assets” shall mean, for the Obligated Group for any period ending on the date of computation thereof, the aggregate book value of the assets of the Obligated Group on a Combined basis for such period.

“Combined Total Capitalization” shall mean, at any time in respect of the Obligated Group, the sum of (a) Combined Funded Debt and (b) Combined Net Assets Balance.
“Combined Total Liabilities” shall mean, as of any date of determination, without duplication, all Indebtedness of the Obligated Group, on a Combined basis.

“Days of Operating Expenses” shall mean, for any period, (a) Combined Operating Expenses of the Obligated Group for such period divided by (b) the number of days in such period.

“Debt Service Coverage Ratio” shall mean, as of any date of determination, the ratio of (a) Combined Cash Flow Available as of such date to (b) Combined Long-Term Debt Service as of such date.

“Debt to Capitalization Ratio” shall mean, as of any date of determination, the ratio of (a) Combined Funded Debt as of such date to (b) Combined Total Capitalization as of such date.

“GAAP” shall mean accounting principles generally accepted in the United States.

“Indebtedness” of any Person shall mean any indebtedness or liability of such Person which in accordance with GAAP would be required to be shown on the balance sheet of such Person as a liability.

“Operating Expenses” means those expenses classified as operating expenses in the audited annual or unaudited interim quarterly, as applicable, Combined financial statements of the Obligated Group; provided, however, that Operating Expenses shall not include the following: (a) depreciation, (b) amortization, (c) gains and losses on the sale of property, plant and equipment, (d) gains and losses on the extinguishment of Combined Funded Debt, (e) extraordinary gains and losses, (f) unrealized gains and losses related to the change in fair value (as defined by GAAP) of derivative financial instruments (as defined by GAAP), including Swap Contracts, (g) unrealized gains and losses related to the change in fair value (as defined by GAAP) of Unrestricted Cash and Investments, and other cash held for investments, (h) unrealized gains and losses related to the change in fair value (as defined by GAAP) of Indebtedness, (i) impairment charges or write-offs of property, plant, equipment or goodwill, (j) non-cash costs related to pension and/or post-retirement plans, and (k) other non-cash items, including the amortization of accumulated unrecognized gains and losses on derivative financial instruments (as defined by GAAP), including Swap Contracts.

“Series 2010B Bond Indenture” means the Trust Indenture dated as of December 1, 2010, between the Orange County Health Facilities Authority and the Series 2010B Bond Trustee, and all amendments and supplements thereto, providing for the issuance of the Series 2010B Bonds.

“Series 2010B Bonds” means one or more of the $25,000,000 aggregate principal amount of Orange County Health Facilities Authority Hospital Revenue Bonds, Series 2010B (Adventist Health System/Sunbelt Obligated Group).

“Series 2010B Notes” means the particular note or notes issued under the Series 2010B Supplemental Indenture and the Master Indenture to evidence the loans made to the respective borrowers from the proceeds of the Series 2010B Bonds.

“Series 2010B Purchaser” means TD Bank, N.A.

“Series 2010B Supplemental Indenture” means Supplemental Indenture Number 183 dated as of December 1, 2010, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture.

“Short-Term Debt” means indebtedness for borrowed money having a final maturity of one year or less from the date of creation thereof and not redeemable or extendable at the option of the obligor for a period or periods extending more than one year from the date of creation, as determined in accordance with generally accepted accounting principles from time to time in effect.

“Swap Contract” means (a) any and all swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, cap transactions, floor transactions, collar transactions or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc. This definition applies only to the foregoing types of transactions and agreements entered into in order to hedge the interest payable on all or a portion of any Indebtedness for borrowed money of any Member of the Obligated Group.

“Unrestricted Cash and Investments” means, on a Combined basis, the sum of (a) cash, cash equivalents and short-term and long-term investments held by any Member of the Obligated Group, which if for the benefit of any joint venture may be included only if such Member of the Obligated Group maintains at least 50.1% control of such joint venture; (b) marketable securities of the Obligated Group (including long-term and short-term investments); and (c) board-designated funds and funded depreciation of the Obligated Group; provided, however, that “Unrestricted Cash and Investments” shall not include the following: debt service funds; construction funds; debt service reserve funds; malpractice funds; litigation and self-insurance and captive insurer reserves to the extent they have been funded with cash; pension and retirement funds; and provided further, that the outstanding principal amount of any Short-Term Debt shall be deducted from the calculation of “Unrestricted Cash and Investments” unless:
(i) there exists a firm refinancing commitment with respect to such Short-Term Debt from a qualified financial institution rated at least “A-” by S&P and “A3” by Moody’s and such commitment provides for repayment over a term greater than one year;

(ii) any Member of the Obligated Group has unused availability with respect to such Short-Term Debt under the long-term portion of its syndicated credit facility or other similar facility and such facility or facilities have more than one year of term left from the date as of which “Unrestricted Cash and Investments” is then being calculated; or

(iii) such Short-Term Debt was incurred for acquisitions, mergers or capital projects for a Member of the Obligated Group pending placement of long-term financing.

**Debt Service Coverage Ratio.** The Obligated Group will have, as of the end of each fiscal quarter of the Obligated Group, a Debt Service Coverage Ratio of not less than 1.15:1.00, calculated on a rolling four-quarter basis.

**Liquidity Covenant.** The Obligated Group will have Unrestricted Cash and Investments equal to at least 65 Days of Operating Expenses (a) as of each June 30, as reflected on the unaudited financial statements of the Obligated Group as of such June 30, and (b) as of each December 31, as reflected on the audited financial statements of the Obligated Group as of such December 31.

**Debt to Capitalization Ratio.** The Obligated Group will have, as of the end of each fiscal quarter of the Obligated Group, a Debt to Capitalization Ratio of less than 0.65:1.00, calculated quarterly on the last day of such fiscal quarter.

**Maintenance of Ratings.** The Obligated Group will at all times maintain at least two of the following long-term debt ratings: from Moody’s - Baa2 or higher; from S&P - BBB or higher; and from Fitch - BBB or higher.

**ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2010C PURCHASER**

**General.** The Series 2010C Supplemental Indenture contains certain covenants and restrictions (the “Series 2010C Purchaser Covenants”) for the benefit of the Series 2010C Purchaser that apply in addition to, and not in substitution for, the terms and provisions of the Master Indenture. The Series 2010C Purchaser Covenants are identical in all material respects to the Series 2010B Purchaser Covenants, as summarized above in this APPENDIX C under the caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2010B PURCHASER”, except that references to the “Series 2010B Bond Indenture,” “Series 2010B Bonds,” “Series 2010B Bond Trustee,” “Series 2010B Notes,” “Series 2010B Purchaser” and “Series 2010B Supplemental Indenture” contained under such caption shall be read and interpreted as meaning the “Series 2010C Bond Indenture,” “Series 2010C Bonds,” “Series 2010C Bond Trustee,” “Series 2010C Notes,” “Series 2010C Purchaser”
The Series 2010C Purchaser Covenants shall be enforceable by the Master Trustee and shall only be applicable during the period the Series 2010C Bonds (a) are Outstanding under the Series 2010C Bond Indenture, (b) are operating in the Initial Rate Period (as defined in the Series 2010C Bond Indenture) commencing on the date of issuance of the Series 2010C Bonds and (c) are owned by the Series 2010C Purchaser or any Approved Transferee (as defined in the Series 2010C Bond Indenture). Any one or more of the Series 2010C Purchaser Covenants may be modified, amended or waived at any time with the prior written consent of the Series 2010C Purchaser and any Approved Transferee, if then owning Series 2010C Bonds, and without the consent of the Master Trustee, the Series 2010C Bond Trustee, any other Related Bond Trustee, any holder of any Series 2010C Note or any other Master Notes, any other owner of any Series 2010C Bonds or any other Related Bonds or any other Person. A failure to comply with any of the Series 2010C Purchaser Covenants shall constitute an Event of Default under the Master Indenture.

Additional Definitions. The following defined terms apply only to the provisions summarized under this caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2010C PURCHASER.” Other terms which are capitalized herein but not defined herein shall have the meanings assigned to them in the Master Indenture and the Series 2010C Supplemental Indenture.

“Series 2010C Bond Indenture” means the Trust Indenture dated as of December 1, 2010, between the Kansas Development Finance Authority and the Series 2010C Bond Trustee, and all amendments and supplements thereto, providing for the issuance of the Series 2010C Bonds.

“Series 2010C Bond Trustee” means U.S. Bank National Association, a national banking association, as bond trustee under the Series 2010C Bond Indenture, and any successor bond trustee under the Series 2010C Bond Indenture.

“Series 2010C Bonds” means one or more of the $25,000,000 aggregate principal amount of Kansas Development Finance Authority Hospital Revenue Bonds, Series 2010C (Adventist Health System/Sunbelt Obligated Group).

“Series 2010C Notes” means the particular note or notes issued under the Series 2010C Supplemental Indenture and the Master Indenture to evidence the loans made to the respective borrowers from the proceeds of the Series 2010C Bonds.

“Series 2010C Purchaser” means TD Bank, N.A.

“Series 2010C Supplemental Indenture” means Supplemental Indenture Number 184 dated as of December 1, 2010, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture.
ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2010D PURCHASER

General. The Series 2010D Supplemental Indenture contains certain covenants and restrictions (the “Series 2010D Purchaser Covenants”) for the benefit of the Series 2010D Purchaser that apply in addition to, and not in substitution for, the terms and provisions of the Master Indenture. The Series 2010D Purchaser Covenants are identical in all material respects to the Series 2010B Purchaser Covenants, as summarized above in this APPENDIX C under the caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2010B PURCHASER”, except that references to the “Series 2010B Bond Indenture,” “Series 2010B Bonds,” “Series 2010B Bond Trustee,” “Series 2010B Notes,” “Series 2010B Purchaser” and “Series 2010B Supplemental Indenture” contained under such caption shall be read and interpreted as meaning the “Series 2010D Bond Indenture,” “Series 2010D Bonds,” “Series 2010D Bond Trustee,” “Series 2010D Notes,” “Series 2010D Purchaser” and “Series 2010D Supplemental Indenture,” respectively, as such terms are hereafter defined in this APPENDIX C.

The Series 2010D Purchaser Covenants shall be enforceable by the Master Trustee and shall only be applicable during the period the Series 2010D Bonds (a) are Outstanding under the Series 2010D Bond Indenture, (b) are operating in the Initial Rate Period (as defined in the Series 2010D Bond Indenture) commencing on the date of issuance of the Series 2010D Bonds and (c) are owned by the Series 2010D Purchaser or any Approved Transferee (as defined in the Series 2010D Bond Indenture). Any one or more of the Series 2010D Purchaser Covenants may be modified, amended or waived at any time with the prior written consent of the Series 2010D Purchaser and any Approved Transferee, if then owning Series 2010D Bonds, and without the consent of the Master Trustee, the Series 2010D Bond Trustee, any other Related Bond Trustee, any holder of any Series 2010D Note or any other Master Notes, any other owner of any Series 2010D Bonds or any other Related Bonds or any other Person. A failure to comply with any of the Series 2010D Purchaser Covenants shall constitute an Event of Default under the Master Indenture.

Additional Definitions. The following defined terms apply only to the provisions summarized under this caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2010D PURCHASER.” Other terms which are capitalized herein but not defined herein shall have the meanings assigned to them in the Master Indenture and the Series 2010D Supplemental Indenture.

“Series 2010D Bond Indenture” means the Trust Indenture dated as of December 1, 2010, between the Colorado Health Facilities Authority and the Series 2010D Bond Trustee, and all amendments and supplements thereto, providing for the issuance of the Series 2010D Bonds.

“Series 2010D Bonds” means one or more of the $25,000,000 aggregate principal amount of Colorado Health Facilities Authority Hospital Revenue Bonds, Series 2010D (Adventist Health System/Sunbelt Obligated Group).

“Series 2010D Notes” means the particular note or notes issued under the Series 2010D Supplemental Indenture and the Master Indenture to evidence the loans made to the respective borrowers from the proceeds of the Series 2010D Bonds.

“Series 2010D Purchaser” means TD Bank, N.A.

“Series 2010D Supplemental Indenture” means Supplemental Indenture Number 185 dated as of December 1, 2010, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture.

**ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2011 PURCHASER**

**General.** The Series 2011 Supplemental Indenture contains certain covenants and restrictions (the “Series 2011 Purchaser Covenants”) for the benefit of the Series 2011 Purchaser that apply in addition to, and not in substitution for, the terms and provisions of the Master Indenture. The Series 2011 Purchaser Covenants are identical in all material respects to the Series 2010B Purchaser Covenants, as summarized above in this APPENDIX C under the caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2010B PURCHASER”, except as follows:

(a) references to the “Series 2010B Bond Indenture,” “Series 2010B Bonds,” “Series 2010B Bond Trustee,” “Series 2010B Notes,” “Series 2010B Purchaser” and “Series 2010B Supplemental Indenture” contained under such caption shall be read and interpreted as meaning the “Series 2011 Bond Indenture,” “Series 2011 Bonds,” “Series 2011 Bond Trustee,” “Series 2011 Notes,” “Series 2011 Purchaser” and “Series 2011 Supplemental Indenture,” respectively, as such terms are hereafter defined in this APPENDIX C;

(b) references to “Approved Transferee” shall be read and interpreted to be “Approved Home Office Payment Bondholder (as defined in the Series 2011 Bond Indenture);”

(c) clause (viii) appearing in the definition of “Combined Cash Flow Available” shall be read as follows: “(viii) non-cash costs related to pension and/or post-retirement plans;”

(d) the following defined term “Combined Operating Expenses” shall be added immediately following the term “Combined Net Income”: “**Combined Operating Expenses**” means those expenses classified as operating expenses in the audited annual or unaudited interim quarterly, as applicable, Combined financial statements of the Obligated Group; provided, however, that Combined Operating Expenses shall not
include the following: (a) depreciation, (b) amortization, (c) gains and losses on the sale of property, plant and equipment, (d) gains and losses on the extinguishment of Combined Funded Debt, (e) extraordinary gains and losses, (f) unrealized gains and losses related to the change in fair value (as defined by GAAP) of derivative financial instruments (as defined by GAAP), including Swap Contracts, (g) unrealized gains and losses related to the change in fair value (as defined by GAAP) of Unrestricted Cash and Investments, and other cash held for investments, (h) unrealized gains and losses related to the change in fair value (as defined by GAAP) of Indebtedness, (i) impairment charges or write-offs of property, plant, equipment or goodwill, (j) non-cash costs related to pension and/or post-retirement plans, and (k) other non-cash items, including the amortization of accumulated unrecognized gains and losses on derivative financial instruments (as defined by GAAP), including Swap Contracts.” Additionally, the term “Operating Expenses” shall be deleted;

   (e) the term “Days of Operating Expenses” shall be re-named “Days of Combined Operating Expenses;”

   (f) the Liquidity Covenant appearing therein shall be read as follows: “The Obligated Group will have Unrestricted Cash and Investments equal to at least 75 Days of Combined Operating Expenses (a) as of each June 30, as reflected on the Combined unaudited financial statements of the Obligated Group as of such June 30, and (b) as of each December 31, as reflected on the Combined audited financial statements of the Obligated Group as of such December 31;” and

   (g) the “Maintenance of Ratings” covenant shall be deleted.

The Series 2011 Purchaser Covenants shall be enforceable by the Master Trustee and shall only be applicable during the period the Series 2011 Bonds (a) are Outstanding under the Series 2011 Bond Indenture, (b) are operating in the Initial Rate Period (as defined in the Series 2011 Bond Indenture) commencing on the date of issuance of the Series 2011 Bonds and (c) are owned by the Series 2011 Purchaser or any Approved Transferee (as defined in the Series 2011 Bond Indenture). Any one or more of the Series 2011 Purchaser Covenants may be modified, amended or waived at any time with the prior written consent of the Series 2011 Purchaser and any Approved Transferee, if then owning Series 2011 Bonds, and without the consent of the Master Trustee, the Series 2011 Bond Trustee, any other Related Bond Trustee, any holder of any Series 2011 Note or any other Master Notes, any other owner of any Series 2011 Bonds or any other Related Bonds or any other Person. A failure to comply with any of the Series 2011 Purchaser Covenants shall constitute an Event of Default under the Master Indenture.

Additional Definitions. The following defined terms apply only to the provisions summarized under this caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2011 PURCHASER.” Other terms which are capitalized herein but not defined herein shall have the meanings assigned to them in the Master Indenture and the Series 2011 Supplemental Indenture.
“Series 2011 Bond Indenture” means the Trust Indenture dated as of November 1, 2011, between the Highlands County Health Facilities Authority and the Series 2011 Bond Trustee, and all amendments and supplements thereto, providing for the issuance of the Series 2011 Bonds.


“Series 2011 Bonds” means one or more of the $80,000,000 aggregate principal amount of Highlands County Health Facilities Authority Hospital Revenue Bonds, Series 2011 (Adventist Health System/Sunbelt Obligated Group).

“Series 2011 Notes” means the particular note or notes issued under the Series 2011 Supplemental Indenture and the Master Indenture to evidence the loans made to the respective borrowers from the proceeds of the Series 2011 Bonds.


“Series 2011 Supplemental Indenture” means Supplemental Indenture Number 189 dated as of November 1, 2011, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture.

ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012B PURCHASER

General. The Series 2012B Supplemental Indenture contains certain covenants and restrictions (the “Series 2012B Purchaser Covenants”) for the benefit of the Series 2012B Purchaser that apply in addition to, and not in substitution for, the terms and provisions of the Master Indenture. The Series 2012B Purchaser Covenants shall be enforceable by the Master Trustee and shall only be applicable during the period the Series 2012B Bonds (a) are Outstanding under the Series 2012B Bond Indenture and (b) are owned by the Series 2012B Purchaser. Any one or more of the Series 2012B Purchaser Covenants may be modified, amended or waived at any time with the prior written consent of the Series 2012B Purchaser, if then owning Series 2012B Bonds, and without the consent of the Master Trustee, the Series 2012B Bond Trustee, any other Related Bond Trustee, the holder of the Series 2012B Note or any other Master Notes, any other owner of any Series 2012B Bonds or any other Related Bonds or any other Person. A failure to comply with any of the Series 2012B Purchaser Covenants shall constitute an Event of Default under the Master Indenture.

The Series 2012B Purchaser Covenants are summarized below.

Additional Definitions. The following defined terms apply only to the provisions summarized under this caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012B PURCHASER.” Other terms which
are capitalized herein but not defined herein shall have the meanings assigned to them in the Master Indenture and the Series 2012B Supplemental Indenture.

“Capitalized Lease Obligations” shall mean all lease obligations which have been or are required to be, in accordance with GAAP, capitalized on the books of the lessee.

“Combined Cash Flow Available” shall mean, for the Obligated Group for any period ending on the date of computation thereof, an amount equal to the sum, on a Combined basis, of (a) Combined Net Income, (b) Combined Interest Expense, (c) depreciation, and (d) amortization, provided, however, that no determination of Combined Cash Flow Available shall take into account (i) gains and losses on the sale of property, plant and equipment, (ii) gains and losses on the extinguishment of Combined Funded Debt, (iii) extraordinary gains and losses, (iv) unrealized gains and losses related to the change in fair value (as defined by GAAP) of derivative financial instruments (as defined by GAAP), including Swap Contracts, (v) unrealized gains and losses related to the change in fair value (as defined by GAAP) of Unrestricted Cash and Investments and other cash held for investments, (vi) unrealized gains and losses related to the change in fair value (as defined by GAAP) of Indebtedness, (vii) impairment charges or write-offs of property, plant, equipment or good will, (viii) non-cash costs related to pension and/or post-retirement plans, and (ix) other non-cash items, including the amortization of accumulated unrecognized gains and losses on derivative financial instruments (as defined by GAAP), including Swap Contracts, all as measured for the most recent four (4) fiscal quarters of the Obligated Group on a Combined basis.

“Combined Funded Debt” shall mean, for the Obligated Group for any period ending on the date of computation thereof, on a Combined basis, without duplication, all (a) Indebtedness for borrowed money; (b) Capitalized Lease Obligations; (c) conditional sales contracts and similar title retention debt instruments securing Indebtedness for borrowed money (regardless of when such Indebtedness matures); and (d) Indebtedness for borrowed money of any other Person which has been guaranteed by any Member of the Obligated Group, which is supported by a letter of credit issued for the account of such Member of the Obligated Group or as to which such Member of the Obligated Group or its assets have otherwise become liable for payment thereof; but excluding, in any case, current liabilities (except short-term Indebtedness for borrowed money), deferred revenues and other non-current liabilities.

“Combined Interest Expense” shall mean, for the Obligated Group for any period ending on the date of computation thereof, on a Combined basis, the total interest expense (including without limitation, the interest component of any payments in respect of Capitalized Lease Obligations during such period whether or not actually paid during such period).

“Combined Long-Term Debt” shall mean, for the Obligated Group for any period ending on the date of computation thereof, on a Combined basis, (a) all Indebtedness for borrowed money, including Indebtedness incurred for refinancing purposes, or which has been incurred in connection with the acquisition of property, plant or equipment (other than current liabilities, deferred revenues and other non-current liabilities) and (b) the capitalized value of the liability under any lease of real or personal property which is properly capitalized on a balance sheet; in each case having a final maturity of more than one year from the date of creation thereof (or
which is or may be renewable or extendible at the option of the obligor for a period or periods extending more than one year from the date of creation), but excluding, in each case, any portion thereof which is or may be properly included in current liabilities, all as determined in accordance with GAAP.

“Combined Long-Term Debt Service” shall mean, for the Obligated Group for any period ending on the date of computation thereof, the sum of (a) Combined Interest Expense for the most recent four (4) fiscal quarters of the Obligated Group and (b) Combined Scheduled Current Maturities of Long-Term Debt.

“Combined Net Assets Balance” shall mean, for the Obligated Group for any period ending on the date of computation thereof, the difference between (a) Combined Total Assets and (b) Combined Total Liabilities.

“Combined Net Income” shall mean, for any period ending on the date of computation thereof, on a Combined basis, the excess (deficiency) of revenues and gains over expenses and losses of the Obligated Group for such period (taken as a single accounting period) determined in accordance with GAAP.

“Combined Operating Expenses” means those expenses classified as operating expenses in the audited annual or unaudited interim quarterly, as applicable, Combined financial statements of the Obligated Group; provided, however, that Combined Operating Expenses shall not include the following: (a) depreciation, (b) amortization, (c) gains and losses on the sale of property, plant and equipment, (d) gains and losses on the extinguishment of Combined Funded Debt (e) extraordinary gains and losses, (f) unrealized gains and losses related to the change in fair value (as defined by GAAP) of derivative financial instruments (as defined by GAAP), including Swap Contracts, (g) unrealized gains and losses related to the change in fair value (as defined by GAAP) of Unrestricted Cash and Investments, and other cash held for investments, (h) unrealized gains and losses related to the change in fair value (as defined by GAAP) of Indebtedness, (i) impairment charges or write-offs of property, plant, equipment or goodwill, (j) non-cash costs related to pension and/or post-retirement plans, and (k) other non-cash items, including the amortization of accumulated unrecognized gains and losses on derivative financial instruments (as defined by GAAP), including Swap Contracts.

“Combined Scheduled Current Maturities of Long-Term Debt” shall mean, for the Obligated Group for any period ending on the date of computation thereof, that portion of Combined Long-Term Debt scheduled to become due within the twelve (12) month period from the date of the most recent fiscal year end of the Obligated Group; provided that, with respect to any Indebtedness 25% or more of the original principal amount of which comes due during any consecutive twelve (12) month period beginning on or after the date of issuance thereof if such maturing principal is not required to be amortized by mandatory redemption or prepayment prior to such period, for any future period such Indebtedness shall be assumed to mature in equal annual principal installments over a period equal to (a) if the term over which such Indebtedness was originally payable is less than 25 years, the term over which such Indebtedness was originally payable, and (b) if the term over which such Indebtedness was originally payable is equal to or greater than 25 years, 25 years from the date of issuance thereof, provided, however,
that in determining the Combined Scheduled Current Maturities of Long-Term Debt as to any such Indebtedness scheduled to become due within 12 months after the date of such determination, the actual amounts of principal and interest payable thereon shall be included.

“Combined Total Assets” shall mean, for the Obligated Group for any period ending on the date of computation thereof, the aggregate book value of the assets of the Obligated Group on a Combined basis for such period.

“Combined Total Capitalization” shall mean, at any time in respect of the Obligated Group, the sum of (a) Combined Funded Debt and (b) Combined Net Assets Balance.

“Combined Total Liabilities” shall mean, as of any date of determination, without duplication, all Indebtedness of the Obligated Group, on a Combined basis.

“Days of Combined Operating Expenses” shall mean, for any period, (a) Combined Operating Expenses of the Obligated Group for such period divided by (b) the number of days in such period.

“Debt Service Coverage Ratio” shall mean, as of any date of determination, the ratio of (a) Combined Cash Flow Available as of such date to (b) Combined Long-Term Debt Service as of such date.

“Debt to Capitalization Ratio” shall mean, as of any date of determination, the ratio of (a) Combined Funded Debt as of such date to (b) Combined Total Capitalization as of such date.

“GAAP” shall mean accounting principles generally accepted in the United States.

“Indebtedness” of any Person shall mean any indebtedness or liability of such Person which in accordance with GAAP would be required to be shown on the balance sheet of such Person as a liability.

“Series 2012B Bond Indenture” means the Trust Indenture dated as of August 1, 2012, between the Highlands County Health Facilities Authority and the Series 2012B Bond Trustee, and all amendments and supplements thereto, providing for the issuance of the Series 2012B Bonds.

“Series 2012B Bond Trustee” means U.S. Bank National Association, a national banking association, as bond trustee under the Series 2012B Bond Indenture, and any successor bond trustee under the Series 2012B Bond Indenture.

“Series 2012B Bonds” means one or more of the $99,120,000 aggregate principal amount of Highlands County Health Facilities Authority Hospital Revenue Refunding Bonds, Series 2012B (Adventist Health System/Sunbelt Obligated Group).
“Series 2012B Note” means the particular note issued under the Series 2012B Supplemental Indenture and the Master Indenture to evidence the loans made to the respective borrowers from the proceeds of the Series 2012B Bonds.

“Series 2012B Purchaser” means Wells Fargo Municipal Capital Strategies LLC.

“Series 2012B Supplemental Indenture” means Supplemental Indenture Number 191 dated as of August 1, 2012, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture.

“Short-Term Debt” means indebtedness for borrowed money having a final maturity of one year or less from the date of creation thereof and not redeemable or extendable at the option of the obligor for a period or periods extending more than one year from the date of creation, as determined in accordance with generally accepted accounting principles from time to time in effect.

“Swap Contract” means (a) any and all swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, cap transactions, floor transactions, collar transactions or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc. This definition applies only to the foregoing types of transactions and agreements entered into in order to hedge the interest payable on all or a portion of any Indebtedness for borrowed money of any Member of the Obligated Group.

“Unrestricted Cash and Investments” means, on a Combined basis, the sum of (a) cash, cash equivalents and short-term and long-term investments held by any Member of the Obligated Group, which if for the benefit of any joint venture may be included only if such Member of the Obligated Group maintains at least 50.1% control of such joint venture; (b) marketable securities of the Obligated Group (including long-term and short-term investments); and (c) board-designated funds and funded depreciation of the Obligated Group; provided, however, that “Unrestricted Cash and Investments” shall not include the following: debt service funds; construction funds; debt service reserve funds; malpractice funds; litigation and self-insurance and captive insurer reserves to the extent they have been funded with cash; pension and retirement funds; and provided further, that the outstanding principal amount of any Short-Term Debt shall be deducted from the calculation of “Unrestricted Cash and Investments” unless:

(i) there exists a firm refinancing commitment with respect to such Short-Term Debt from a qualified financial institution rated at least “A-” by S&P and “A3” by Moody’s and such commitment provides for repayment over a term greater than one year;
(ii) any Member of the Obligated Group has unused availability with respect to such Short-Term Debt under the long-term portion of its syndicated credit facility or other similar facility and such facility or facilities have more than one year of term left from the date as of which “Unrestricted Cash and Investments” is then being calculated; or

(iii) such Short-Term Debt was incurred for acquisitions, mergers or capital projects for a Member of the Obligated Group pending placement of long-term financing.

Debt Service Coverage Ratio. The Obligated Group will have, as of the end of each fiscal quarter of the Obligated Group, a Debt Service Coverage Ratio of not less than 1.15:1.00, calculated on a rolling four-quarter basis.

Liquidity Covenant. The Obligated Group will have Unrestricted Cash and Investments equal to at least 75 Days of Combined Operating Expenses (a) as of each June 30, as reflected on the Combined unaudited financial statements of the Obligated Group as of such June 30, and (b) as of each December 31, as reflected on the Combined audited financial statements of the Obligated Group as of such December 31.

Debt to Capitalization Ratio. The Obligated Group will have, as of the end of each fiscal quarter of the Obligated Group, a Debt to Capitalization Ratio of less than 0.65:1.00, calculated quarterly on the last day of such fiscal quarter.

**ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012C PURCHASER**

General. The Series 2012C Supplemental Indenture contains certain covenants and restrictions (the “Series 2012C Purchaser Covenants”) for the benefit of the Series 2012C Purchaser that apply in addition to, and not in substitution for, the terms and provisions of the Master Indenture. The Series 2012C Purchaser Covenants are identical in all material respects to the Series 2012B Purchaser Covenants, as summarized above in this APPENDIX C under the caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012B PURCHASER”, except that references to the “Series 2012B Bond Indenture,” “Series 2012B Bonds,” “Series 2012B Bond Trustee,” “Series 2012B Note,” “Series 2012B Purchaser” and “Series 2012B Supplemental Indenture” contained under such caption shall be read and interpreted as meaning the “Series 2012C Bond Indenture,” “Series 2012C Bonds,” “Series 2012C Bond Trustee,” “Series 2012C Note,” “Series 2012C Purchaser” and “Series 2012C Supplemental Indenture,” respectively, as such terms are hereafter defined in this APPENDIX C.

The Series 2012C Purchaser Covenants shall be enforceable by the Master Trustee and shall only be applicable during the period the Series 2012C Bonds (a) are Outstanding under the Series 2012C Bond Indenture, (b) are operating in the Initial Rate Period (as defined in the Series 2012C Bond Indenture) commencing on the date of issuance of the Series 2012C Bonds and (c) are owned by the Series 2012C Purchaser or any other Approved Home Office Payment Bondholder (as defined in the Series 2012C Bond Indenture). Any one or more of the Series
2012C Purchaser Covenants may be modified, amended or waived at any time with the prior written consent of the Series 2012C Purchaser and any other Approved Home Office Payment Bondholder, if then owning Series 2012C Bonds, and without the consent of the Master Trustee, the Series 2012C Bond Trustee, any other Related Bond Trustee, the holder of the Series 2012C Note or any other Master Notes, any other owner of any Series 2012C Bonds or any other Related Bonds or any other Person. A failure to comply with any of the Series 2012C Purchaser Covenants shall constitute an Event of Default under the Master Indenture. Additionally, during the period that the Series 2012C Purchaser Covenants are applicable as described above, such Series 2012C Purchaser Covenants may not be modified, amended or waived at any time without the prior written consent of the Series 2012C Purchaser.

Additional Definitions. The following defined terms apply only to the provisions summarized under this caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012C PURCHASER.” Other terms which are capitalized herein but not defined herein shall have the meanings assigned to them in the Master Indenture and the Series 2012C Supplemental Indenture.

“Series 2012C Bond Indenture” means the Trust Indenture dated as of August 1, 2012, between the Highlands County Health Facilities Authority and the Series 2012C Bond Trustee, and all amendments and supplements thereto, providing for the issuance of the Series 2012C Bonds.

“Series 2012C Bond Trustee” means U.S. Bank National Association, a national banking association, as bond trustee under the Series 2012C Bond Indenture, and any successor bond trustee under the Series 2012C Bond Indenture.

“Series 2012C Bonds” means one or more of the $74,580,000 aggregate principal amount of Highlands County Health Facilities Authority Hospital Revenue Refunding Bonds, Series 2012C (Adventist Health System/Sunbelt Obligated Group).

“Series 2012C Note” means the particular note issued under the Series 2012C Supplemental Indenture and the Master Indenture to evidence the loans made to the respective borrowers from the proceeds of the Series 2012C Bonds.

“Series 2012C Purchaser” means Siemens Public, Inc.

“Series 2012C Supplemental Indenture” means Supplemental Indenture Number 192 dated as of August 1, 2012, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture.

ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012D PURCHASER

General. The Series 2012D Supplemental Indenture contains certain covenants and restrictions (the “Series 2012D Purchaser Covenants”) for the benefit of the Series 2012D Purchaser that apply in addition to, and not in substitution for, the terms and provisions of the
Master Indenture. The Series 2012D Purchaser Covenants are identical in all material respects to the Series 2012B Purchaser Covenants, as summarized above in this APPENDIX C under the caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012B PURCHASER,” except that references to the “Series 2012B Bond Indenture,” “Series 2012B Bonds,” “Series 2012B Bond Trustee,” “Series 2012B Note,” “Series 2012B Purchaser” and “Series 2012B Supplemental Indenture” contained under such caption shall be read and interpreted as meaning the “Series 2012D Bond Indenture,” “Series 2012D Bonds,” “Series 2012D Bond Trustee,” “Series 2012D Note,” “Series 2012D Purchaser” and “Series 2012D Supplemental Indenture,” respectively, as such terms are hereafter defined in this APPENDIX C.

The Series 2012D Purchaser Covenants shall be enforceable by the Master Trustee and shall only be applicable during the period the Series 2012D Bonds (a) are Outstanding under the Series 2012D Bond Indenture, (b) are operating in the Initial Rate Period (as defined in the Series 2012D Bond Indenture) commencing on the date of issuance of the Series 2012D Bonds and (c) are owned by the Series 2012D Purchaser or any other Approved Home Office Payment Bondholder (as defined in the Series 2012D Bond Indenture). Any one or more of the Series 2012D Purchaser Covenants may be modified, amended or waived at any time with the prior written consent of the Series 2012D Purchaser and any other Approved Home Office Payment Bondholder, if then owning Series 2012D Bonds, and without the consent of the Master Trustee, the Series 2012D Bond Trustee, any other Related Bond Trustee, the holder of the Series 2012D Note or any other Master Notes, any other owner of any Series 2012D Bonds or any other Related Bonds or any other Person. A failure to comply with any of the Series 2012D Purchaser Covenants shall constitute an Event of Default under the Master Indenture.

Additional Definitions. The following defined terms apply only to the provisions summarized under this caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012D PURCHASER.” Other terms which are capitalized herein but not defined herein shall have the meanings assigned to them in the Master Indenture and the Series 2012D Supplemental Indenture.

“Series 2012D Bond Indenture” means the Trust Indenture dated as of August 1, 2012, between the Highlands County Health Facilities Authority and the Series 2012D Bond Trustee, and all amendments and supplements thereto, providing for the issuance of the Series 2012D Bonds.


“Series 2012D Bonds” means one or more of the $49,805,000 aggregate principal amount of Highlands County Health Facilities Authority Hospital Revenue Refunding Bonds, Series 2012D (Adventist Health System/Sunbelt Obligated Group).
“Series 2012D Note” means the particular note issued under the Series 2012D Supplemental Indenture and the Master Indenture to evidence the loans made to the respective borrowers from the proceeds of the Series 2012D Bonds.

“Series 2012D Purchaser” means T.D. Bank, N.A.

“Series 2012D Supplemental Indenture” means Supplemental Indenture Number 193 dated as of August 1, 2012, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture.

**ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012E PURCHASER**

**General.** The Series 2012E Supplemental Indenture contains certain covenants and restrictions (the “Series 2012E Purchaser Covenants”) for the benefit of the Series 2012E Purchaser that apply in addition to, and not in substitution for, the terms and provisions of the Master Indenture. The Series 2012E Purchaser Covenants are identical in all material respects to the Series 2012B Purchaser Covenants, as summarized above in this APPENDIX C under the caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012B PURCHASER”, except that references to the “Series 2012B Bond Indenture,” “Series 2012B Bonds,” “Series 2012B Bond Trustee,” “Series 2012B Note,” “Series 2012B Purchaser” and “Series 2012B Supplemental Indenture” contained under such caption shall be read and interpreted as meaning the “Series 2012E Bond Indenture,” “Series 2012E Bonds,” “Series 2012E Bond Trustee,” “Series 2012E Note,” “Series 2012E Purchaser” and “Series 2012E Supplemental Indenture,” respectively, as such terms are hereafter defined in this APPENDIX C.

The Series 2012E Purchaser Covenants shall be enforceable by the Master Trustee and shall only be applicable during the period the Series 2012E Bonds (a) are Outstanding under the Series 2012E Bond Indenture, (b) are operating in the Initial Rate Period (as defined in the Series 2012E Bond Indenture) commencing on the date of issuance of the Series 2012E Bonds and (c) are owned by the Series 2012E Purchaser or any other Approved Home Office Payment Bondholder (as defined in the Series 2012E Bond Indenture). Any one or more of the Series 2012E Purchaser Covenants may be modified, amended or waived at any time with the prior written consent of the Series 2012E Purchaser and any other Approved Home Office Payment Bondholder, if then owning Series 2012E Bonds, and without the consent of the Master Trustee, the Series 2012E Bond Trustee, any other Related Bond Trustee, the holder of the Series 2012E Note or any other Master Notes, any other owner of any Series 2012E Bonds or any other Related Bonds or any other Person. A failure to comply with any of the Series 2012E Purchaser Covenants shall constitute an Event of Default under the Master Indenture. Additionally, during the period that the Series 2012E Purchaser Covenants are applicable as described above, such Series 2012E Purchaser Covenants may not be modified, amended or waived at any time without the prior written consent of the Series 2012E Purchaser.

**Additional Definitions.** The following defined terms apply only to the provisions summarized under this caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE
MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012E PURCHASER.” Other terms which are capitalized herein but not defined herein shall have the meanings assigned to them in the Master Indenture and the Series 2012E Supplemental Indenture.

“Series 2012E Bond Indenture” means the Trust Indenture dated as of August 1, 2012, between the Highlands County Health Facilities Authority and the Series 2012E Bond Trustee, and all amendments and supplements thereto, providing for the issuance of the Series 2012E Bonds.

“Series 2012E Bond Trustee” means U.S. Bank National Association, a national banking association, as bond trustee under the Series 2012E Bond Indenture, and any successor bond trustee under the Series 2012E Bond Indenture.

“Series 2012E Bonds” means one or more of the $99,815,000 aggregate principal amount of Highlands County Health Facilities Authority Hospital Revenue Refunding Bonds, Series 2012E (Adventist Health System/Sunbelt Obligated Group).

“Series 2012E Note” means the particular note issued under the Series 2012E Supplemental Indenture and the Master Indenture to evidence the loans made to the respective borrowers from the proceeds of the Series 2012E Bonds.

“Series 2012E Purchaser” means Compass Mortgage Corporation.

“Series 2012E Supplemental Indenture” means Supplemental Indenture Number 194 dated as of August 1, 2012, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture.

ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012G PURCHASER

General. The Series 2012G Supplemental Indenture contains certain covenants and restrictions (the “Series 2012G Purchaser Covenants”) for the benefit of the Series 2012G Purchaser that apply in addition to, and not in substitution for, the terms and provisions of the Master Indenture. The Series 2012G Purchaser Covenants are identical in all material respects to the Series 2012B Purchaser Covenants, as summarized above in this APPENDIX C under the caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012B PURCHASER”, except as follows:

(a) references to the “Series 2012B Bond Indenture,” “Series 2012B Bonds,” “Series 2012B Bond Trustee,” “Series 2012B Note,” “Series 2012B Purchaser” and “Series 2012B Supplemental Indenture” contained under such caption shall be read and interpreted as meaning the “Series 2012G Bond Indenture,” “Series 2012G Bonds,” “Series 2012G Bond Trustee,” “Series 2012G Note,” “Series 2012G Purchaser” and “Series 2012G Supplemental Indenture,” respectively, as such terms are hereafter defined in this APPENDIX C; and
(b) the Series 2012G Supplemental Indenture contains the following additional covenant: “The Obligated Group shall maintain a minimum long-term underlying rating of BBB/Baa2 from at least one of Moody’s, S&P or Fitch (each as defined in the Series 2012G Bond Indenture). Additionally, the Obligated Group agrees to promptly notify the Series 2012G Purchaser in the event of any change in any such rating.”

The Series 2012G Purchaser Covenants shall be enforceable by the Master Trustee and shall only be applicable during the period the Series 2012G Bonds (a) are Outstanding under the Series 2012G Bond Indenture, (b) are operating in the Initial Rate Period (as defined in the Series 2012G Bond Indenture) commencing on the date of issuance of the Series 2012G Bonds and (c) are owned by the Series 2012G Purchaser or any other Approved Home Office Payment Bondholder (as defined in the Series 2012G Bond Indenture). Any one or more of the Series 2012G Purchaser Covenants may be modified, amended or waived at any time with the prior written consent of the Series 2012G Purchaser and any other Approved Home Office Payment Bondholder, if then owning Series 2012G Bonds, and without the consent of the Master Trustee, the Series 2012G Bond Trustee, any other Related Bond Trustee, the holder of the Series 2012G Note or any other Master Notes, any other owner of any Series 2012G Bonds or any other Related Bonds or any other Person. A failure to comply with any of the Series 2012G Purchaser Covenants shall constitute an Event of Default under the Master Indenture.

Additional Definitions. The following defined terms apply only to the provisions summarized under this caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012G PURCHASER.” Other terms which are capitalized herein but not defined herein shall have the meanings assigned to them in the Master Indenture and the Series 2012G Supplemental Indenture.

“Series 2012G Bond Indenture” means the Trust Indenture dated as of August 1, 2012, between the Highlands County Health Facilities Authority and the Series 2012G Bond Trustee, and all amendments and supplements thereto, providing for the issuance of the Series 2012G Bonds.

“Series 2012G Bond Trustee” means U.S. Bank National Association, a national banking association, as bond trustee under the Series 2012G Bond Indenture, and any successor bond trustee under the Series 2012G Bond Indenture.

“Series 2012G Bonds” means one or more of the $62,500,000 aggregate principal amount of Highlands County Health Facilities Authority Hospital Revenue Refunding Bonds, Series 2012G (Adventist Health System/Sunbelt Obligated Group).

“Series 2012G Note” means the particular note issued under the Series 2012G Supplemental Indenture and the Master Indenture to evidence the loans made to the respective borrowers from the proceeds of the Series 2012G Bonds.

“Series 2012G Purchaser” means PNC Bank, National Association
“Series 2012G Supplemental Indenture” means Supplemental Indenture Number 196 dated as of August 1, 2012, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture.

ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012H PURCHASER

General. The Series 2012H Supplemental Indenture contains certain covenants and restrictions (the “Series 2012H Purchaser Covenants”) for the benefit of the Series 2012H Purchaser that apply in addition to, and not in substitution for, the terms and provisions of the Master Indenture. The Series 2012H Purchaser Covenants are identical in all material respects to the Series 2012B Purchaser Covenants, as summarized above in this APPENDIX C under the caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012B PURCHASER”, except as follows:

(a) references to the “Series 2012B Bond Indenture,” “Series 2012B Bonds,” “Series 2012B Bond Trustee,” “Series 2012B Note,” “Series 2012B Purchaser” and “Series 2012B Supplemental Indenture” contained under such caption shall be read and interpreted as meaning the “Series 2012H Bond Indenture,” “Series 2012H Bonds,” “Series 2012H Bond Trustee,” “Series 2012H Note,” “Series 2012H Purchaser” and “Series 2012H Supplemental Indenture,” respectively, as such terms are hereafter defined in this APPENDIX C; and

(b) the Series 2012H Supplemental Indenture contains the following additional covenant: “The Obligated Group shall maintain a minimum long-term underlying rating of BBB/Baa2 from at least one of Moody’s, S&P or Fitch (each as defined in the Series 2012H Bond Indenture). Additionally, the Obligated Group agrees to promptly notify the Series 2012H Purchaser in the event of any change in any such rating.”

The Series 2012H Purchaser Covenants shall be enforceable by the Master Trustee and shall only be applicable during the period the Series 2012H Bonds (a) are Outstanding under the Series 2012H Bond Indenture, (b) are operating in the Initial Rate Period (as defined in the Series 2012H Bond Indenture) commencing on the date of issuance of the Series 2012H Bonds and (c) are owned by the Series 2012H Purchaser or any other Approved Home Office Payment Bondholder (as defined in the Series 2012H Bond Indenture). Any one or more of the Series 2012H Purchaser Covenants may be modified, amended or waived at any time with the prior written consent of the Series 2012H Purchaser and any other Approved Home Office Payment Bondholder, if then owning Series 2012H Bonds, and without the consent of the Master Trustee, the Series 2012H Bond Trustee, any other Related Bond Trustee, the holder of the Series 2012H Note or any other Master Notes, any other owner of any Series 2012H Bonds or any other Related Bonds or any other Person. A failure to comply with any of the Series 2012H Purchaser Covenants shall constitute an Event of Default under the Master Indenture.

Additional Definitions. The following defined terms apply only to the provisions summarized under this caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE
“Series 2012H Bond Indenture” means the Trust Indenture dated as of August 1, 2012, between the Highlands County Health Facilities Authority and the Series 2012H Bond Trustee, and all amendments and supplements thereto, providing for the issuance of the Series 2012H Bonds.

“Series 2012H Bond Trustee” means U.S. Bank National Association, a national banking association, as bond trustee under the Series 2012H Bond Indenture, and any successor bond trustee under the Series 2012H Bond Indenture.

“Series 2012H Bonds” means one or more of the $62,500,000 aggregate principal amount of Highlands County Health Facilities Authority Hospital Revenue Refunding Bonds, Series 2012H (Adventist Health System/Sunbelt Obligated Group).

“Series 2012H Note” means the particular note issued under the Series 2012H Supplemental Indenture and the Master Indenture to evidence the loans made to the respective borrowers from the proceeds of the Series 2012H Bonds.

“Series 2012H Purchaser” means PNC Bank, National Association

“Series 2012H Supplemental Indenture” means Supplemental Indenture Number 197 dated as of August 1, 2012, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture.

**ADDITIONAL COVENANTS AND_RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2013A PURCHASER**

**General.** The Series 2013A Supplemental Indenture contains certain covenants and restrictions (the “Series 2013A Purchaser Covenants”) for the benefit of the Series 2013A Purchaser that apply in addition to, and not in substitution for, the terms and provisions of the Master Indenture. The Series 2013A Purchaser Covenants are identical in all material respects to the Series 2012B Purchaser Covenants, as summarized above in this APPENDIX C under the caption “ADDITIONAL COVENANTS AND Restrictions UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012B PURCHASER”, except as follows:

(a) references to the “Series 2012B Bond Indenture,” “Series 2012B Bonds,” “Series 2012B Bond Trustee,” “Series 2012B Note,” “Series 2012B Purchaser” and “Series 2012B Supplemental Indenture” contained under such caption shall be read and interpreted as meaning the “Series 2013A Bond Indenture,” “Series 2013A Bonds,” “Series 2013A Bond Trustee,” “Series 2013A Note,” “Series 2013A Purchaser” and “Series 2013A Supplemental Indenture,” respectively, as such terms are hereafter defined in this APPENDIX C;
(b) the Liquidity Covenant appearing therein shall be read as follows: “The Obligated Group will have Unrestricted Cash and Investments equal to at least 65 Days of Combined Operating Expenses (a) as of each June 30, as reflected on the Combined unaudited financial statements of the Obligated Group as of such June 30, and (b) as of each December 31, as reflected on the Combined audited financial statements of the Obligated Group as of such December 31;” and

(c) the Series 2013A Supplemental Indenture contains the following additional covenant: (a) The Obligated Group will at all times maintain at least two of the following long-term debt ratings: from Moody’s - Baa2 or higher; from S&P - BBB or higher; and from Fitch - BBB or higher. (b) On November 15, 2029, the Obligated Group must provide the Purchaser with evidence that the Obligated Group then maintains long-term debt ratings from Moody’s of Baa1 or higher and from S&P of BBB+ or higher.

The Series 2013A Purchaser Covenants shall be enforceable by the Master Trustee and shall only be applicable during the period the Series 2013A Bonds (a) are Outstanding under the Series 2013A Bond Indenture, and (b) are owned by the Series 2013A Purchaser or any other Approved Home Office Payment Bondholder (as defined in the Series 2013A Bond Indenture). Any one or more of the Series 2013A Purchaser Covenants may be modified, amended or waived at any time with the prior written consent of the Series 2013A Purchaser and any other Approved Home Office Payment Bondholder, if then owning Series 2013A Bonds, and without the consent of the Master Trustee, the Series 2013A Bond Trustee, any other Related Bond Trustee, the holder of the Series 2013A Note or any other Master Notes, any other owner of any Series 2013A Bonds or any other Related Bonds or any other Person. A failure to comply with any of the Series 2013A Purchaser Covenants shall constitute an Event of Default under the Master Indenture. Additionally, during the period that the Series 2013A Purchaser Covenants are applicable as described above, such Series 2013A Purchaser Covenants may not be modified, amended or waived at any time without the prior written consent of the Series 2013A Purchaser.

Additional Definitions. The following defined terms apply only to the provisions summarized under this caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2013A PURCHASER.” Other terms which are capitalized herein but not defined herein shall have the meanings assigned to them in the Master Indenture and the Series 2013A Supplemental Indenture.

“Series 2013A Bond Indenture” means the Trust Indenture dated as of September 1, 2013, between the Highlands County Health Facilities Authority and the Series 2013A Bond Trustee, and all amendments and supplements thereto, providing for the issuance of the Series 2013A Bonds.

“Series 2013A Bond Trustee” means U.S. Bank National Association, a national banking association, as bond trustee under the Series 2013A Bond Indenture, and any successor bond trustee under the Series 2013A Bond Indenture.
“Series 2013A Bonds” means one or more of the $227,500,000 aggregate principal amount of Highlands County Health Facilities Authority Hospital Revenue Bonds, Series 2013A (Adventist Health System/Sunbelt Obligated Group).

“Series 2013A Note” means the particular note issued under the Series 2013A Supplemental Indenture and the Master Indenture to evidence the loans made to the respective borrowers from the proceeds of the Series 2013A Bonds.

“Series 2013A Purchaser” means Bank of America, N.A.

“Series 2013A Supplemental Indenture” means Supplemental Indenture Number 200 dated as of September 1, 2013, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture.

**ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2014A PURCHASER**

**General.** The Series 2014A Supplemental Indenture contains certain covenants and restrictions (the “Series 2014A Purchaser Covenants”) for the benefit of the Series 2014A Purchaser that apply in addition to, and not in substitution for, the terms and provisions of the Master Indenture. The Series 2014A Purchaser Covenants are identical in all material respects to the Series 2012B Purchaser Covenants, as summarized above in this APPENDIX C under the caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012B PURCHASER”, except that references to the “Series 2012B Bond Indenture,” “Series 2012B Bonds,” “Series 2012B Bond Trustee,” “Series 2012B Note,” “Series 2012B Purchaser” and “Series 2012B Supplemental Indenture” contained under such caption shall be read and interpreted as meaning the “Series 2014A Bond Indenture,” “Series 2014A Bonds,” “Series 2014A Bond Trustee,” “Series 2014A Note,” “Series 2014A Purchaser” and “Series 2014A Supplemental Indenture,” respectively, as such terms are hereafter defined in this APPENDIX C.

The Series 2014A Purchaser Covenants shall be enforceable by the Master Trustee and shall only be applicable during the period the Series 2014A Bonds (a) are Outstanding under the Series 2014A Bond Indenture, and (b) are owned by the Series 2014A Purchaser or any other Approved Home Office Payment Bondholder (as defined in the Series 2014A Bond Indenture). Any one or more of the Series 2014A Purchaser Covenants may be modified, amended or waived at any time with the prior written consent of the Series 2014A Purchaser and any other Approved Home Office Payment Bondholder, if then owning Series 2014A Bonds, and without the consent of the Master Trustee, the Series 2014A Bond Trustee, any other Related Bond Trustee, the holder of the Series 2014A Note or any other Master Notes, any other owner of any Series 2014A Bonds or any other Related Bonds or any other Person. A failure to comply with any of the Series 2014A Purchaser Covenants shall constitute an Event of Default under the Master Indenture. Additionally, during the period that the Series 2014A Purchaser Covenants are applicable as described above, such Series 2014A Purchaser Covenants may not be modified, amended or waived at any time without the prior written consent of the Series 2014A Purchaser.
Additional Definitions. The following defined terms apply only to the provisions summarized under this caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2014A PURCHASER.” Other terms which are capitalized herein but not defined herein shall have the meanings assigned to them in the Master Indenture and the Series 2014A Supplemental Indenture.

“Series 2014A Bond Indenture” means the Trust Indenture dated as of July 1, 2014, between the Highlands County Health Facilities Authority and the Series 2014A Bond Trustee, and all amendments and supplements thereto, providing for the issuance of the Series 2014A Bonds.


“Series 2014A Bonds” means one or more of the $50,000,000 aggregate principal amount of Highlands County Health Facilities Authority Hospital Revenue Bonds, Series 2014A (Adventist Health System/Sunbelt Obligated Group).

“Series 2014A Note” means the particular note issued under the Series 2014A Supplemental Indenture and the Master Indenture to evidence the loans made to the respective borrowers from the proceeds of the Series 2014A Bonds.

“Series 2014A Purchaser” means T.D. Bank, N.A.

“Series 2014A Supplemental Indenture” means Supplemental Indenture Number 203 dated as of July 1, 2014, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture.

ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2014B PURCHASER

General. The Series 2014B Supplemental Indenture contains certain covenants and restrictions (the “Series 2014B Purchaser Covenants”) for the benefit of the Series 2014B Purchaser that apply in addition to, and not in substitution for, the terms and provisions of the Master Indenture. The Series 2014B Purchaser Covenants are identical in all material respects to the Series 2012B Purchaser Covenants, as summarized above in this APPENDIX C under the caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012B PURCHASER”, except that references to the “Series 2012B Bond Indenture,” “Series 2012B Bonds,” “Series 2012B Bond Trustee,” “Series 2012B Note,” “Series 2012B Purchaser” and “Series 2012B Supplemental Indenture” contained under such caption shall be read and interpreted as meaning the “Series 2014B Bond Indenture,” “Series 2014B Bonds,” “Series 2014B Bond Trustee,” “Series 2014B Note,” “Series 2014B Purchaser” and “Series 2014B Supplemental Indenture,” respectively, as such terms are hereafter defined in this APPENDIX C.
The Series 2014B Purchaser Covenants shall be enforceable by the Master Trustee and shall only be applicable during the period the Series 2014B Bonds (a) are Outstanding under the Series 2014B Bond Indenture, and (b) are owned by the Series 2014B Purchaser or any other Approved Home Office Payment Bondholder (as defined in the Series 2014B Bond Indenture). Any one or more of the Series 2014B Purchaser Covenants may be modified, amended or waived at any time with the prior written consent of the Series 2014B Purchaser and any other Approved Home Office Payment Bondholder, if then owning Series 2014B Bonds, and without the consent of the Master Trustee, the Series 2014B Bond Trustee, any other Related Bond Trustee, the holder of the Series 2014B Note or any other Master Notes, any other owner of any Series 2014B Bonds or any other Related Bonds or any other Person. A failure to comply with any of the Series 2014B Purchaser Covenants shall constitute an Event of Default under the Master Indenture. Additionally, during the period that the Series 2014B Purchaser Covenants are applicable as described above, such Series 2014B Purchaser Covenants may not be modified, amended or waived at any time without the prior written consent of the Series 2014B Purchaser.

Additional Definitions. The following defined terms apply only to the provisions summarized under this caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2014B PURCHASER.” Other terms which are capitalized herein but not defined herein shall have the meanings assigned to them in the Master Indenture and the Series 2014B Supplemental Indenture.

“Series 2014B Bond Indenture” means the Trust Indenture dated as of July 1, 2014, between the Orange County Health Facilities Authority and the Series 2014B Bond Trustee, and all amendments and supplements thereto, providing for the issuance of the Series 2014B Bonds.


“Series 2014B Bonds” means one or more of the $50,000,000 aggregate principal amount of Orange County Health Facilities Authority Hospital Revenue Bonds, Series 2014B (Adventist Health System/Sunbelt Obligated Group).

“Series 2014B Note” means the particular note issued under the Series 2014B Supplemental Indenture and the Master Indenture to evidence the loans made to the respective borrowers from the proceeds of the Series 2014B Bonds.

“Series 2014B Purchaser” means T.D. Bank, N.A.

“Series 2014B Supplemental Indenture” means Supplemental Indenture Number 204 dated as of July 1, 2014, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture.
ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2014C PURCHASER

General. The Series 2014C Supplemental Indenture contains certain covenants and restrictions (the “Series 2014C Purchaser Covenants”) for the benefit of the Series 2014C Purchaser that apply in addition to, and not in substitution for, the terms and provisions of the Master Indenture. The Series 2014C Purchaser Covenants are identical in all material respects to the Series 2012B Purchaser Covenants, as summarized above in this APPENDIX C under the caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012B PURCHASER”, except that references to the “Series 2012B Bond Indenture,” “Series 2012B Bonds,” “Series 2012B Bond Trustee,” “Series 2012B Note,” “Series 2012B Purchaser” and “Series 2012B Supplemental Indenture” contained under such caption shall be read and interpreted as meaning the “Series 2014C Bond Indenture,” “Series 2014C Bonds,” “Series 2014C Bond Trustee,” “Series 2014C Note,” “Series 2014C Purchaser” and “Series 2014C Supplemental Indenture,” respectively, as such terms are hereafter defined in this APPENDIX C.

The Series 2014C Purchaser Covenants shall be enforceable by the Master Trustee and shall only be applicable during the period the Series 2014C Bonds (a) are Outstanding under the Series 2014C Bond Indenture, and (b) are owned by the Series 2014C Purchaser or any other Approved Home Office Payment Bondholder (as defined in the Series 2014C Bond Indenture). Any one or more of the Series 2014C Purchaser Covenants may be modified, amended or waived at any time with the prior written consent of the Series 2014C Purchaser and any other Approved Home Office Payment Bondholder, if then owning Series 2014C Bonds, and without the consent of the Master Trustee, the Series 2014C Bond Trustee, any other Related Bond Trustee, the holder of the Series 2014C Note or any other Master Notes, any other owner of any Series 2014C Bonds or any other Related Bonds or any other Person. A failure to comply with any of the Series 2014C Purchaser Covenants shall constitute an Event of Default under the Master Indenture. Additionally, during the period that the Series 2014C Purchaser Covenants are applicable as described above, such Series 2014C Purchaser Covenants may not be modified, amended or waived at any time without the prior written consent of the Series 2014C Purchaser.

Additional Definitions. The following defined terms apply only to the provisions summarized under this caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2014C PURCHASER.” Other terms which are capitalized herein but not defined herein shall have the meanings assigned to them in the Master Indenture and the Series 2014C Supplemental Indenture.

“Series 2014C Bond Indenture” means the Trust Indenture dated as of July 1, 2014, between the Kansas Development Finance Authority and the Series 2014C Bond Trustee, and all amendments and supplements thereto, providing for the issuance of the Series 2014C Bonds.

“Series 2014C Bond Trustee” means U.S. Bank National Association, a national banking association, as bond trustee under the Series 2014C Bond Indenture, and any successor bond trustee under the Series 2014C Bond Indenture.
“Series 2014C Bonds” means one or more of the $30,000,000 aggregate principal amount of Kansas Development Finance Authority Hospital Revenue Bonds, Series 2014C (Adventist Health System/Sunbelt Obligated Group).

“Series 2014C Note” means the particular note issued under the Series 2014C Supplemental Indenture and the Master Indenture to evidence the loans made to the respective borrowers from the proceeds of the Series 2014C Bonds.

“Series 2014C Purchaser” means T.D. Bank, N.A.

“Series 2014C Supplemental Indenture” means Supplemental Indenture Number 205 dated as of July 1, 2014, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture.

ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2014D PURCHASER

General. The Series 2014D Supplemental Indenture contains certain covenants and restrictions (the “Series 2014D Purchaser Covenants”) for the benefit of the Series 2014D Purchaser that apply in addition to, and not in substitution for, the terms and provisions of the Master Indenture. The Series 2014D Purchaser Covenants are identical in all material respects to the Series 2012B Purchaser Covenants, as summarized above in this APPENDIX C under the caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012B PURCHASER”, except that references to the “Series 2012B Bond Indenture,” “Series 2012B Bonds,” “Series 2012B Bond Trustee,” “Series 2012B Note,” “Series 2012B Purchaser” and “Series 2012B Supplemental Indenture” contained under such caption shall be read and interpreted as meaning the “Series 2014D Bond Indenture,” “Series 2014D Bonds,” “Series 2014D Bond Trustee,” “Series 2014D Note,” “Series 2014D Purchaser” and “Series 2014D Supplemental Indenture,” respectively, as such terms are hereafter defined in this APPENDIX C.

The Series 2014D Purchaser Covenants shall be enforceable by the Master Trustee and shall only be applicable during the period the Series 2014D Bonds (a) are Outstanding under the Series 2014D Bond Indenture, and (b) are owned by the Series 2014D Purchaser or any other Approved Home Office Payment Bondholder (as defined in the Series 2014D Bond Indenture). Any one or more of the Series 2014D Purchaser Covenants may be modified, amended or waived at any time with the prior written consent of the Series 2014D Purchaser and any other Approved Home Office Payment Bondholder, if then owning Series 2014D Bonds, and without the consent of the Master Trustee, the Series 2014D Bond Trustee, any other Related Bond Trustee, the holder of the Series 2014D Note or any other Master Notes, any other owner of any Series 2014D Bonds or any other Related Bonds or any other Person. A failure to comply with any of the Series 2014D Purchaser Covenants shall constitute an Event of Default under the Master Indenture. Additionally, during the period that the Series 2014D Purchaser Covenants are applicable as described above, such Series 2014D Purchaser Covenants may not be modified, amended or waived at any time without the prior written consent of the Series 2014D Purchaser.
Additional Definitions. The following defined terms apply only to the provisions summarized under this caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2014D PURCHASER.” Other terms which are capitalized herein but not defined herein shall have the meanings assigned to them in the Master Indenture and the Series 2014D Supplemental Indenture.

“Series 2014D Bond Indenture” means the Trust Indenture dated as of July 1, 2014, between the Highlands County Health Facilities Authority and the Series 2014D Bond Trustee, and all amendments and supplements thereto, providing for the issuance of the Series 2014D Bonds.


“Series 2014D Bonds” means one or more of the $60,000,000 aggregate principal amount of Highlands County Health Facilities Authority Hospital Revenue Refunding Bonds, Series 2014D (Adventist Health System/Sunbelt Obligated Group).

“Series 2014D Note” means the particular note issued under the Series 2014D Supplemental Indenture and the Master Indenture to evidence the loans made to the respective borrowers from the proceeds of the Series 2014D Bonds.

“Series 2014D Purchaser” means T.D. Bank, N.A.

“Series 2014D Supplemental Indenture” means Supplemental Indenture Number 206 dated as of July 1, 2014, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture.

ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2017A PURCHASER

General. The Series 2017A Supplemental Indenture contains certain covenants and restrictions (the “Series 2017A Purchaser Covenants”) for the benefit of the Series 2017A Purchaser that apply in addition to, and not in substitution for, the terms and provisions of the Master Indenture. The Series 2017A Purchaser Covenants are identical in all material respects to the Series 2012B Purchaser Covenants, as summarized above in this APPENDIX C under the caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012B PURCHASER”, except as follows:

(a) references to the “Series 2012B Bond Indenture,” “Series 2012B Bonds,” “Series 2012B Bond Trustee,” “Series 2012B Note,” “Series 2012B Purchaser” and “Series 2012B Supplemental Indenture” contained under such caption shall be read and interpreted as meaning the “Series 2017A Bond Indenture,” “Series 2017A Bonds,” “Series 2017A Bond Trustee,” “Series 2017A Note,” “Series 2017A Purchaser” and
“Series 2017A Supplemental Indenture,” respectively, as such terms are hereafter defined in this Appendix C;

(b) the Liquidity Covenant appearing therein shall be read as follows: “The Obligated Group will have Unrestricted Cash and Investments equal to at least 65 Days of Combined Operating Expenses (a) as of each June 30, as reflected on the Combined unaudited financial statements of the Obligated Group as of such June 30, and (b) as of each December 31, as reflected on the Combined audited financial statements of the Obligated Group as of such December 31;” and

(c) the Series 2017A Supplemental Indenture contains the following additional covenant: The Obligated Group will at all times maintain at least two of the following long-term debt ratings: from Moody’s - Baa2 or higher; from S&P - BBB or higher; and from Fitch - BBB or higher.

The Series 2017A Purchaser Covenants shall be enforceable by the Master Trustee and shall only be applicable during the period the Series 2017A Bonds (a) are Outstanding under the Series 2017A Bond Indenture, and (b) are owned by the Series 2017A Purchaser. Any one or more of the Series 2017A Purchaser Covenants may be modified, amended or waived at any time with the prior written consent of the Series 2017A Purchaser, and without the consent of the Master Trustee, the Series 2017A Bond Trustee, any other Related Bond Trustee, the holder of the Series 2017A Note or any other Master Notes, any other owner of any Series 2017A Bonds or any other Related Bonds or any other Person. A failure to comply with any of the Series 2017A Purchaser Covenants shall constitute an Event of Default under the Master Indenture. Additionally, during the period that the Series 2017A Purchaser Covenants are applicable as described above, such Series 2017A Purchaser Covenants may not be modified, amended or waived at any time without the prior written consent of the Series 2017A Purchaser.

Additional Definitions. The following defined terms apply only to the provisions summarized under this caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2017A PURCHASER.” Other terms which are capitalized herein but not defined herein shall have the meanings assigned to them in the Master Indenture and the Series 2017A Supplemental Indenture.

“Combined,” when used as part of a defined term, means such term as determined on a combined basis for the Obligated Group as though such combination were required by GAAP at the time in effect, regardless of whether such combination is in fact so required. Any such determination shall be made on the basis of either the most recently available audited combined financial statements of the Obligated Group, if such exist, or the most recently available audited financial statements of each Member.

“Series 2017A Bond Indenture” means the Bond Trust Indenture dated as of July 1, 2017, between the Orange County Health Facilities Authority and the Series 2017A Bond Trustee, and all amendments and supplements thereto, providing for the issuance of the Series 2017A Bonds.
“Series 2017A Bond Trustee” means U.S. Bank National Association, a national banking association, as bond trustee under the Series 2017A Bond Indenture, and any successor bond trustee under the Series 2017A Bond Indenture.

“Series 2017A Bonds” means one or more of the $44,750,000 aggregate principal amount of Orange County Health Facilities Authority Hospital Revenue Bonds, Series 2017A (Adventist Health System/Sunbelt Obligated Group).

“Series 2017A Note” means the particular note issued under the Series 2017A Supplemental Indenture and the Master Indenture to evidence the loans made to the respective borrowers from the proceeds of the Series 2017A Bonds.

“Series 2017A Purchaser” means Banc of America Public Capital Corp.

“Series 2017A Supplemental Indenture” means Supplemental Indenture Number 217 dated as of July 1, 2017, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture.

**ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2017B PURCHASER**

**General.** The Series 2017B Supplemental Indenture contains certain covenants and restrictions (the “Series 2017B Purchaser Covenants”) for the benefit of the Series 2017B Purchaser that apply in addition to, and not in substitution for, the terms and provisions of the Master Indenture. The Series 2017B Purchaser Covenants are identical in all material respects to the Series 2012B Purchaser Covenants, as summarized above in this APPENDIX C under the caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012B PURCHASER”, except as follows:

(a) references to the “Series 2012B Bond Indenture,” “Series 2012B Bonds,” “Series 2012B Bond Trustee,” “Series 2012B Note,” “Series 2012B Purchaser” and “Series 2012B Supplemental Indenture” contained under such caption shall be read and interpreted as meaning the “Series 2017B Bond Indenture,” “Series 2017B Bonds,” “Series 2017B Bond Trustee,” “Series 2017B Note,” “Series 2017B Purchaser” and “Series 2017B Supplemental Indenture,” respectively, as such terms are hereafter defined in this APPENDIX C;

(b) the Liquidity Covenant appearing therein shall be read as follows: “The Obligated Group will have Unrestricted Cash and Investments equal to at least 65 Days of Combined Operating Expenses (a) as of each June 30, as reflected on the Combined unaudited financial statements of the Obligated Group as of such June 30, and (b) as of each December 31, as reflected on the Combined audited financial statements of the Obligated Group as of such December 31;” and

(c) the Series 2017B Supplemental Indenture contains the following additional covenant: The Obligated Group will at all times maintain at least two of the
following long-term debt ratings: from Moody’s - Baa2 or higher; from S&P - BBB or higher; and from Fitch - BBB or higher.

The Series 2017B Purchaser Covenants shall be enforceable by the Master Trustee and shall only be applicable during the period the Series 2017B Bonds (a) are Outstanding under the Series 2017B Bond Indenture, and (b) are owned by the Series 2017B Purchaser. Any one or more of the Series 2017B Purchaser Covenants may be modified, amended or waived at any time with the prior written consent of the Series 2017B Purchaser, and without the consent of the Master Trustee, the Series 2017B Bond Trustee, any other Related Bond Trustee, the holder of the Series 2017B Note or any other Master Notes, any other owner of any Series 2017B Bonds or any other Related Bonds or any other Person. A failure to comply with any of the Series 2017B Purchaser Covenants shall constitute an Event of Default under the Master Indenture. Additionally, during the period that the Series 2017B Purchaser Covenants are applicable as described above, such Series 2017B Purchaser Covenants may not be modified, amended or waived at any time without the prior written consent of the Series 2017B Purchaser.

Additional Definitions. The following defined terms apply only to the provisions summarized under this caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2017B PURCHASER.” Other terms which are capitalized herein but not defined herein shall have the meanings assigned to them in the Master Indenture and the Series 2017B Supplemental Indenture.

“Combined,” when used as part of a defined term, means such term as determined on a combined basis for the Obligated Group as though such combination were required by GAAP at the time in effect, regardless of whether such combination is in fact so required. Any such determination shall be made on the basis of either the most recently available audited combined financial statements of the Obligated Group, if such exist, or the most recently available audited financial statements of each Member.

“Series 2017B Bond Indenture” means the Bond Trust Indenture dated as of July 1, 2017, between the Highlands County Health Facilities Authority and the Series 2017B Bond Trustee, and all amendments and supplements thereto, providing for the issuance of the Series 2017B Bonds.


“Series 2017B Bonds” means one or more of the $50,750,000 aggregate principal amount of Highlands County Health Facilities Authority Hospital Revenue Bonds, Series 2017B (Adventist Health System/Sunbelt Obligated Group).

“Series 2017B Note” means the particular note issued under the Series 2017B Supplemental Indenture and the Master Indenture to evidence the loans made to the respective borrowers from the proceeds of the Series 2017B Bonds.
“Series 2017B Purchaser” means Banc of America Public Capital Corp.

“Series 2017B Supplemental Indenture” means Supplemental Indenture Number 218 dated as of July 1, 2017, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture.

**ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2017C PURCHASER**

**General.** The Series 2017C Supplemental Indenture contains certain covenants and restrictions (the “Series 2017C Purchaser Covenants”) for the benefit of the Series 2017C Purchaser that apply in addition to, and not in substitution for, the terms and provisions of the Master Indenture. The Series 2017C Purchaser Covenants are identical in all material respects to the Series 2012B Purchaser Covenants, as summarized above in this APPENDIX C under the caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012B PURCHASER”, except as follows:

(a) references to the “Series 2012B Bond Indenture,” “Series 2012B Bonds,” “Series 2012B Bond Trustee,” “Series 2012B Note,” “Series 2012B Purchaser” and “Series 2012B Supplemental Indenture” contained under such caption shall be read and interpreted as meaning the “Series 2017C Bond Indenture,” “Series 2017C Bonds,” “Series 2017C Bond Trustee,” “Series 2017C Note,” “Series 2017C Purchaser” and “Series 2017C Supplemental Indenture,” respectively, as such terms are hereafter defined in this APPENDIX C;

(b) the Liquidity Covenant appearing therein shall be read as follows: “The Obligated Group will have Unrestricted Cash and Investments equal to at least 65 Days of Combined Operating Expenses (a) as of each June 30, as reflected on the Combined unaudited financial statements of the Obligated Group as of such June 30, and (b) as of each December 31, as reflected on the Combined audited financial statements of the Obligated Group as of such December 31;” and

(c) the Series 2017C Supplemental Indenture contains the following additional covenant: The Obligated Group will at all times maintain at least two of the following long-term debt ratings: from Moody’s - Baa2 or higher; from S&P - BBB or higher; and from Fitch - BBB or higher.

The Series 2017C Purchaser Covenants shall be enforceable by the Master Trustee and shall only be applicable during the period the Series 2017C Bonds (a) are Outstanding under the Series 2017C Bond Indenture, and (b) are owned by the Series 2017C Purchaser. Any one or more of the Series 2017C Purchaser Covenants may be modified, amended or waived at any time with the prior written consent of the Series 2017C Purchaser, and without the consent of the Master Trustee, the Series 2017C Bond Trustee, any other Related Bond Trustee, the holder of the Series 2017C Note or any other Master Notes, any other owner of any Series 2017C Bonds or any other Related Bonds or any other Person. A failure to comply with any of the Series 2017C Purchaser Covenants shall constitute an Event of Default under the Master Indenture.
Additionally, during the period that the Series 2017C Purchaser Covenants are applicable as described above, such Series 2017C Purchaser Covenants may not be modified, amended or waived at any time without the prior written consent of the Series 2017C Purchaser.

Additional Definitions. The following defined terms apply only to the provisions summarized under this caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2017C PURCHASER.” Other terms which are capitalized herein but not defined herein shall have the meanings assigned to them in the Master Indenture and the Series 2017C Supplemental Indenture.

“Combined,” when used as part of a defined term, means such term as determined on a combined basis for the Obligated Group as though such combination were required by GAAP at the time in effect, regardless of whether such combination is in fact so required. Any such determination shall be made on the basis of either the most recently available audited combined financial statements of the Obligated Group, if such exist, or the most recently available audited financial statements of each Member.

“Series 2017C Bond Indenture” means the Bond Trust Indenture dated as of July 1, 2017, between the Kansas Development Finance Authority and the Series 2017C Bond Trustee, and all amendments and supplements thereto, providing for the issuance of the Series 2017C Bonds.


“Series 2017C Bonds” means one or more of the $45,250,000 aggregate principal amount of Kansas Development Finance Authority Hospital Revenue Bonds, Series 2017C (Adventist Health System/Sunbelt Obligated Group).

“Series 2017C Note” means the particular note issued under the Series 2017C Supplemental Indenture and the Master Indenture to evidence the loans made to the respective borrowers from the proceeds of the Series 2017C Bonds.

“Series 2017C Purchaser” means Banc of America Public Capital Corp.

“Series 2017C Supplemental Indenture” means Supplemental Indenture Number 219 dated as of July 1, 2017, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture.

ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2017D PURCHASER

General. The Series 2017D Supplemental Indenture contains certain covenants and restrictions (the “Series 2017D Purchaser Covenants”) for the benefit of the Series 2017D Purchaser that apply in addition to, and not in substitution for, the terms and provisions of the
Master Indenture. The Series 2017D Purchaser Covenants are identical in all material respects to the Series 2012B Purchaser Covenants, as summarized above in this APPENDIX C under the caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2012B PURCHASER”, except as follows:

(a) references to the “Series 2012B Bond Indenture,” “Series 2012B Bonds,” “Series 2012B Bond Trustee,” “Series 2012B Note,” “Series 2012B Purchaser” and “Series 2012B Supplemental Indenture” contained under such caption shall be read and interpreted as meaning the “Series 2017D Bond Indenture,” “Series 2017D Bonds,” “Series 2017D Bond Trustee,” “Series 2017D Note,” “Series 2017D Purchaser” and “Series 2017D Supplemental Indenture,” respectively, as such terms are hereafter defined in this APPENDIX C; and

(b) the Series 2017D Supplemental Indenture contains the following additional covenant: The Obligated Group will at all times maintain at least two of the following long-term debt ratings: from Moody’s - Baa2 or higher; from S&P - BBB or higher; and from Fitch - BBB or higher.

The Series 2017D Purchaser Covenants shall be enforceable by the Master Trustee and shall only be applicable during the period the Series 2017D Bonds (a) are Outstanding under the Series 2017D Bond Indenture, and (b) are owned by the Series 2017D Purchaser. Any one or more of the Series 2017D Purchaser Covenants may be modified, amended or waived at any time with the prior written consent of the Series 2017D Purchaser, and without the consent of the Master Trustee, the Series 2017D Bond Trustee, any other Related Bond Trustee, the holder of the Series 2017D Note or any other Master Notes, any other owner of any Series 2017D Bonds or any other Related Bonds or any other Person. A failure to comply with any of the Series 2017D Purchaser Covenants shall constitute an Event of Default under the Master Indenture. Additionally, during the period that the Series 2017D Purchaser Covenants are applicable as described above, such Series 2017D Purchaser Covenants may not be modified, amended or waived at any time without the prior written consent of the Series 2017D Purchaser.

Additional Definitions. The following defined terms apply only to the provisions summarized under this caption “ADDITIONAL COVENANTS AND RESTRICTIONS UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE SERIES 2017D PURCHASER.” Other terms which are capitalized herein but not defined herein shall have the meanings assigned to them in the Master Indenture and the Series 2017D Supplemental Indenture.

“Combined,” when used as part of a defined term, means such term as determined on a combined basis for the Obligated Group as though such combination were required by GAAP at the time in effect, regardless of whether such combination is in fact so required. Any such determination shall be made on the basis of either the most recently available audited combined financial statements of the Obligated Group, if such exist, or the most recently available audited financial statements of each Member.
“Series 2017D Bond Indenture” means the Bond Trust Indenture dated as of July 1, 2017, between the Colorado Health Facilities Authority and the Series 2017D Bond Trustee, and all amendments and supplements thereto, providing for the issuance of the Series 2017D Bonds.


“Series 2017D Bonds” means one or more of the $97,750,000 aggregate principal amount of Colorado Health Facilities Authority Hospital Revenue Bonds, Series 2017D (Adventist Health System/Sunbelt Obligated Group).

“Series 2017D Note” means the particular note issued under the Series 2017D Supplemental Indenture and the Master Indenture to evidence the loans made to the respective borrowers from the proceeds of the Series 2017D Bonds.


“Series 2017D Supplemental Indenture” means Supplemental Indenture Number 220 dated as of July 1, 2017, between the Obligated Group and the Master Trustee, and all supplements and amendments thereto, supplementing the Master Indenture.
APPENDIX D

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE BOND INDENTURE AND THE LOAN AGREEMENT
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INTRODUCTION

This Appendix D contains the definitions of certain terms used in, and summarizes the provisions of, the Bond Indenture and the Loan Agreement executed and delivered in connection with the Series 2019B Bonds described in the forepart of this Official Statement.

DEFINITIONS OF CERTAIN TERMS

The following terms shall have the following meanings when used in this Official Statement.

“Adjustment Date” means the first day of each Rate Period, including without limitation each Proposed Variable to Fixed Rate Conversion Date, each Proposed Fixed to Variable Rate Conversion Date and each FRN Conversion Date (each as defined in the Bond Indenture).

“Affiliate” means, with respect to any Person, any Person that directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person or is treated as a single employer with such first Person under Section 414(b) or (c) of the Code, and the regulations thereunder. A Person shall be deemed to control another Person for the purposes of this definition if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

“AHS/Georgia” means Adventist Health System Georgia, Inc., a Georgia not-for-profit corporation, and its successors and assigns.

“AMH” means Adventist Midwest Health, an Illinois not-for-profit corporation, and its successors and assigns.

“AMH Facilities” means the land, buildings and equipment used in the operation of the general acute care hospitals and related facilities owned and operated by AMH and located in Hinsdale and LaGrange, Illinois.

“Authority” means the Colorado Health Facilities Authority, an independent public body politic and corporate constituting a public instrumentality and a political subdivision of the State of Colorado, and its successors and assigns.

“Authority Act” means the Colorado Health Facilities Authority Act, Sections 25-25-101 through 25-25-131, Colorado Revised Statutes, as the same has heretofore been amended and as the same may hereafter be amended.

“Authorized Denominations” means, for Bonds, (i) during a Flexible, Daily, Weekly, One Month, Six Month or One Year Rate Period (each as defined in the Bond Indenture),
$100,000 and integral multiples of $5,000 in excess thereof, and (ii) during a Multiple Year Rate Period, including the Initial Rate Period commencing on the Closing Date, a FRN Interest Rate Period (as defined in the Bond Indenture) or a Fixed Rate Period, $5,000 and integral multiples thereof.

“Bolingbrook” means Adventist Bolingbrook Hospital, an Illinois not-for-profit corporation, and its successors and assigns.

“Bolingbrook Facilities” means the land, buildings and equipment used in the operation of the general acute care hospital and related facilities owned and operated by Bolingbrook and located in Bolingbrook, Illinois.

“Bond,” “Bonds” or “Series 2019B Bonds” means the $122,085,000 in aggregate principal amount of Colorado Health Facilities Authority Hospital Revenue Bonds, Series 2019B (AdventHealth Obligated Group), issued under the Bond Indenture as Bonds in a Flexible, FRN, Daily, Weekly, One Month, Six Month, One Year, Multiple Year or Fixed Rate Period, bearing interest at the Multi-Mode Rate (all as defined in the Bond Indenture).

“Bond Counsel” means any firm of nationally recognized municipal bond counsel designated by the Authority and acceptable to the Obligated Group and the Bond Trustee.

“Bondholder” or “holder” means the registered owner of any fully registered Bond as shown on the Bond Register.

“Bond Indenture” means the Trust Indenture dated as of August 1, 2019 between the Authority and the Bond Trustee, and all amendments and supplements thereto, related to the Series 2019B Bonds.

“Bond Purchase Agreement” means the Bond Purchase Agreement between the Authority and J.P. Morgan Securities LLC, for itself and as representative of the other underwriters named therein, and approved by the Obligated Group, providing for the sale of the Series 2019B Bonds.

“Bond Register” means the registration books of the Authority kept by the Bond Trustee to evidence the registration and transfer of the Bonds.

“Bond Registrar” means the Bond Trustee, as keeper of the Bond Register.

“Bond Sinking Fund” means the fund by that name created by the Bond Indenture to provide for payment of the principal of the Series 2019B Bonds.

“Bond Trustee” means U.S. Bank National Association, a national banking association, as trustee under the Bond Indenture, and any successor trustee under the Bond Indenture.

“Bond Trustee’s Agent” means any agent designated by a Bond Trustee pursuant to the provisions of the Bond Indenture and at the time serving in that capacity.
“Borrower Bond” means any Bond (a) registered in the name of, or the beneficial ownership of which is, or which the Bond Trustee actually knows is owned or held by, any Borrower or any Affiliate of any Borrower or any Insider, or owned or held by the Bond Trustee or an agent of the Bond Trustee for the account of any Borrower, any Affiliate of any Borrower or any Insider or (b) with respect to which any Borrower, any Affiliate of any Borrower or any Insider has notified the Bond Trustee, or which the Bond Trustee actually knows, were purchased by another Person for the account of any Borrower, any Affiliate of any Borrower or Insider by any Person, directly or indirectly controlling or controlled by or under the direct or indirect common control with any Borrower, any Affiliate of any Borrower or any Insider.

“Borrowers” means, collectively, Bolingbrook, Sunbelt, AMH, Ocala, Waterman, MHS, Flagler, West Volusia, PPHCHS, PorterCare, Shawnee Mission, SVHC and UCH.

“Business Day” means any day other than (i) a Saturday, a Sunday or any other day on which banks located in the cities in which the principal offices of the Bond Trustee, the Calculation Agent (as defined in the Bond Indenture) (if any), the Tender Agent (if any), the Remarketing Agent (if any), Sunbelt or the Support Facility Provider (as defined in the Bond Indenture), if any, are located, or the city in which the office of any Support Facility Provider from which payments are made pursuant to a Support Facility then in effect is located, are authorized or required to remain closed or (ii) a day on which the New York Stock Exchange is closed.

“Chippewa” means Chippewa Valley Hospital & Oakview Care Center, Inc., a Wisconsin not-for-profit corporation, and its successors and assigns.

“Closing Date” means the date of the original authentication and delivery of the Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations proposed or promulgated thereunder or under the Internal Revenue Code of 1954, as amended, if appropriate, as published in the Federal Register.

“Conversion Date” means each Fixed to Variable Rate Conversion Date and each Variable to Fixed Rate Conversion Date, as the context may require.

“Credit Facility” means any bond insurance policy, surety bond, letter of credit, line of credit, bond purchase agreement or similar facility providing security for the payment of principal of and interest on the Bonds.

“Dade City” means Florida Hospital Dade City, Inc., a Florida not-for-profit corporation, and its successors and assigns.

“Debt Service Reserve Fund” means the fund by that name created by the Bond Indenture. **No amounts will be deposited in the Debt Service Reserve Fund on the Closing Date.**
“Debt Service Reserve Fund Requirement” means the amount, if any, specified to the Bond Trustee at any time by the President or any Vice President of Sunbelt, or by any other officer of Sunbelt designated in writing to the Bond Trustee, as the amount being deposited by Sunbelt into the Debt Service Reserve Fund as additional security for the Bonds.

“DTC” means The Depository Trust Company, New York, New York, and any successor corporation.

“Eligible Moneys” means: (a) Bond proceeds deposited with the Bond Trustee contemporaneously with the issuance and sale of the Bonds and which were continuously thereafter held subject to the lien of the Bond Indenture in a separate and segregated fund, account or subaccount established under the Bond Indenture in which no moneys which were not Eligible Moneys were at any time held, together with investment earnings on such Bond proceeds; (b) with respect to Bonds entitled to the benefit of a Credit Facility that is a direct-pay letter of credit, moneys received by the Bond Trustee from any draw on such Credit Facility, together with investment earnings on such moneys; (c) proceeds from the remarketing of any Bonds pursuant to the provisions of the Bond Indenture to any Person other than any Borrower, the Authority or any Insider; (d) moneys which are derived from any other source, together with the investment earnings on such moneys, if the Bond Trustee and the Authority have received an unqualified opinion of nationally recognized bankruptcy counsel acceptable to the Bond Trustee and to each Rating Agency (other than S&P) then maintaining a rating on the Bonds entitled to the benefit of a Credit Facility (which opinion may assume that no Bondholders are Insiders) to the effect that payment of such amounts to Bondholders would not be avoidable as preferential payments under Section 547 of the United States Bankruptcy Code recoverable under Section 550 of the United States Bankruptcy Code should the Authority or any Borrower become a debtor in a proceeding commenced thereunder; and (e) with respect to Bonds not entitled to the benefit of a Credit Facility that is a direct-pay letter of credit, any moneys, unless such Bonds are entitled to the benefit of a bond insurance policy and such moneys are to be used to redeem Bonds pursuant to the provisions of the Bond Indenture; provided that such proceeds, moneys or income shall not be deemed to be Eligible Moneys or available for payment of the Bonds if, among other things, an injunction, restraining order or stay is in effect preventing such proceeds, moneys or income from being applied to make such payment. For the purposes of this definition, the term “moneys” shall include cash and, except in connection with the payment of the Tender Price of Mandatorily Tendered Bonds or Optionally Tendered Bonds, any investment securities including, without limitation, Government Securities.

“Escrowed Securities” means (i) Government Securities which, if being utilized in connection with the defeasance of Bonds that are secured by a Credit Facility, must be Government Securities of the type described in clause (a) of the definition thereof, and (ii) Pre-Refunded Municipal Obligations.

“Event of Default” has the meaning for such term set forth below under the heading “THE BOND INDENTURE — Defaults and Remedies.”

“Facilities” means, collectively, the Bolingbrook Facilities, the Sunbelt Facilities, the AMH Facilities, the Ocala Facilities, the Waterman Facilities, the MHS Facilities, the Flagler
Facilities, the West Volusia Facilities, the Shawnee Mission Facilities, the SVHC Facilities, the PPHCHS Facilities, the PorterCare Facilities and the UCH Facilities and, where the context requires, also means the land, buildings and equipment now or hereafter used in the operation of any other general acute-care hospital owned by any corporation included in the Obligated Group.

“Fitch” means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating organization, “Fitch” shall be deemed to refer to any other nationally recognized securities rating organization designated by the Authority by notice to the Bond Trustee.

“Fixed Interest Rate” means the interest rate to be borne by a Bond during a Fixed Rate Period, but which shall not exceed the Maximum Rate in any event.

“Fixed Rate Period” means, with respect to any Bond, the period of time commencing on the first day on which such Bond begins to bear interest at a Fixed Interest Rate to and including the earlier of (i) the maturity date of such Bond, and (ii) a Fixed to Variable Rate Conversion Date for such Bond.

“Fixed to Variable Rate Conversion Date” means each date on which a Bond bearing interest at a Fixed Interest Rate begins to bear interest at a Variable Rate.

“Flagler” means Memorial Hospital Flagler, Inc., a Florida not-for-profit corporation, and its successors and assigns.

“Flagler Facilities” means the land, buildings and equipment used in the operation of the general acute care hospital and related facilities owned and operated by Flagler and located in Palm Coast, Florida.

“Fletcher” means Fletcher Hospital, Incorporated, a North Carolina not-for-profit corporation, and its successors and assigns.

“Funds” means, collectively, the Bond Sinking Fund, the Debt Service Reserve Fund, the Project Fund, the Interest Fund, the Redemption Fund, the Purchase Fund and the Revenue Fund.

“GlenOaks” means Adventist GlenOaks Hospital, an Illinois not-for-profit corporation, and its successors and assigns.

“Government Securities” means (a) direct obligations of the United States of America and obligations on which the timely payment of principal and interest is fully guaranteed by the United States of America and (b) certificates evidencing a direct ownership interest in such obligations or in future interest or principal payments thereon held in a custody account by a custodian satisfactory to the Bond Trustee.
“Health Care” means Adventist Health System Sunbelt Healthcare Corporation, a Florida not-for-profit corporation, and its successors and assigns.

“Immediate Notice” means notice by telephone, telex or telecopier to such address as the addressee shall have directed in writing, promptly followed by written notice by first class mail postage prepaid; provided, however, that if any Person required to give an Immediate Notice shall not have been provided with the necessary information as to the telephone, telex or telecopier number of an addressee, Immediate Notice shall mean written notice by first class mail, postage prepaid.

“Independent Counsel” means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for either the Authority or any Borrower.

“Initial Rate Period” means, with respect to any Bond, as the context may require, (a) with respect to the Bonds operating in the initial Multiple Year Rate Period commencing on the Closing Date, the period of time commencing on the Closing Date to and including November 18, 2026, and (b) the initial Rate Period for Bonds being converted from a Fixed Interest Rate to a Variable Rate pursuant to the provisions of the Bond Indenture. Interest shall accrue on the Bonds in the Initial Rate Period at the rate set forth on the inside cover of this Official Statement through and including November 18, 2026.

“Insider” means any (i) director of any corporation which is a Borrower or which is included in the Obligated Group, (ii) officer of any such corporation, (iii) person in control of any such corporation, (iv) partnership in which any such corporation is a general partner, (v) general partner of any such corporation, or (vi) relative of a general partner, director, officer or person in control of any such corporation. This definition shall be interpreted to correspond with the definition of “Insider” as it appears in 11 United States Code, Section 101(31) as the same may, from time to time, be amended, interpreted, or renumbered.

“Interest Fund” means the fund by that name created by the Bond Indenture to provide for the payment of interest on the Series 2019B Bonds.

“Interest Payment Date” means, for a Bond while operating in the initial Multiple Year Rate Period commencing on the Closing Date, (i) each May 15 and November 15 occurring within such Rate Period (including the Initial Rate Period commencing on the Closing Date) and the first day of the next Rate Period; provided that, at the option of the Obligated Group by notice to the Bond Trustee, the first May 15 or November 15 after a conversion to a Multiple Year Rate Period need not be an Interest Payment Date; (ii) each Mandatory Tender Date therefor; and (iii) the maturity date or any earlier redemption date with respect thereto.

“Liquidity Facility” means a bond insurance policy, surety bond, letter of credit, line of credit, bond purchase agreement or similar facility providing liquidity for the payment of the Tender Price of Mandatorily Tendered Bonds or Optionally Tendered Bonds. The obligations of the Borrowers and the Obligated Group under the Loan Agreement and the Supplemental
Indenture, respectively, to pay the Tender Price of Bonds required to be purchased pursuant to the Bond Indenture do not constitute a Liquidity Facility.

“Liquidity Support” means the liquidity for the payment of the Tender Price of Mandatorily Tendered Bonds and Optionally Tendered Bonds provided by a Liquidity Facility.

“Loan Agreement” means the Loan Agreement dated as of August 1, 2019 between the Authority and the Borrowers, and all amendments and supplements thereto, related to the Series 2019B Bonds.

“Mandatorily Tendered Bonds” means the Bonds required to be tendered for purchase on any Mandatory Tender Date.

“Mandatory Tender Date” means, with respect to Bonds, (a) any Proposed Conversion Date (as defined in the Bond Indenture), unless such Mandatory Tender Date has been cancelled pursuant to the provisions of the Bond Indenture, (b) any Support Facility Change Date (as defined in the Bond Indenture), (c) any Renewal Date (as defined in the Bond Indenture) if the related expiring Support Facility is not renewed or replaced by the tenth day prior to such Renewal Date, (d) any Adjustment Date other than (i) an Adjustment Date for a Weekly Rate Period (as defined in the Bond Indenture) which succeeds another Weekly Rate Period, (ii) an Adjustment Date for a Daily Rate Period (as defined in the Bond Indenture) which succeeds another Daily Rate Period or (iii) a Proposed Conversion Date, (e) each FRN Mandatory Tender Date (as defined in the Bond Indenture), (f) any Business Day on which Bonds are required to be tendered pursuant to the provisions of the Bond Indenture and (g) any Scheduled Mandatory Tender Date; provided, however, with respect to clause (a) and (d)(iii), if any such date is a Mandatory Tender Date for any reason other than being a Proposed Conversion Date (including because such date is an Adjustment Date), such date shall continue to be a Mandatory Tender Date.

“Master Indenture” means the Second Amended and Restated Master Trust Indenture dated as of August 1, 2014 among the Obligated Group and the Master Trustee, and all supplements and amendments thereto.

“Master Trustee” means U.S. Bank National Association, a national banking association (as successor trustee to SunTrust Bank), as trustee under the Master Indenture, and its successors and assigns.

“Maturity Date” means, with respect to any Bond, the final maturity date therefor specified therein.

“Maximum Rate” means, with respect to any Bond in an initial Multiple Year Rate Period, 25% per annum.

“Memorial” means Memorial Hospital, Inc., a Kentucky not-for-profit corporation, and its successors and assigns.
“MHS” means Memorial Health Systems, Inc., a Florida not-for-profit corporation, and its successors and assigns.

“MHS Facilities” means the land, buildings and equipment used in the operation of the general acute care hospitals and related facilities owned or to be owned by MHS and located in Daytona Beach and Ormond Beach, Florida.

“Moody’s” means Moody’s Investors Service, a Delaware corporation, and its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating organization, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating organization designated by the Authority by notice to the Bond Trustee.

“Multiple Year Rate Period” means, with respect to any Bond, (a) the Initial Rate Period commencing on the Closing Date and (b) a Rate Period from and commencing on November 19, 2026 with respect to the Bonds in the Initial Rate Period, or on the first Business Day of a calendar month, in each case, to and including the earliest of (i) the day preceding the first Business Day of the thirteenth succeeding calendar month, or any greater number of calendar months designated by the Remarketing Agent in connection with the commencement of such Multiple Year Rate Period and (ii) a Variable to Fixed Rate Conversion Date for such Bond.

“Net Proceeds” means, when used with respect to any insurance or condemnation award, the gross proceeds from the insurance or condemnation award with respect to which that term is used less all expenses (including attorney’s fees and adjuster’s fees) incurred in the collection of such gross proceeds.

“Note” means the master note of the Obligated Group issued pursuant to the Supplemental Indenture.

“Obligated Group” means, collectively, Bolingbrook, GlenOaks, AHS/Georgia, Sunbelt, AMH, Chippewa, Fletcher, Dade City, Ocala, Waterman, Zephyrhills, MHS, Flagler, Memorial, West Volusia, PPHCHS, PorterCare, Shawnee Mission, SEVHC, SVHC, Tarpon Springs and UCH and also any other Person admitted as a member of the Obligated Group pursuant to the Master Indenture, but shall not mean or include any Person which has withdrawn as a member of the Obligated Group pursuant to the Master Indenture.

“Obligated Group Representative” shall have the meaning for such term set forth in Appendix C of this Official Statement.

“Ocala” means Florida Hospital Ocala, Inc., a Florida not-for-profit corporation, and its successors and assigns.

“Ocala Facilities” means the land, buildings and equipment used in the operation of the general acute care hospital and related facilities owned by Ocala and located in Ocala, Florida and unincorporated Marion County, Florida.
"Official Statement" means the Official Statement of the Obligated Group prepared in connection with the initial issuance and sale of the Series 2019B Bonds.

"Optionally Tendered Bonds" means any Bonds tendered or deemed to be tendered for purchase pursuant to the provisions of the Bond Indenture.

"Outstanding Bonds" or "Bonds outstanding" means all Bonds which have been duly authenticated and delivered by the Bond Trustee under the Bond Indenture, except:

(a) Bonds cancelled or delivered to the Bond Trustee for cancellation after purchase in the open market or because of payment at, or redemption prior to, maturity;

(b) Bonds for the payment or redemption of which either cash funds or legally permissible Escrowed Securities not redeemable prior to maturity without the consent of the holders thereof shall have been theretofore deposited with the Bond Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Bond Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Bond Trustee, shall have been filed with the Bond Trustee;

(c) Bonds in lieu of which other Bonds have been authenticated under the Bond Indenture;

(d) with respect to Bonds, after any Mandatory Tender Date therefor, any Bond which was required to be tendered on such Mandatory Tender Date in accordance with the provisions of the Bond Indenture and which was not tendered and for which funds are on deposit under the Bond Indenture to pay the Tender Price therefor; and

(e) for the purpose of all consents, approvals, waivers and notices required to be obtained or given under the Bond Indenture, Borrower Bonds (other than Pledged Bonds as defined in the Bond Indenture).

"Paying Agent" or "paying agent" means the bank or banks, if any, designated pursuant to the Bond Indenture to receive and disburse the principal of and interest on the Bonds.

"Person" means an individual, a corporation, a partnership, an association, a limited liability company, a joint stock company, a joint venture, a trust, an unincorporated organization, or a government or any agency or political subdivision thereof or any other legal entity recognized under the laws of the United States of America, any state thereof or any foreign country.

"PorterCare" means PorterCare Adventist Health System, a Colorado nonprofit corporation, and its successors and assigns.
“PorterCare Facilities” means the land, buildings and equipment used in the operation of the general acute care hospitals and related facilities owned by PorterCare and located in Castle Rock, Denver, Littleton, Louisville and Parker, Colorado.

“PPHCHS” means Pasco-Pinellas Hillsborough Community Health System, Inc., a Florida not-for-profit corporation, and its successors and assigns.

“PPHCHS Facilities” means the land, buildings and equipment used in the operation of the general acute care hospital and related facilities owned by PPHCHS and located in Wesley Chapel, Florida.

“Pre-Refunded Municipal Obligations” means obligations of any state of the United States of America or of any municipal corporation or other public body organized under the laws of any such state which have been advance refunded through the deposit of non-callable Government Securities, (a) irrevocably pledged to the payment of all principal of and interest on such obligations as the same becomes due, (b) in a principal amount sufficient, together with the interest to be earned thereon, to pay all such principal of and interest on such obligations as the same becomes due and (c) rated in the highest investment rating category by each Rating Agency then rating such obligations.

“Principal Payment Date” means any date on which the principal of the Bonds is required to be redeemed or paid.

“Project” means the acquisition, construction and equipping of certain Facilities and the capital improvements to and equipment for certain of the Facilities being financed with the proceeds of the Series 2019B Bonds.

“Project Fund” means the fund by that name created by the Bond Indenture.

“Purchase Fund” means the fund by that name created by the Bond Indenture.

“Qualified Investments” means, to the extent, permitted by law, the following obligations all of which must be United States dollar denominated:

A. Government Securities and direct obligations of, or obligations unconditionally guaranteed as to full and timely payment of the principal and interest by, the United States of America (including any investments in pools of such obligations) or evidences of ownership or proportionate interests in future interest and principal payments on those obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on those obligations, and which underlying obligations are not available to satisfy any claim of the custodian or a person claiming through the custodian or to whom the custodian may be obligated;

B. Direct obligations of, or obligations guaranteed by, any agency or instrumentality of the United States of America, whether or not the full faith and credit of
the United States of America is pledged to the full and timely payment of all interest and principal thereof;

C. Obligations of any state of the United States of America or of any municipal corporation or other public body organized under the laws of any state whose senior long-term debt is rated, at the time of purchase, in one of the three highest rating categories (without regard to gradations within such category) assigned by Moody’s or Standard & Poor’s or Fitch;

D. Pre-Refunded Municipal Obligations;

E. Shares of money market funds or common trust funds registered under the Investment Company Act of 1940, as amended, which shares are registered under the Securities Act of 1933, as amended; such fund must be managed by a nationally recognized investment advisor and be rated in one of the three highest rating categories (without regard to gradations within such category) assigned by Moody’s or Standard & Poor’s or Fitch;

F. Shares of fixed income (debt obligation) mutual funds registered under the Investment Company Act of 1940, as amended, which shares are registered under the Securities Act of 1933, as amended, and managed by a nationally recognized investment advisor and are rated in one of the three highest rating categories assigned by Standard & Poor’s or Moody’s or Fitch or, if not rated, the funds invest at least 80% of their proceeds in investment instruments listed in this definition;

G. Investment Agreements and Guaranteed Investment Contracts (“GIC”) with any financial institution, the long-term debt, the claims paying ability or the financial program strength of which is rated in one of the three highest senior long-term debt credit rating categories (without regard to gradations within such category) by Moody’s or Standard & Poor’s or Fitch. If the Investment Agreement or GIC is guaranteed by a third-party, then the above rating requirements will apply to the guarantor. In the event the rating of the provider of the investment agreement is downgraded to below the third highest rating category by any rating agency then the agreement must be collateralized as described in paragraph (H), or the provider must assign the agreement to an entity qualified under this paragraph (G), or obtain a guarantee from an entity whose ratings are not less than the ratings required under this paragraph (G);

H. Repurchase agreements (“Repos”), so long as the Repo provider and the terms of the Repo meet the following criteria:

   (i) the Repo provider’s senior long-term debt is rated in one of the three highest rating categories (without regard to gradations within such category) by Moody’s or Standard & Poor’s or Fitch; and
(ii) from inception to maturity, the Repo is collateralized by any one or a combination of Qualified Investments at a level of 102% of the face amount of the Repo;

I. Asset backed debt securities of any legal entity rated in the highest rating category by Moody’s or Standard & Poor’s or Fitch;

J. Debt securities of any legal entity rated in one of the three highest senior long-term debt rating categories or two highest short-term rating categories (without regard to gradations within such category) by Moody’s or Standard & Poor’s or Fitch;

K. Commercial paper which at the time of purchase is rated at least “A-2” by Standard & Poor’s or “P-2” by Moody’s or “F-2” by Fitch. No more than 10% of the amounts invested under the Bond Indenture may be invested in commercial paper having the ratings set forth above in this paragraph K. All other investments in commercial paper must be made in commercial paper having the highest short-term rating at the time of purchase.

L. Certificates of deposit issued by commercial banks, savings and loan associations or mutual savings banks rated in one of the two highest senior long-term debt credit ratings (without regard to gradations within such category) by Fitch, Moody’s or Standard & Poor’s;

M. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the Federal Deposit Insurance Corporation;

N. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “P1” or “A3” or better by Moody’s, “A1” or “A” or better by S&P, or “F1” or “A” or better by Fitch; and

O. Forward Rate or Purchase Agreements with respect to obligations listed in paragraphs (A), (B), (C), (I), (J), (K), (L), (M) or (N) in which a financial institution has a continual obligation to deliver or purchase the obligations at an agreed upon price or yield. The financial institution must have senior long-term debt, claims paying ability or financial program strength ratings in one of the three highest rating categories (without regard to gradations within such category) by Moody’s or Standard & Poor’s or Fitch. If the financial institution’s obligation is guaranteed by a third-party, then the above rating requirements will apply to the guarantor only. Any forward purchase agreement must be accompanied by a bankruptcy opinion that the securities delivered will not be considered a part of the bankruptcy estate in the event of a declaration of bankruptcy or insolvency by the provider.

“Rating Agency” means Moody’s, Standard & Poor’s or Fitch and their respective successors and assigns.
“Rebate Fund” means the Rebate Fund created by the Tax Exemption Agreement.

“Redemption Fund” means the fund by that name created by the Bond Indenture to provide for the optional redemption of the Bonds.

“Registered Owner” or “Registered Owner of the Bonds” means the owner of any fully registered Bond as shown on the Bond Register.

“Remarketing Agent” means the placement or remarketing agent or agents at the time serving as such under a Remarketing Agreement and designated as a Remarketing Agent for purposes of the Bond Indenture. As of the Closing Date, there shall be no Remarketing Agent for the Bonds. At any time that there is more than one Remarketing Agent, any reference in the Bond Indenture to the rights or duties of a Remarketing Agent with respect to the Bonds shall be deemed to be to each Remarketing Agent with respect to the Bonds for which it is then serving as Remarketing Agent.

“Remarketing Agreement” means a Remarketing Agreement between the Obligated Group and a Remarketing Agent, as from time to time amended and supplemented, or any other agreement which may from time to time be entered into with any Remarketing Agent with respect to the remarketing or placement of the Bonds. As of the Closing Date, there shall be no Remarketing Agreement.

“Reserve Fund Deposit” has the meaning set forth below under the caption “THE BOND INDENTURE — Funds; Disposition of Revenues — 3. Debt Service Reserve Fund.”

“Revenue Fund” means the fund by that name created by the Bond Indenture into which all amounts payable by the Borrowers under the Loan Agreement and by the Obligated Group under the Note evidencing the loans of the proceeds of the Bonds are initially deposited.

“Scheduled Mandatory Tender Date” means, with respect to the Bonds operating in the Initial Rate Period, November 19, 2026.

“SEVHC” means Southeast Volusia Healthcare Corporation, a Florida not-for-profit corporation, and its successors and assigns.

“Shawnee Mission” means Shawnee Mission Medical Center, Inc., a Kansas not-for-profit corporation, and its successors and assigns.

“Shawnee Mission Facilities” means the land, buildings and equipment used in the operation of the general acute care hospital and related facilities owned and operated by Shawnee Mission and located in Merriam and Lenexa, Kansas, and to be owned and operated by Shawnee Mission and located in Overland Park, Kansas.

“Standard & Poor’s” or “S&P” means S&P Global Ratings, a division of S&P Global Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer
perform the functions of a securities rating organization, “Standard and Poor’s” and “S&P” shall be deemed to refer to any other nationally recognized securities rating organization designated by the Authority by notice to the Bond Trustee.

“Sunbelt” means Adventist Health System/Sunbelt, Inc., a Florida not-for-profit corporation, and its successors and assigns.

“Sunbelt Facilities” means the land, buildings and equipment used in the operation of the following general acute care hospitals and related facilities owned by Sunbelt and located in the following cities and counties: Florida Hospital in Lake Placid, Sebring, Wauchula, Altamonte Springs, Apopka, Kissimmee, Celebration, Zephyrhills and Orlando, Florida; and Winter Park Memorial Hospital in Winter Park, Florida, and a healthcare facility located in Winter Garden, Florida.

“Supplemental Indenture” means Supplemental Indenture Number 228 dated as of August 1, 2019, between the Obligated Group and the Master Trustee, supplementing the Master Indenture, being executed and delivered concurrently with the issuance of the Series 2019B Bonds pursuant to which the Note in the principal amount of $122,085,000 will be issued on such date in order to evidence the loans to the Borrowers of the proceeds of the Series 2019B Bonds.

“Support Facility” means a Credit Facility and/or a Liquidity Facility.

“SVHC” means Southwest Volusia Healthcare Corporation, a Florida not-for-profit corporation, and its successors and assigns.

“SVHC Facilities” means the land, buildings and equipment used in the operation of the general acute care hospital known as Florida Hospital Fish Memorial owned by SVHC and located in Orange City, Florida.


“Tax Exemption Agreement” means the Tax Exemption Certificate and Agreement dated the Closing Date among the Authority, the Bond Trustee and the Borrowers, and all amendments and supplements thereto.

“Tender Agent” means, with respect to Bonds, the corporation or banking entity designated to act as the Tender Agent pursuant to the terms of the Bond Indenture. The initial Tender Agent is the Bond Trustee, which may discharge its responsibilities through a Bond Trustee’s Agent.

“Tender Price” means, with respect to the Bonds in the initial Multiple Year Rate Period, (a) 100% of the principal amount of any Bond tendered or required to be tendered on a Mandatory Tender Date plus, (b) if tendered during a Multiple Year Rate Period at a time when a
redemption premium would be payable if such Bonds were then being redeemed pursuant to the provisions of the Bond Indenture, an amount equal to such redemption premium.

“UCH” means University Community Hospital, Inc., a Florida not-for-profit corporation, and its successors and assigns.

“UCH Facilities” means the land, buildings and equipment used in the operation of the general acute care hospitals and related facilities owned and operated, or to be owned and operated, by UCH and located in Tampa and Land O’Lakes, Florida.

“Unassigned Rights” means the rights of the Authority to receive notices and reports, to payment of its annual planning service fees, to payment of attorneys’ fees and expenses, to indemnification and to perform discretionary acts under the Loan Agreement as more fully set forth in the Loan Agreement.

“Underwriters” means the underwriters listed on the cover page of this Official Statement.

“Variable Rate” means a Multi-Mode Rate (as defined in the Bond Indenture) which is not a Fixed Interest Rate.

“Variable to Fixed Rate Conversion Date” means each date on which a Bond bearing interest at a Variable Rate begins to bear interest at a Fixed Interest Rate.

“Waterman” means Florida Hospital Waterman, Inc., a Florida not-for-profit corporation, and its successors and assigns.

“Waterman Facilities” means the land, buildings and equipment used in the operation of the general acute care hospital owned by Waterman and located in Tavares, Florida.

“West Volusia” means Memorial Hospital-West Volusia, Inc., a Florida not-for-profit corporation, and its successors and assigns.

“West Volusia Facilities” means the land, buildings and equipment used in the operation of the general acute care hospital and related facilities owned and operated by West Volusia and located in Deland, Florida.

“Written Request” means with reference to the Authority a request in writing signed by the Chair or Vice Chair, any Assistant Vice Chair or the Executive Director of the Authority and with reference to any Borrower or the Obligated Group, means a request in writing signed by the President or any Vice President of Sunbelt or any other officer of Sunbelt designated in writing to the Bond Trustee.

“Zephyrhills” means Florida Hospital Zephyrhills, Inc., a Florida not-for-profit corporation, and its successors and assigns.
SUMMARY OF THE BOND INDENTURE AND THE LOAN AGREEMENT

The summaries of the Loan Agreement and the Bond Indenture hereinafter set forth are not complete and reference is hereby made to each of such documents for a full statement of the terms and provisions thereof. Copies of such documents may be obtained from the Underwriters during the period that the Series 2019B Bonds are being offered and thereafter from the Bond Trustee upon request. The definitions of certain words and terms used in these summaries and in the instruments themselves are set forth above in this Appendix D under the caption “DEFINITIONS OF CERTAIN TERMS.”

THE LOAN AGREEMENT

The Borrowers will enter into a Loan Agreement with the Authority, pursuant to which the Authority will lend the proceeds from the sale of the Series 2019B Bonds to the Borrowers in return for the Note of the Obligated Group. The Note will be issued to the Bond Trustee pursuant to the Master Indenture, will evidence the loans and the absolute and unconditional obligation of the Obligated Group to repay the same and will be issued in a principal amount equal to the aggregate principal amount of the Series 2019B Bonds. The Note issued in connection with the issuance of the Series 2019B Bonds will provide for payments of principal thereof, premium, if any, and interest thereon sufficient to permit the Authority to make payments when due of the principal of, premium, if any, and interest on the Series 2019B Bonds. The proceeds of the loans will be paid to the Bond Trustee and applied as discussed hereinafter under the heading “THE BOND INDENTURE — Application of Bond Proceeds” and in the forepart of this Official Statement under the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

The Loan Agreement will be assigned by the Authority to the Bond Trustee pursuant to the Bond Indenture, and the Bond Trustee will have the right to enforce the covenants and obligations of the Borrowers contained in the Loan Agreement (except for the Unassigned Rights). The Obligated Group will make payments on the Note evidencing the loan of Bond proceeds directly to the Bond Trustee.

Possession of Facilities. Each Borrower is entitled to sole and exclusive possession of its Facilities. The Facilities do not constitute any part of the security for the Bonds, other than any interest in the Borrowers’ property shared by all holders of the notes of the Obligated Group issued under the Master Indenture.

Absolute Obligations. The Borrowers agree, on behalf of themselves and the Obligated Group, that the obligations of the Borrowers under the Loan Agreement and of the Obligated Group under the Supplemental Indenture to make all payments of (i) any and all amounts when due under the Loan Agreement, including amounts required to purchase Bonds pursuant to the provisions of the Loan Agreement, and (ii) any and all amounts, as and when the same become due, pursuant to the Tax Exemption Agreement shall be absolute, irrevocable and unconditional and shall not be subject to any defense (other than payment) or any right of set-off, counterclaim or recoupment arising out of any breach by the Authority, the Bond Trustee or the Master Trustee. Such obligations shall continue to be payable whether or not any of the Facilities, or
any portion thereof, is destroyed or taken by an exercise of the power of eminent domain, and
that there shall be no abatement of any such payments and other charges by reason thereof.

Arbitrage Covenants. The Borrowers covenant that so long as any of the Series 2019B Bonds remain outstanding, no use will be made of the moneys in the funds established under the Bond Indenture which would cause the Series 2019B Bonds to be classified as “arbitrage bonds” within the meaning of Section 148 of the Code.

Use of the Facilities. The Borrowers will use their respective Facilities only in furtherance of their lawful corporate purposes and will not use their respective Facilities or any part thereof in a manner which is prohibited by (i) the Establishment of Religion Clause of the First Amendment to the Constitution of the United States of America and the decisions of the United States Supreme Court interpreting the same or (ii) any comparable provision of the Constitution of the State of Colorado and the decisions of the Supreme Court of the State of Colorado interpreting the same. The foregoing restrictions, however, shall not be construed to prevent any Borrower from (i) maintaining a chapel not financed or refinanced with the proceeds of the Bonds for the use of patients, employees and visitors as part of its Facilities, (ii) conducting medical education programs on any subject with one or more institutions, whether or not sectarian, or seminars or meetings explaining the operating policies of such Borrower with regard to abortions or other medical or surgical services, or (iii) implementing pastoral care programs. In addition to the foregoing, nothing contained in the Loan Agreement shall be deemed to require any Borrower to perform any abortion, sterilization or any other medical or surgical operation or procedure, it being the intent of the Loan Agreement to reserve to each Borrower full discretion to formulate and implement its medical and surgical policies. The foregoing provisions shall not be construed as limiting in any fashion the Obligated Group’s right to prepay the Note in full pursuant to the Supplemental Indenture in the event any Borrower is required to carry on its operations contrary to its religious principles or in the event there exists a threat that it may be required to do so and the Borrowers are causing the Authority to redeem the Series 2019B Bonds in whole.

Failure to Perform Covenants and Remedies. Upon failure of any Borrower to pay when due any payment (other than payments on the Note and payment of the Tender Price of the Bonds) required to be made under the Loan Agreement or under the Tax Exemption Agreement or to observe and perform any covenant, condition or agreement in the Loan Agreement or the Tax Exemption Agreement and, continuation of such failure for a period of 30 days after being notified in writing of such failure by the Authority or the Bond Trustee, then the Authority, or the Bond Trustee, as assignee of the Authority, may enforce its rights under the Loan Agreement including by a suit at law or in equity and the Bond Trustee shall have all the rights afforded to it as the holder of the Note under the Master Indenture; 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 default shall be deemed to have occurred or to exist if, and so long as, the Borrowers shall commence such performance, observation or compliance within such period and shall diligently and continuously prosecute the same to completion to the reasonable satisfaction of the Bond Trustee or, with respect to the Unassigned Rights, the Authority.
Bonds to Remain Tax Exempt. Each Borrower covenants under the Loan Agreement that so long as any of the Bonds are outstanding it will not take or omit to take or suffer any person under its control to take or omit to take any action if such action or omission would, under law in existence at the time of such action or omission and applicable to the Bonds, have an adverse effect upon the exemption from federal income taxation of the interest paid on the Bonds to the extent afforded under Section 103(a) of the Code, and each Borrower agrees that it will take no action or suffer any action to be taken by others within its control which will alter, change or destroy its status as an organization described in Section 501(c)(3) of the Code and exempt from federal income taxation under Section 501(a) of the Code (or any successor sections of a subsequent federal income tax statute or code).

The Borrowers acknowledge under the Loan Agreement that in the event of an examination by the Internal Revenue Service of the exemption from federal income taxation for interest paid on the Series 2019B Bonds, the Authority is likely to be treated as a “taxpayer” in such examination, and each Borrower agrees that it will respond, and will direct the Authority to respond at the Borrowers’ expense, to any inquiries from the Internal Revenue Service in connection with such an examination. The Authority covenants in the Loan Agreement that it will, to the extent legally permissible, cooperate with the Borrowers, at the Borrowers’ expense and at their direction, in connection with such examination, and the Borrowers agree to indemnify the Authority against any liability arising from such examination.

Maintenance of Trust Estate. Each Borrower covenants to cause any order, writ or warrant of attachment, garnishment, execution, replevin or similar process filed against any part of the funds or accounts held by the Bond Trustee under the Bond Indenture to be discharged, vacated, bonded or stayed within 90 days after such filing (which 90-day period shall be extended by the Bond Trustee for so long as such Borrower is contesting such process in good faith to the reasonable satisfaction of the Bond Trustee and such extension does not materially adversely affect the security for, or the payment of, the Bonds), but, notwithstanding the foregoing, in any event not later than five days prior to any proposed execution or enforcement with respect to such filing or any transfer of moneys or investments pursuant to such filing.

Payments. The Borrowers agree to pay or cause to be paid to the Bond Trustee, on or before the third Business Day next preceding each Interest Payment Date, an amount equal to the interest to become due on such Interest Payment Date on the Bonds and, on or before the third Business Day next preceding each Principal Payment Date with respect to the Bonds, an amount equal to the principal to become due on such Principal Payment Date on the Bonds. No such payment need be made, however, if and to the extent there are moneys on deposit in the Interest Fund or the Bond Sinking Fund available to pay such interest on or principal of the Bonds.

Completion of the Project. The Borrowers agree to complete the Project with reasonable dispatch and to cause the completion certificate of the Obligated Group referred to in the Bond Indenture to be delivered within 90 days after completion of the Project. To the extent the moneys on deposit in the Project Fund are insufficient to pay the costs of completing the Project, the Borrowers agree to pay such costs from their own funds.
Tender and Purchase of Bonds. The Borrowers agree to purchase Bonds, or cause Bonds to be purchased, under the circumstances, in the manner and upon the terms specified in the Bond Indenture, including without limitation supplying funds to the Bond Trustee to pay the Tender Price of Bonds at the times and in the manner set forth in the Bond Indenture.

Exchange of Note. The Borrowers may, upon satisfaction of the conditions therefor set forth in the Bond Indenture, substitute a new master note issued under the Master Indenture for the Note then held by the Bond Trustee under the Bond Indenture (the “Existing Note”), identical in all respects to the Existing Note, on any Adjustment Date which is also a Mandatory Tender Date.

Appointment of Remarketing Agent. No Remarketing Agent has been appointed for the Bonds as of the Closing Date. The Borrowers agree in the Loan Agreement to appoint a Remarketing Agent for the Bonds at least ninety (90) days prior to the Scheduled Mandatory Tender Date for the Bonds in the Initial Rate Period.

The Bond Indenture

Denominations and Places of Payment, Tenders, Optional Redemptions, Extraordinary Optional Redemptions, Mandatory Redemptions, Notice and Effect of Redemption, Purchase of Bonds, Conversion and Other Terms of the Series 2019B Bonds. These topics are discussed in the front part of this Official Statement.

The Series 2019B Bonds will initially bear interest in the Multiple Year Rate Period for the Initial Rate Period defined above. On November 19, 2026, the date following the end of the Initial Rate Period, the Series 2019B Bonds are subject to mandatory tender. (See the definition of Scheduled Mandatory Tender Date in this APPENDIX D.) In the event any Series 2019B Bonds are not remarkedeted upon such mandatory tender, liquidity support will be provided by the Obligated Group. Pursuant to the terms of the Bond Indenture, after the Initial Rate Period and mandatory tender, one or more of the following will occur with respect to the Series 2019B Bonds at the Obligated Group’s sole discretion: (i) the Series 2019B Bonds may continue to operate in a Multiple Year Rate Period of the same duration or of a different duration; or (ii) the Series 2019B Bonds may convert to operate in a Flexible, FRN, Daily, Weekly, One Month, Six Month, One Year or Fixed Rate Period. This Official Statement does not discuss interest rates or Rate Periods other than the Multiple Year Rate Period. At the time of any conversion of some or all of the Series 2019B Bonds to a Rate Period other than a Multiple Year Rate Period, additional disclosure will be provided to the Bondholders purchasing the converted Series 2019B Bonds.

This Official Statement does not discuss interest rates or Rate Periods other than the initial Multiple Year Rate Period and is intended to be used only for Series 2019B Bonds that are (i) operating in a Multiple Year Rate Period and (ii) not secured by a Support Facility. This Official Statement should not be relied upon in determining whether to purchase Series 2019B Bonds that (i) are not operating in an initial Multiple Year Rate Period and/or (ii) are secured by a Support Facility. At the time the interest rate on all or a portion of the Series 2019B Bonds is converted, or if a Support Facility is provided to secure the Series 2019B Bonds.
Bonds, additional disclosure will be provided to the Bondholders purchasing the converted Series 2019B Bonds or the Series 2019B Bonds entitled to the benefit of the Support Facility, as the case may be.

**Pledge and Assignment.** The Authority will pledge and assign to the Bond Trustee all of its right, title and interest in and to the Note evidencing the loans being made by the Loan Agreement, all payments to be made thereon and all of its right, title and interest in and to the Loan Agreement (except the Unassigned Rights) and in and to all moneys held under the Bond Indenture, except for amounts held by the Bond Trustee in the Purchase Fund and the Rebate Fund. The rights of the Authority will be assigned to the Bond Trustee to secure the payment of the Series 2019B Bonds and the performance and observance of the covenants and conditions in the Bond Indenture and the Series 2019B Bonds.

Moneys from time to time in the Revenue Fund, Interest Fund, Bond Sinking Fund, Project Fund, Debt Service Reserve Fund, if funded, Redemption Fund and Purchase Fund will be held by the Bond Trustee thereunder, in trust, for the benefit of the Registered Owners of the Series 2019B Bonds and will be applied as provided in the Bond Indenture.

**Bonds Are Limited Obligations.** The Series 2019B Bonds, together with interest thereon, shall be limited obligations of the Authority payable solely from the revenues and other amounts derived from the Note and the Loan Agreement (except to the extent paid out of moneys attributable to Bond proceeds or the income from the temporary investment thereof, moneys drawn or paid under any Support Facility and, under certain circumstances, proceeds from insurance and condemnation awards or liquidation of assets in connection therewith) and shall be a valid claim of the respective Registered Owners thereof only against the Funds established under the Bond Indenture and other moneys held by the Bond Trustee for the benefit of the Bonds and the revenues and other amounts derived from the Note and the Loan Agreement, which revenues and other amounts (except for the Unassigned Rights) are pledged and assigned under the Bond Indenture for the equal and ratable payment of the Bonds and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in the Bond Indenture. Nothing in the Bonds or in the Bond Indenture shall be considered as pledging any other funds or assets of the Authority or otherwise creating any liability of the Authority.

**Bonds Not a Liability of the State of Colorado or Any Political Subdivision Thereof.** The Series 2019B Bonds and the interest thereon shall not constitute a debt or indebtedness of the Authority within the meaning of any constitutional or statutory limitation or restriction. The Series 2019B Bonds and the interest thereon do not constitute or create any debt, liability of or charge against the general credit or taxing power of the State of Colorado, its legislature or any political subdivision or agency of the State of Colorado, and neither the faith and credit nor the taxing power of the State of Colorado, its legislature or of any political subdivision or agency thereof is pledged to the payment of the Series 2019B Bonds. The Authority has no taxing power.

**Application of Bond Proceeds.** Upon the issuance and delivery of the Series 2019B Bonds, the Authority will deposit the net proceeds from the sale of the Bonds with the Bond
Trustee to be applied under the Bond Indenture approximately as set forth in the forepart of this Official Statement under the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

**Project Fund.** The Bond Indenture provides for the creation of a Project Fund. Moneys on deposit in the Project Fund may be released to any Borrower upon the Written Request of the Obligated Group therefor, to pay, or reimburse such Borrower for, the cost of the portion of the Project relating to the Facilities of such Borrower. Any such Written Request shall specify the costs of the portion of the Project for which payment or reimbursement is being requested and the particular Borrower with respect to whom such payment or reimbursement is being made. Pending such disbursement, moneys in the Project Fund shall be invested only in Qualified Investments maturing no later than the date on which it is anticipated that such moneys will be disbursed, in each case only upon the Written Request of the Obligated Group and subject always to the provisions of the Tax Exemption Agreement. All income from such investments shall be deposited in the Project Fund.

Upon completion of the Project, the Obligated Group shall deliver a certificate to the Bond Trustee (a “Completion Certificate”) to such effect. Any moneys then remaining in the Project Fund shall be deposited in the Interest Fund created under the Bond Indenture or the Bond Sinking Fund created under the Bond Indenture or both, as the Obligated Group shall specify in a Written Request delivered to the Bond Trustee.

Any Borrower may elect to pay, or be reimbursed for its prior payment of, the cost of any buildings, improvements or equipment from Series 2019B Bond proceeds in substitution of any portion of the Project relating to its Facilities (the “Substituted Project”), provided that the Authority and the Bond Trustee receive an opinion of Bond Counsel addressed to them to the effect that such substitution will not adversely affect the validity or enforceability of the Series 2019B Bonds or any exemption from federal income taxation to which interest on the Series 2019B Bonds would otherwise be entitled.

**Funds; Disposition of Revenues.** The Bond Indenture provides for the creation of a Revenue Fund. Except as specifically provided in the Bond Indenture, all revenues from the Note and the Loan Agreement and all transfers from the Rebate Fund, as and when received by the Bond Trustee, shall be deposited in the Revenue Fund, except as otherwise provided in the Bond Indenture or the Loan Agreement, and shall be held therein until disbursed as provided in the Bond Indenture. Beginning at the times indicated below, the Bond Trustee will make transfers from the Revenue Fund to the Interest Fund and the Bond Sinking Fund in that order, as described below.

The following special funds are created by the Bond Indenture:

1. **Interest Fund.** (A) Under the Bond Indenture, the Authority does establish with the Bond Trustee, and the Bond Trustee shall maintain so long as any of the Bonds are outstanding, a separate account to be known as the “Interest Fund” (the “Interest Fund”). On each Interest Payment Date, the Bond Trustee shall deposit in the Interest Fund from the Revenue Fund moneys in an amount which, together with any other
moneys already on deposit therein and available to make such payment, is not less than the interest becoming due on the Bonds on such date.

(B) Moneys on deposit in an Interest Fund, other than income thereon which is to be transferred to other funds under the Bond Indenture, must be used to pay interest on the Bonds as it becomes due.

2. Bond Sinking Fund. (A) Under the Bond Indenture, the Authority does establish with the Bond Trustee, and the Bond Trustee shall maintain so long as any of the Bonds are outstanding, a separate account to be known as the “Bond Sinking Fund” (the “Bond Sinking Fund”). On each Principal Payment Date, after making the deposit required to the Interest Fund, the Bond Trustee shall deposit in the Bond Sinking Fund from the Revenue Fund moneys in an amount which, together with any moneys already on deposit in the Bond Sinking Fund and available to make such payment is not less than the principal becoming due on the Bonds on such date.

(B) In lieu of payment at maturity the Bond Trustee may, at the request of the Obligated Group, purchase Bonds in the open market from funds on deposit in the Bond Sinking Fund held under the Bond Indenture at prices not exceeding the principal amount of the Bonds being purchased plus accrued interest. The amount of Bonds to be paid on any Principal Payment Date shall be reduced by the principal amount of Bonds required to be redeemed or paid on such Principal Payment Date which are so acquired by the Obligated Group and delivered to the Bond Trustee for cancellation.

3. Debt Service Reserve Fund. Under the Bond Indenture, the Authority does establish with the Bond Trustee, and the Bond Trustee shall maintain so long as any of the Bonds are outstanding, a separate account to be known as the “Debt Service Reserve Fund” (the “Debt Service Reserve Fund”). No deposit is being made to the Debt Service Reserve Fund on the Closing Date from Bond proceeds or from any other funds. The Obligated Group may, in its sole discretion, determine at a later date to deposit funds into the Debt Service Reserve Fund to provide additional security for the Bonds (such deposit being referred to herein as a “Reserve Fund Deposit”).

Any funds on deposit in the Debt Service Reserve Fund shall be used to make up any deficiencies in the Interest Fund and the Bond Sinking Fund (in the order listed), including any payment in respect of the Note required to be made pursuant to the Loan Agreement. Any funds so used must be repaid by the related Borrowers no later than 12 months from the date thereof in not more than 12 substantially equal monthly installments.

If the Obligated Group determines to make a Reserve Fund Deposit, the Debt Service Reserve Fund shall at all times be maintained in an amount not less than the Debt Service Reserve Fund Requirement. On the first Business Day of each March, June, September and December, beginning on the first such date to occur after the Reserve Fund Deposit, while any Bonds are outstanding, the Bond Trustee will determine the aggregate market value on such date of the Qualified Investments then held in the Debt
Service Reserve Fund. If such market value, together with any cash then held in said Fund, is less than the Debt Service Reserve Fund Requirement, the Bond Trustee will immediately notify the Obligated Group of the amount of such deficiency, and the Borrowers are required within 30 days thereafter, to deliver to the Bond Trustee for deposit into the Debt Service Reserve Fund cash in the amount of, or securities having a market value on the date of such delivery equal to or not less than the amount of, such deficiency, with certain limits and credits, as set forth in the Loan Agreement. If the market value of the securities on deposit in the Debt Service Reserve Fund on any valuation date, together with any cash then held therein, exceeds the Debt Service Reserve Fund Requirement, such excess will be transferred as described under “Investment of Funds” below; provided, however, that to the extent such excess is due to an increase in the market value of securities on deposit in the Debt Service Reserve Fund, no securities shall be sold and such excess shall not be transferred, unless otherwise directed by the Obligated Group in a Written Request filed with the Bond Trustee, so long as all Qualified Investments in the Debt Service Reserve Fund consist of the following securities (“Non-AMT Bonds”): (i) obligations described in clauses C or D of the definition of “Qualified Investments” in the Bond Indenture the interest on which is not includable in the gross income of any owner thereof for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax imposed by Section 55 of the Code; or (ii) shares of money market funds or mutual funds described in clauses E or F of the definition of “Qualified Investments” in the Bond Indenture and at least 95 percent of the income from such shares is interest not includable in the gross income of any owner thereof for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax imposed by Section 55 of the Code. No deficiency shall be deemed to have occurred within the meaning of this paragraph if moneys have been transferred to the Interest Fund or the Bond Sinking Fund from the Debt Service Reserve Fund and the Borrowers are repaying the same pursuant to the provisions of the Loan Agreement. Funds on deposit in the Debt Service Reserve Fund shall not be considered property of any debtor’s estate in the event of the bankruptcy of any Borrower or of any Affiliate of any Borrower.

4. **Redemption Fund.** In the event of (i) the redemption of the Note by the Obligated Group, (ii) the receipt by the Bond Trustee of condemnation, sale or insurance proceeds for purposes of redeeming Bonds or (iii) the deposit with the Bond Trustee by the Obligated Group or the Authority of moneys from any other source for redeeming Bonds pursuant to the provisions of the Bond Indenture, all such funds shall, except as otherwise provided in the Bond Indenture be deposited in the Redemption Fund. Moneys on deposit in the Redemption Fund shall be used first to make up any deficiencies existing in the Interest Fund and the Bond Sinking Fund (in the order listed) and second for the purchase or redemption of Bonds in accordance with the provisions of the Bond Indenture.

5. **Purchase Fund.** The Purchase Fund established under the Bond Indenture shall be held in trust by the Bond Trustee exclusively for the benefit of, and subject to a security interest in favor of, the former Registered Owners of Mandatorily Tendered Bonds (which can include the Bonds as initially issued upon any mandatory tender after
the end of the Initial Rate Period) who have not received the Tender Price therefor. Upon (i) the receipt of the proceeds of a remarketing or placement of Mandatorily Tendered Bonds on a Mandatory Tender Date (other than a Conversion Date), (ii) the receipt of proceeds from the remarketing, sale or placement of Mandatorily Tendered Bonds on a Conversion Date or (iii) the receipt of moneys from any member of the Obligated Group in connection with its obligation to provide funds on any Mandatory Tender Date if not provided from another source, it shall be the duty of the Bond Trustee to deposit such money in the Purchase Fund for the payment to the former Registered Owner of a Bond of the Tender Price for such Bond; provided that (a) any such moneys received from a remarketing agent shall be deposited and retained in a segregated subaccount of the Purchase Fund and not commingled with any other moneys in the Purchase Fund, (b) any such moneys received from any member of the Obligated Group shall be deposited and retained in a segregated subaccount of the Purchase Fund and not commingled with any other moneys in the Purchase Fund and (c) no other amounts, including any amounts received directly or indirectly from the Authority, any member of the Obligated Group (other than as described above), or any Insider, shall be deposited in the Purchase Fund. Any Registered Owners of Mandatorily Tendered Bonds immediately prior to any Mandatory Tender Date if moneys are on hand with the Bond Trustee to pay the Tender Price thereof shall be entitled solely to payment of such Tender Price for such Bonds and shall not be entitled to the payment of any principal thereon or any interest thereafter.

Amounts held by the Bond Trustee to pay the Tender Price of the Bonds shall be held uninvested or shall, upon the direction of the Obligated Group, be invested only in Government Securities described in clause (a) of the definition of Government Securities having a maturity date no later than the earlier of 30 days from the date of investment of such moneys or on or prior to the date or dates that moneys therefrom are anticipated to be required, but which in any event may be liquidated at the original principal amount thereof on no more than one Business Day’s prior notice.

6. **Trust Funds.** All moneys received by the Bond Trustee under the provisions of the Bond Indenture shall, except as provided in the immediately succeeding paragraph, be trust funds under the terms of the Bond Indenture and subject to the lien of the Bond Indenture for the benefit of all outstanding Bonds and shall not be subject to lien or attachment of any creditor of the Authority or the Obligated Group; provided, however, that any moneys held by the Bond Trustee in the Purchase Fund shall be held exclusively for the benefit of, and subject to a security interest in favor of, the former Registered Owners of Optionally Tendered Bonds or Mandatorily Tendered Bonds who have not received the Tender Price therefor. Such moneys shall be held in trust and applied in accordance with the provisions of the Bond Indenture.

*Excluded Funds; Transfers to Rebate Fund.* Any provisions of the Bond Indenture to the contrary notwithstanding, (i) the Rebate Fund shall not be considered a part of the “trust estate” created by the Bond Indenture and (ii) the Bond Trustee shall be permitted to transfer moneys on deposit in any of the Funds created by the Bond Indenture to the Rebate Fund in accordance with the provisions of the Tax Exemption Agreement.
**Investment of Funds.** (A) Moneys in the Revenue Fund, Interest Fund, Bond Sinking Fund, Debt Service Reserve Fund, if funded, Project Fund and Redemption Fund shall be invested only in Qualified Investments only upon a Written Request of the Obligated Group filed with the Bond Trustee. Such investments shall be made so as to mature on or prior to the date or dates that moneys therefrom are anticipated to be required. The Bond Trustee, when authorized by the Obligated Group, may trade with itself in the purchase and sale of securities for such investments; provided, however, that in no case shall any investment be otherwise than in accordance with the investment limitations contained in the Bond Indenture and in the Tax Exemption Agreement. The Bond Trustee shall not be liable or responsible for any loss resulting from any such investments.

(B) Except as set forth in the provisions of the Bond Indenture summarized above under the caption “THE BOND INDENTURE — Funds; Disposition of Revenues — 3. Debt Service Reserve Fund,” all income derived from the investment of any monies on deposit in a Debt Service Reserve Fund shall be deposited into the Project Fund until the Project is completed, and thereafter shall be deposited into the Interest Fund. All income from the investment of monies on deposit in the Project Fund shall be retained therein until the Project is completed, and thereafter be deposited into the Interest Fund. All income from the investment of monies in any other fund which is in excess of the requirements of such fund shall be deposited in the Interest Fund, except to the extent otherwise provided in the section above entitled “THE BOND INDENTURE — Funds; Disposition of Revenues — 3. Debt Service Reserve Fund.”

**Tender and Purchase of Bonds.** As shall be provided in any Remarketing Agreement, the Remarketing Agent shall use its best efforts to remarket (at par plus accrued interest, if any) any Bonds which it has been notified will be tendered on a Mandatory Tender Date, and by 4:00 p.m., New York time, on the Business Day next preceding each Mandatory Tender Date, the Remarketing Agent will give Immediate Notice (the “Remarketing Agent Notice”) to the Bond Trustee and the Bond Trustee’s Agent and, upon receipt thereof, the Bond Trustee or the Bond Trustee’s Agent, as the case may be, shall give Immediate Notice thereof to the Obligated Group specifying: (i) the aggregate principal amount of Mandatorily Tendered Bonds (a) which the Remarketing Agent has remarke ted and (b) which the Remarketing Agent has not remarke ted; (ii) the names, addresses, and taxpayer identification numbers (if known) of each purchaser of remarke ted Bonds and the denominations in which the remarke ted Bonds are to be issued and registered; (iii) such other details as the Bond Trustee and the Bond Trustee’s Agent may reasonably require to permit the authentication and delivery of remarke ted Bonds; and (iv) if any such Bonds are not supported by a Liquidity Facility and have not been so remarke ted (except on a Proposed Variable to Fixed Rate Conversion Date), that the Obligated Group should make funds available to the Bond Trustee (in the manner described below) to purchase such Bonds for the account of the Obligated Group, thereby converting such Bonds to Borrower Bonds. The Remarketing Agent shall remit to the Bond Trustee all proceeds received from its remarketing of Mandatorily Tendered Bonds on each Mandatory Tender Date by not later than 10:45 a.m., New York time, on such date. If any Bonds have not been so remarke ted on a Proposed Variable to Fixed Rate Conversion Date, no conversion to the Fixed Interest Rate shall occur and such Bonds shall bear interest for a Rate Period of the same type as the Rate Period in effect for such Bonds prior to the failed Variable to Fixed Rate Conversion Date, except as otherwise provided in the Bond Indenture.
With respect to any Bonds not supported by a Liquidity Facility, the Bond Trustee shall, not later than 12:30 p.m., New York time, on such Mandatory Tender Date, provide Immediate Notice to the Obligated Group of the “Net Remarketing Deficiency” (if any) which is an amount equal to the sum of (a) the Tender Price of Mandatorily Tendered Bonds, if any, which the Remarketing Agent indicated in its notice had not been remarketed (other than Bonds for which a proposed conversion from a Variable Rate to a Fixed Interest Rate has failed) plus (b) the Tender Price of such Bonds, if any, which the Remarketing Agent indicated in its notice had been remarketed, but with respect to which funds have not been received by 10:45 a.m., New York time, on the Mandatory Tender Date minus (c) the Tender Price of any Bonds which the Remarketing Agent indicated in its notice had not been remarketed (other than Bonds for which a proposed conversion from a Variable Rate to a Fixed Interest Rate has failed) but which subsequent to such notice have been remarketed and with respect to which funds have been received. Except for the circumstances described in the Bond Indenture, the Obligated Group has agreed in the Supplemental Indenture that it will use its best efforts to pay such amount to the Bond Trustee not later than 3:00 p.m., New York time, on such Mandatory Tender Date, and in any event to pay such amount to the Bond Trustee prior to the close of business of the Bond Trustee on such Business Day, in either case to pay the Tender Price due on such date.

If the Bond Trustee fails to receive the Remarketing Agent Notice described above by 10:45 a.m., New York time, on the related Mandatory Tender Date, the Bond Trustee shall assume that none of such Bonds were remarketed and shall, not later than 12:30 p.m., New York time, give Immediate Notice to the Obligated Group of the amount of the Tender Price of all such Bonds. The Obligated Group has agreed in the Supplemental Indenture that it will use its best efforts to pay the full amount of such Tender Price to the Bond Trustee by 3:00 p.m., New York time, on such Business Day, and that in any event it will pay such amount to the Bond Trustee prior to the close of business of the Bond Trustee on such Business Day, in either case to pay the Tender Price due on such date. If, notwithstanding its failure to receive the Remarketing Agent Notice as aforesaid, the Bond Trustee subsequently receives remarketing proceeds prior to 3:00 p.m. on such date, the Bond Trustee shall return any excess Obligated Group moneys to the Obligated Group.

**Bonds to Remain Tax Exempt.** The Authority covenants and agrees in the Bond Indenture that it will not take any action or, to the extent within its control fail to take any action, to the extent permitted by applicable law, which may cause the interest on any Bond to be includible in the gross income of the Owners thereof for purposes of federal income taxation.

**Arbitrage.** The Authority agrees in the Bond Indenture that it will not take any action or, to the extent within its control, fail to take any action with respect to the investment of any funds held under the Bond Indenture or the proceeds of any Bonds or with respect to the revenues derived from the Note or the Loan Agreement, or in any other respect, which may result in the Bonds being constituted “arbitrage bonds” as used in Section 148 of the Code. The Authority further agrees in the Bond Indenture, at the sole cost of the Obligated Group, to comply with and to take all actions required of it to be performed by the Authority under the Tax Exemption Agreement and to refrain from taking any action which would violate any of its covenants, representations and warranties contained in the Tax Exemption Agreement.
The foregoing shall not be construed to imply any duty of oversight on the part of the Authority, nor shall the Authority be required to take any action with respect to arbitrage matters unless requested to do so by the Bond Trustee and furnished by the Obligated Group with satisfactory indemnity for liability and expenses.

**Exchange of Note.** On any Adjustment Date which is also a Mandatory Tender Date, the Obligated Group may deliver to the Bond Trustee, in exchange for the Note then held by the Bond Trustee under the Bond Indenture as collateral for the Bonds (the “Existing Note”), a new Note (the “Substitute Note”) issued under the Master Indenture identical in all respects to the Existing Note; provided that the Registered Owners of all Outstanding Bonds shall have consented to such exchange. Upon receiving the Substitute Note, the Bond Trustee shall cancel the Existing Note and deliver it to the Obligated Group, and the Substitute Note shall thereafter be held by the Bond Trustee under the Bond Indenture as collateral for the Bonds, unless later substituted for with a new Substitute Note pursuant to the provisions of the Bond Indenture.

**Release and Substitution of Note upon Delivery of Replacement Master Indenture.** The Bond Trustee will surrender the Note upon presentation to the Bond Trustee prior to such surrender of the following:

(A) a copy of an original executed counterpart of a master indenture (the “Replacement Master Indenture”) executed by or on behalf of a different credit group (collectively, the “New Group”) and an independent corporate trustee (the “Replacement Trustee”);

(B) an original replacement note or similar obligation issued by or on behalf of the New Group (the “Substitute Note”) under and pursuant to and secured by the Replacement Master Indenture, which Substitute Note has been duly authenticated by the Replacement Trustee;

(C) an opinion of counsel addressed to the Bond Trustee to the effect that:
(1) the Replacement Master Indenture has been duly authorized, executed and delivered by or on behalf of the New Group, the Substitute Note has been duly authorized, executed and delivered by or on behalf of the New Group and the Replacement Master Indenture and the Substitute Note are each a legal, valid and binding obligation of the New Group, subject in each case to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors’ rights and application of general principles of equity and to customary qualifications with respect to the joint and several obligations of the members of the New Group to make payments of debt service on the Substitute Note; (2) all requirements and conditions to the issuance of the Substitute Note set forth in the Replacement Master Indenture have been complied with and satisfied; and (3) registration of the Substitute Note under the Securities Act of 1933, as amended, is not required or, if registration is required, the Substitute Notes have been so registered;

(D) an opinion of Bond Counsel that the surrender of the Note and the delivery of the Substitute Note will not adversely affect the validity of any Bonds or any
exemption for the purposes of federal income taxation to which interest on any Bonds would otherwise be entitled; and

(E) evidence from the same number of Rating Agencies then maintaining a rating on any Bonds that the rating on such Bonds will not be more than one rating category lower than the rating or equivalent thereof (without taking into account any refinement or gradation of rating category by numerical modifier or otherwise, and without regard to any rating outlooks) in effect prior to the substitution; provided that (i) if there are three Rating Agencies providing ratings on the Bonds immediately prior to the substitution, only two Rating Agencies need to provide the evidence of new ratings after the substitution, (ii) in connection with the request for a review of the ratings on such Bonds, each Rating Agency that is requested to provide a rating is provided a copy of the Replacement Master Indenture and such information as such Rating Agency may request with respect to the operations and financial condition of the New Group, and (iii) in no event may the ratings on such Bonds after the substitution be less than “investment grade” if the then current ratings are above “investment grade.”

In connection with the delivery of a Replacement Master Indenture and the substitution of the outstanding Note with the Substitute Note, the provisions of the Bond Indenture summarized under this caption shall not permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of, premium, if any, and interest on any obligation or the Bonds, (ii) a reduction in the principal amount of any obligation or the Bonds, (iii) a change in the redemption premiums or rates of interest on any obligation or the Bonds, or (iv) a preference or priority of any Note over any other Note, unless the Bond Trustee receives the prior written consent of the Holders of each Bond so affected.

Defaults and Remedies. Events of Default under the Bond Indenture include the following:

1. payment of any installment of interest on any of the Bonds shall not be made when the same shall become due and payable; or

2. payment of the principal or of the redemption premiums, if any, of any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or through failure to fulfill any payment to any Fund under the Bond Indenture or otherwise; or

3. the Authority shall for any reason be rendered incapable of fulfilling its obligations under the Bond Indenture; or

4. any Borrower shall default in the performance of its covenant in the Loan Agreement relating to the discharge, vacation, bonding or stay of any order, writ or warrant of attachment, garnishment, execution or similar process filed against any part of the funds or accounts held by the Bond Trustee under the Bond Indenture; or
5. any Borrower shall fail to perform any other of its covenants contained in the Loan Agreement and such failure shall continue for a period of 30 days after notice of such default shall have been given to the Obligated Group by the Bond Trustee unless the nature of the default is such that it cannot be remedied within the thirty-day period and the Bond Trustee agrees in writing to an extension of time and such Borrower institutes corrective action within the period agreed upon and diligently pursues such action until the default is remedied; or

6. an Event of Default, as defined in the Master Indenture, shall occur and be continuing; or

7. the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Bond Indenture or any agreement supplemental thereto and such default shall continue for 30 days after written notice thereof shall have been given to the Authority and the Obligated Group by the Bond Trustee; or

8. payment of the Tender Price of Mandatorily Tendered Bonds delivered to the Tender Agent pursuant to the provisions of the Bond Indenture shall not be made with Eligible Moneys when the same shall become due and payable; or

9. the Authority or any Borrower shall fail to comply with any provision of the Tax Exemption Agreement.

The provisions of subparagraphs 1 and 2 hereof are subject to the provisions of the Bond Indenture described in the third paragraph under the caption “THE SERIES 2019B BONDS — Redemption — Procedure for and Notice of Redemption” in the forepart of this Official Statement with respect to an insufficiency of funds on deposit with the Bond Trustee on any redemption date to pay the redemption price of Bonds proposed to be optionally or extraordinarily optionally redeemed.

Upon the occurrence and continuation of any Event of Default described in paragraphs (1), (2), (4), (5), (6), (7), (8) or (9) above, the Bond Trustee may, and, upon the written request of the Registered Owners of not less than 25% in aggregate principal amount of the Series 2019B Bonds then outstanding (other than Borrower Bonds and Bonds then owned or held by or on behalf of the Authority), the Bond Trustee shall, by notice in writing delivered to the Authority, declare the entire principal amount of the Bonds then outstanding under the Bond Indenture and the interest accrued thereon to be immediately due and payable. Such declaration is subject to the provisions of the Bond Indenture which permit the annulment of such declaration. The entire principal amount of the Bonds and the interest accrued thereon shall also become immediately due and payable upon a declaration of acceleration of the Note by the Master Trustee ipso facto and without the necessity of any action by the Bond Trustee. The Bond Trustee is also authorized to pursue any available remedies by suit at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Bonds. Pursuant to the Bond Indenture, the Authority grants to the Bond Trustee and the Registered Owners from time to time of the Bonds the exclusive right to enforce the performance of the obligations of the Obligated Group under
the Note and of the Borrowers under the Loan Agreement (except for Unassigned Rights). The
foregoing provisions are subject, however, to the right of the Registered Owners of not less than
a majority in aggregate principal amount of the Bonds then outstanding, by written notice to the
Bond Trustee and to the Authority, to annul such acceleration and destroy its effect as provided
in the Bond Indenture.

Direction of Proceedings and Waivers. Anything in the Bond Indenture to the contrary
notwithstanding, but subject to the provisions of the Bond Indenture, the Registered Owners of
not less than a majority in aggregate principal amount of Bonds then outstanding shall have the
right, at any time, by an instrument or instruments in writing executed and delivered to the Bond
Trustee, to direct the time, the method and place of conducting all proceedings to be taken in
connection with the enforcement of the terms and conditions of the Bond Indenture, or for the
appointment of a receiver or any other proceedings thereunder; provided, that such direction
shall not be otherwise than in accordance with the provisions of law and of the Bond Indenture.

The Bond Trustee may, in its discretion, waive any Event of Default under the Bond
Indenture and its consequences and rescind any declaration of maturity of principal, and shall do
so upon written request of the Registered Owners of (1) at least a majority in aggregate principal
amount of all the Bonds outstanding in respect of which default in the payment of principal
and/or interest exists, or (2) at least a majority in aggregate principal amount of all the Bonds
outstanding in the case of any other Event of Default; provided, however, that there shall not be
waived (a) any Event of Default in the payment of the principal of any outstanding Bonds when
due or (b) any default in the payment when due of the interest on any such Bonds, unless prior to
such waiver or rescission all arrears of interest, with interest thereon (to the extent permitted by
law) at the rate borne by the Bonds in respect of which such default shall have occurred on
overdue installments of interest and all arrears of payments of principal when due, as the case
may be, and all expenses of the Bond Trustee, the Bond Trustee’s Agent, if any, and any Paying
Agent, in connection with such default, shall have been paid or provided for. In case of any such
waiver or rescission or in case any proceeding taken by the Bond Trustee on account of any such
default shall have been discontinued or abandoned or determined adversely, then and in every
such case the Authority, the Bond Trustee and the Bondholders shall, subject to any
determination in such proceeding, be restored to their former positions and rights under the Bond
Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other
default, or impair any right consequent thereon.

If an Event of Default shall have occurred, and if requested so to do by the Registered
Owners of not less than 25% in aggregate principal amount of Bonds then outstanding and
indemnified as provided in the Bond Indenture, the Bond Trustee shall be obliged to exercise
such one or more available remedies by suit, at law or in equity to enforce the payment of the
principal of, premium, if any, and interest on the Bonds then outstanding or to enforce any
obligation of the Authority under the Bond Indenture as the Bond Trustee, being advised by
counsel, shall deem most expedient in the interests of the Bondholders. No remedy by the terms
of the Bond Indenture conferred upon or reserved to the Bond Trustee (or to the Bondholders) is
intended to be exclusive of any other remedy, but each and every such remedy shall be
cumulative and shall be in addition to any other remedy given to the Bond Trustee or to the
Bondholders under the Bond Indenture or now or hereafter existing at law or in equity or by
statute. No delay or omission to exercise 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 Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient. No waiver of any Event of Default under the Bond Indenture, whether by the Bond Trustee or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

Application of Moneys. Subject to the provisions of the Bond Indenture, all moneys received or held by the Bond Trustee pursuant to any right given or action taken under the provisions of the Bond Indenture shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expense (including reasonable attorneys’ and paralegals’ fees), liabilities and advances incurred or made by the Bond Trustee, be deposited in the Revenue Fund and, together with all moneys in the Funds maintained by the Bond Trustee under the Bond Indenture, shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First: To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

Second: To the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than the Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Bond Indenture), and, if the amount available shall not be sufficient to pay in full the Bonds, then to the payment ratably, according to the amount of principal due to the Persons entitled thereto without any discrimination or privilege;

Third: To the payment of the principal and interest then due and unpaid upon Bonds with respect to which the payment of principal and interest has been extended as described in the Bond Indenture;

Fourth: To the payment of amounts, if any, payable pursuant to the Tax Exemption Agreement; and

Fifth: To the payment of any amounts due to the Authority under the Bond Indenture or under the Loan Agreement.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied:
First: To the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or privilege;

Second: To the payment of the principal and interest then due and unpaid upon Bonds with respect to which the payment of principal and interest has been extended as described in the Bond Indenture;

Third: To the payment of amounts, if any, payable pursuant to the Tax Exemption Agreement; and

Fourth: To the payment of any amounts due to the Authority under the Bond Indenture or under the Loan Agreement.

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

Whenever moneys are to be applied by the Bond Trustee pursuant to the provisions of the Bond Indenture summarized above, such moneys shall be applied by it at such times, and from time to time, as the Bond Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Bond Trustee shall apply such moneys, it shall fix the date (which shall be an Interest Payment Date unless it 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 of the deposit with it of any such moneys and of the fixing of any such date. The Bond Trustee shall not be required to make payment to the Registered Owner of any unpaid Bond until such Bond shall be presented to the Bond Trustee for appropriate endorsement or for cancellation if fully paid.

Successor Bond Trustee. Any corporation or association into which the Bond Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party shall, ipso facto, be and become successor Bond Trustee under the Bond Indenture and vested with all of the title to the whole property or trust estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the
part of any of the parties to the Bond Indenture, anything in the Bond Indenture to the contrary notwithstanding.

Resignation and Removal of Bond Trustee. (a) The Bond Trustee may at any time resign by giving written notice of resignation to the Obligated Group and the Authority and by mailing notice of resignation to all Registered Owners of the Bonds at their last addresses appearing on the Bond Register. Upon receiving such notice of resignation, the Authority, with the advice and approval of the Obligated Group (so long as no default has occurred and is continuing under the Loan Agreement or the Master Indenture), or the Obligated Group (so long as no default has occurred and is continuing under the Loan Agreement or the Master Indenture) shall promptly appoint a successor bond trustee by written instrument, in duplicate, executed by order of the Authority or the Obligated Group, as the case may be, one copy of which instrument shall be delivered to the Bond Trustee so resigning and one copy to the successor bond trustee. If no successor bond trustee shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Bond Trustee may petition any court of competent jurisdiction for the appointment of a successor bond trustee, or any Registered Owner of a Bond who has been a bona fide Registered Owner of a Bond or Bonds for at least six months may, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor bond trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor bond trustee.

(b) In case at any time the Bond Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Bond Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Bond Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, or at the request of the Obligated Group for good cause demonstrated to the satisfaction of the Authority, then, in any such case, the Authority, with the advice and approval of the Obligated Group (so long as no default has occurred and is continuing under the Loan Agreement or the Master Indenture), may remove the Bond Trustee and appoint a successor bond trustee by written instrument, in duplicate, executed by order of the Authority, one copy of which instrument shall be delivered to the Bond Trustee so removed and one copy to the successor bond trustee, or any Registered Owner of a Bond who has been a bona fide Registered Owner of a Bond or Bonds for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Bond Trustee and the appointment of a successor bond trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Bond Trustee and appoint a successor bond trustee.

(c) Either (i) the Obligated Group (so long as no default has occurred and is continuing under the Loan Agreement or the Master Indenture), (ii) the Registered Owners of not less than a majority in aggregate principal amount of Bonds then outstanding, or (iii) the Authority with the consent of the Obligated Group (so long as no default has occurred and is continuing under the Loan Agreement or the Master Indenture), may at any time remove the Bond Trustee and appoint a successor bond trustee by delivering to the Bond Trustee to be removed, to the successor bond trustee so appointed and to the Authority, as applicable, evidence of the action taken by the Obligated Group or the Registered Owners of the Bonds or the Authority, as the case may be.
(d) Any resignation or removal of the Bond Trustee and any appointment of a successor bond trustee pursuant to any of the provisions of the Bond Indenture summarized under this caption shall not become effective until acceptance of appointment by a successor bond trustee and the Bond Trustee has transferred all moneys then held by the Bond Trustee to the successor bond trustee.

Supplemental Indentures Not Requiring Consent of Bondholders. Subject to the terms and provisions of the Bond Indenture, the Authority and the Bond Trustee may without the consent of, or notice to, any Bondholders enter into an indenture or indentures supplemental to the Bond Indenture, as shall not be inconsistent with the terms and provisions of the Bond Indenture, for any one or more of the following purposes:

(A) to cure any ambiguity or formal defect or omission in the Bond Indenture;

(B) to grant to or confer upon the Bond Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Bond Trustee or either of them;

(C) to subject additional revenues, properties or collateral to the lien and pledge of the Bond Indenture;

(D) to evidence the appointment of a separate Bond Trustee or the succession of a new Bond Trustee under the Bond Indenture (including a new Bond Trustee’s Agent);

(E) to modify, amend or supplement the Bond Indenture or any indenture supplemental thereto in such manner as to permit the qualification of the Bond Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States of America;

(F) to modify, amend or supplement the Bond Indenture or any indenture supplemental thereto in such manner as to permit the issuance of coupon Bonds as described in the Bond Indenture and to permit the exchange of the Bonds from fully registered form to coupon form and vice versa;

(G) to provide for the refunding or advance refunding of the Bonds, including the right to establish and administer an escrow fund and to take related action in connection therewith;

(H) at any time that a Bond bearing interest at a Variable Rate begins to bear interest at a Fixed Interest Rate, to modify, amend or supplement the form of such Bond to reflect, among other things, a change in the designated title of such Bond, the fixing of a Fixed Interest Rate, the termination of the right of any Registered Owner of such Bond to tender such Bond for purchase and, if applicable, that the principal of and interest on such Bond is no longer payable out of amounts drawn under a Support Facility;
(I) to modify, amend or supplement the Bond Indenture or any indenture supplemental thereto in such manner as to permit continued compliance with the Tax Exemption Agreement;

(J) to implement the addition, substitution or elimination of a Support Facility for the Bonds pursuant to the provisions of the Bond Indenture, including any amendments to the provisions of the Bond Indenture required by the Support Facility Provider in connection therewith, so long as such supplemental indenture does not modify any notice provision to which the Bondholders would otherwise be entitled;

(K) to amend the provisions of the Bond Indenture in order to conform such provisions to then-current market conditions and procedures relating to the operation of variable rate demand bonds; provided that any such amendment shall only be applicable to Bonds from and after a Mandatory Tender Date therefor;

(L) to modify, amend or supplement the Bond Indenture to permit the Remarketing Agent to determine the Adjusted Interest Rate (as defined in the Bond Indenture) for Bonds to be effective on any Adjustment Date at a rate other than (i) the rate that, in the judgment of the Remarketing Agent, is the rate that would enable the Bonds to be sold at a price of 100% of the principal amount thereof, or (ii) with respect to a conversion to a Fixed Interest Rate, pursuant to the provisions set forth in the Bond Indenture, in either case if there is delivered to the Bond Trustee and the Authority an opinion of Bond Counsel to the effect that such modification, amendment or supplement would not adversely affect the exemption from federal income taxation of the interest paid on such Bonds to the extent afforded under Section 103(a) of the Code;

(M) to modify, amend or supplement the Bond Indenture to provide that the Adjusted Interest Rate for Bonds in a Flexible, FRN, Weekly, One Month, Six Month, One Year or Multiple Year Rate Period may be a variable rate that may change from time to time during such Rate Period according to a formula that is based on an external, publicly available index, which formula is established on the Adjustment Date for such Rate Period and shall remain in effect for the duration of such Rate Period, if there is delivered to the Bond Trustee and the Authority an opinion of Bond Counsel to the effect that such modification, amendment or supplement would not adversely affect the exemption from federal income taxation of the interest paid on such Bonds to the extent afforded under Section 103(a) of the Code;

(N) to modify, amend or supplement the provisions of the Bond Indenture relating to the Debt Service Reserve Fund and/or the Debt Service Reserve Fund Requirement in connection with the funding of the Debt Service Reserve Fund as provided in the Bond Indenture;

(O) to modify, amend or supplement the Bond Indenture to permit the interest rate on the Bonds to be determined from time to time in a manner not then provided for in the Bond Indenture, including without limitation pursuant to dutch-auction procedures; provided that (i) any such modification, amendment or supplement shall only be
applicable to Bonds from and after a Mandatory Tender Date (as defined in the Bond Indenture) and (ii) there shall have been delivered to the Bond Trustee and the Authority an opinion of Bond Counsel to the effect that such modification, amendment or supplement would not adversely affect the exemption from federal income taxation of the interest paid on such Bonds to the extent afforded under Section 103(a) of the Code; and

(P) to amend the Bond Indenture in any other respect which, in the judgment of the Bond Trustee, is not to the detriment of the Bondholders.

The Authority and the Bond Trustee may not enter into an indenture or indentures supplemental to the Bond Indenture pursuant to the provisions of the Bond Indenture summarized under this caption unless they shall have received an opinion of Bond Counsel to the effect that such supplemental indenture is authorized by the Bond Indenture and constitutes the valid and binding agreement of the Authority enforceable in accordance with its terms and the execution and delivery of such supplemental indenture will not adversely affect the validity of such Bonds or the exemption from federal income taxation of the interest paid on such Bonds to the extent afforded under Section 103(a) of the Code. Anything in the Bond Indenture to the contrary notwithstanding, a supplemental indenture which affects any rights of any Borrower or of the Obligated Group shall not become effective unless and until the Obligated Group shall have consented in writing to the execution and delivery of such supplemental indenture.

Supplemental Indentures Requiring Consent of Bondholders. Exclusive of supplemental indentures identified above, and subject to the terms and provisions contained under this heading and in the Bond Indenture, and not otherwise, the Registered Owners 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 Bond Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Bond Trustee of such other indenture or indentures supplemental thereto as shall be deemed necessary and 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 Bond Indenture or in any supplemental indenture; provided, however, that nothing in the Bond Indenture summarized under this subcaption shall permit, or be construed as permitting: (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of paying of interest on, or reduction of any premium payable on the redemption of, any Bonds, without the consent of the Registered Owner of such Bonds; or (b) a reduction in the amount or extension of the time of any payment required to be made into the Interest Fund or the Bond Sinking Fund provided in the Bond Indenture; or (c) a reduction in the aforesaid aggregate principal amount of Bonds the Registered Owners of which are required to consent to any such supplemental indenture, without the consent of the Registered Owners of all the Bonds at the time outstanding which would be affected by the action to be taken; or (d) a modification of the rights, duties or immunities of the Bond Trustee, without the written consent of the Bond Trustee; or (e) the loss of the tax exemption to the extent otherwise afforded under Section 103(a) of the Code of interest on any Bond held by a non-consenting Bondholder; or (f) a reduction in the Tender Price payable upon any Mandatory Tender Date; or (g) an extension of the time of payment of the Tender Price; or (h) a modification of the tender rights of any Registered Owner of Bonds which would adversely affect the tender rights of any such Registered Owner; or (i) a modification of the mandatory...
tender provisions applicable to the Bonds which would adversely affect the rights of any Registered Owner of Bonds. Anything in the Bond Indenture to the contrary notwithstanding, a supplemental indenture which affects any rights of any Borrower or of the Obligated Group shall not become effective unless and until the Obligated Group shall have consented in writing to the execution and delivery of such supplemental indenture.

The Authority and the Bond Trustee may not enter into an indenture or indentures supplemental to the Bond Indenture pursuant to the provisions summarized above under this caption unless they shall have received an opinion of Bond Counsel to the effect that such supplemental indenture is authorized by the Bond Indenture and constitutes the valid and binding agreement of the Authority enforceable in accordance with its terms and the execution and delivery of such supplemental indenture will not adversely affect the validity of such Bonds or the exemption from federal income taxation of the interest paid on such Bonds to the extent afforded under Section 103(a) of the Code.

Amendments to the Loan Agreement Not Requiring Consent of Bondholders. The Authority and the Bond Trustee may, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Loan Agreement as may be required (i) by the provisions of the Loan Agreement and the Bond Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission which is not prejudicial to the rights of the Registered Owners of the Series 2019B Bonds, (iii) for the purpose of complying with the provisions of the Tax Exemption Agreement, (iv) for the purpose of amending the provisions of the Loan Agreement related to certain of the Authority’s Unassigned Rights, or (v) in connection with any other change in the Loan Agreement which, in the judgment of the Bond Trustee, is not to the prejudice of the Bond Trustee or the Registered Owners of the Bonds.

Amendments to the Loan Agreement Requiring Consent of Bondholders. Except for the amendments, changes or modifications described under the preceding caption, neither the Authority nor the Bond Trustee shall consent to any other amendment, change or modification of the Loan Agreement without the written approval or consent of the Registered Owners of not less than a majority in aggregate principal amount of the Series 2019B Bonds at the time outstanding.

Under no circumstances shall any amendment to the Loan Agreement alter the Note or the payments of principal and interest thereon, without the consent of the Registered Owners of all the Bonds at the time outstanding.

Satisfaction of Lien of Bond Indenture. The lien of the Bond Indenture shall be satisfied if, in addition to certain other conditions referred to in the Bond Indenture, the entire indebtedness on all Bonds then outstanding shall be paid and discharged in any one or more of the following ways:

1. by payment of the principal of (including redemption premium, if any) and interest on all Bonds outstanding thereunder, as and when the same become due and payable;
2. by deposit with the Bond Trustee, in trust, at or before maturity, of money in the full amount necessary to pay or redeem (when redeemable) all Bonds then outstanding thereunder;

3. by delivery to the Bond Trustee, for cancellation by it, of all Bonds then outstanding thereunder; or

4. subject to the provisions of the second paragraph under this caption, by deposit with the Bond Trustee, in trust, pursuant to an escrow agreement in form and substance acceptable to the Authority and the Bond Trustee, of cash and/or legally permissible Escrowed Securities, not redeemable prior to the maturity thereof without the consent of the holder thereof, in such amount as the Bond Trustee shall determine, on the basis of a verification report by a nationally recognized firm of independent certified public accountants or other experts experienced in the preparation of similar reports, will, together with the income or increment to accrue thereon and without reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds outstanding thereunder at their respective maturity dates (or their redemption dates, if redeemed prior to maturity), and delivering to the Authority and the Bond Trustee an opinion of Bond Counsel (in form and substance acceptable to the Authority and the Bond Trustee) to the effect that (i) such deposit is legally permissible and will not cause the loss of tax exemption of interest on the Bonds to the extent otherwise afforded under Section 103(a) of the Code and (ii) the Bonds are no longer Outstanding under the Bond Indenture.

The Authority may, at any time and from time to time at the direction of the Obligated Group, in lieu of making the deposit specified in the foregoing subparagraph (4) with respect to all Bonds, make such deposit with respect to particular Bonds specified by the Obligated Group upon delivery of an opinion of Bond Counsel addressed to the Bond Trustee and the Authority setting forth the matters referred to in such subparagraph but with respect to such specified Bonds.

The Escrowed Securities or any portion thereof deposited with the Bond Trustee pursuant to the foregoing subparagraph (4) of the first paragraph under this caption shall not be sold, redeemed, invested or reinvested (hereinafter referred to as a “Subsequent Action”) unless the Bond Trustee and the Authority receive (i) a verification report to the effect that after such Subsequent Action the cash and/or Escrowed Securities then on deposit with the Bond Trustee will, together with the income or increment to accrue thereon and without reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds at their respective maturity dates (or their redemption dates, if redeemed prior to maturity), and (ii) an opinion of Bond Counsel to the effect that such Subsequent Action is legally permissible, will not adversely affect the discharge or satisfaction of the lien of the Bond Indenture and will not cause loss of tax exemption of interest on such Bonds to the extent otherwise afforded by Section 103(a) of the Code.

Any moneys, funds, securities, or other property remaining on deposit in the Revenue Fund, Interest Fund, Bond Sinking Fund, Debt Service Reserve Fund, or in any other fund or
investment under the Bond Indenture (other than the cash and/or Escrowed Securities deposited in trust as above provided), amounts in the Purchase Fund held for the payment of the Tender Price of Bonds which have not been tendered as required by the Bond Indenture and amounts held pursuant to the Bond Indenture shall, upon the full satisfaction of the lien of the Bond Indenture, be transferred, paid over and distributed to the Obligated Group.

Redemption After Satisfaction of Bond Indenture. Notwithstanding anything to the contrary in the Bond Indenture, upon the provision for payment of the Bonds or a portion thereof through a date after any optional redemption date as specified in the paragraphs (2) and (4) of the provisions of the Bond Indenture summarized under the caption “SATISFACTION OF LIEN OF BOND INDENTURE” above, the optional redemption provisions of the Bond Indenture allowing such Bonds to be called prior to maturity upon proper notice (notwithstanding provision for the payment of such Bonds having been made through a date after the first optional redemption date provided for in the Bond Indenture) shall remain available to the Obligated Group, unless, in connection with making the deposits referred to in those paragraphs, the Obligated Group, shall have irrevocably elected to waive any future right to call the Bonds or portions thereof for redemption prior to maturity. Notwithstanding anything to the contrary in the Bond Indenture, upon the provision for payment of the Bonds or a portion thereof prior to the maturity thereof as specified in the paragraphs (2) and (4) of the provisions of the Bond Indenture summarized under the caption “SATISFACTION OF LIEN OF BOND INDENTURE” above, the Obligated Group, may elect to pay such Bonds on the respective maturity dates therefor unless, in connection with making the deposits referred to in those paragraphs, the Obligated Group, shall have irrevocably elected to waive such right to provide for the payment thereof on the maturity date. No such redemption or restructuring shall occur, however, unless the Obligated Group shall deliver to the Bond Trustee (a) Escrowed Securities and/or cash sufficient to discharge such Bonds (or portion thereof) on the redemption or maturity date or dates selected, (b) an opinion of an independent certified public accountant verifying that such Escrowed Securities, together with the expected earnings thereon, and/or cash will be sufficient to provide for the payment of such Bonds to the redemption or maturity dates, and (c) an opinion of Bond Counsel to the effect that such redemption or restructuring, will not cause loss of tax exemption of interest on such Bonds to the extent otherwise afforded by Section 103(a) of the Code. The Bond Trustee will give written notice of any such redemption or restructuring to the owners of the Bonds affected thereby.

Effectiveness of Master Indenture Amendments; Consent to Master Indenture Amendments. The Obligated Group proposes to amend certain definitions and provisions of the Master Indenture as described in Appendix C of this Official Statement under the caption “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE MASTER INDENTURE — Summary of the Master Indenture — Proposed Amendments to Master Indenture,” and such amendments shall become effective as described therein. By purchasing the Series 2019B Bonds from the Underwriters, the initial beneficial owners of the Series 2019B Bonds are deemed to consent for themselves and for all subsequent owners of the Series 2019B Bonds, to the amendments to the Master Indenture as set forth under such caption in Appendix C.
APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL
APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]

[DATED DATE OF CLOSING]

Colorado Health Facilities Authority
Denver, Colorado

Adventist Health System Sunbelt Healthcare Corporation
Altamonte Springs, Florida

U.S. Bank National Association, as Bond Trustee
under the Bond Indenture referred to below
Orlando, Florida

J.P. Morgan Securities LLC, as
representative of the Underwriters
New York, New York

U.S. Bank National Association, as Master
Trustee under the Master Indenture referred to below
Orlando, Florida

Re: $122,085,000 Colorado Health Facilities Authority
Hospital Revenue Bonds, Series 2019B
(AdventHealth Obligated Group)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the Colorado Health Facilities Authority, an independent public body politic and corporate constituting a public instrumentality and a political subdivision of the State of Colorado (the “Authority”), of the Bonds referred to in the caption hereof (the “Bonds”), which are being issued under the Trust Indenture dated as of August 1, 2019 (the “Bond Indenture”) between the Authority and U.S. Bank National Association, a national banking association, as trustee (the “Bond Trustee”).

The proceeds of the Bonds are being loaned to Adventist Bolingbrook Hospital, an Illinois not-for-profit corporation, Adventist Health System/Sunbelt, Inc., a Florida not-for-profit corporation (“Sunbelt”), Adventist Midwest Health, an Illinois not-for-profit corporation, Florida Hospital Ocala, Inc., a Florida not-for-profit corporation, Florida Hospital Waterman, Inc., a
Florida not-for-profit corporation, Memorial Health Systems, Inc., a Florida not-for-profit corporation, Memorial Hospital Flagler, Inc., a Florida not-for-profit corporation, Memorial Hospital - West Volusia, Inc., a Florida not-for-profit corporation, Pasco-Pinellas Hillsborough Community Health System, Inc., a Florida not-for-profit corporation, PorterCare Adventist Health System, a Colorado nonprofit corporation, Shawnee Mission Medical Center, Inc., a Kansas not-for-profit corporation, Southwest Volusia Healthcare Corporation, a Florida not-for-profit corporation, and University Community Hospital, Inc., a Florida not-for-profit corporation (collectively, the “Borrowers”), pursuant to a Loan Agreement dated as of August 1, 2019 (the “Loan Agreement”), among the Authority and the Borrowers.

The loans being made pursuant to the Loan Agreement are evidenced by the Series 494 Master Note No. 1 (Colorado 2019B Financing), dated the date hereof and in the principal amount of $122,085,000 (the “Note”). The Note is being issued under the Second Amended and Restated Master Trust Indenture dated as of August 1, 2014, as heretofore supplemented and amended (the “Master Indenture”), and as further supplemented by Supplemental Indenture Number 228 dated as of August 1, 2019 (the “Supplemental Indenture”) among the Borrowers; Adventist GlenOaks Hospital, an Illinois not-for-profit corporation; Adventist Health System Georgia, Inc., a Georgia not-for-profit corporation; Chippewa Valley Hospital & Oakview Care Center, Inc., a Wisconsin not-for-profit corporation; Fletcher Hospital, Incorporated, a North Carolina not-for-profit corporation; Florida Hospital Dade City, Inc., a Florida not-for-profit corporation; Florida Hospital Zephyrhills, Inc., a Florida not-for-profit corporation; Memorial Hospital, Inc., a Kentucky not-for-profit corporation; Southeast Volusia Healthcare Corporation, a Florida not-for-profit corporation; and Tarpon Springs Hospital Foundation, Inc., a Florida not-for-profit corporation (hereinafter referred to individually as a “Member” and collectively as the “Obligated Group”); and U.S. Bank National Association, a national banking association, as successor trustee (the “Master Trustee”).

In connection with the issuance and sale of the Bonds, the Authority and Sunbelt, as representative of the Obligated Group, have approved the use of the Preliminary Official Statement dated July 11, 2019 (the “Preliminary Official Statement”), and the Official Statement dated July 19, 2019 (the “Official Statement”), each pertaining to the Bonds.

The proceeds of the Bonds, together with the proceeds of the Colorado Health Facilities Authority Hospital Revenue Bonds, Series 2019A (AdventHealth Obligated Group) (the “Series 2019A Bonds”) being issued on the date hereof for the benefit of the Borrowers and will be used to (i) currently refund a portion of the Highlands County Health Facilities Authority Hospital Revenue Bonds, Series 2005I (Adventist Health System/Sunbelt Obligated Group), the Highlands County Health Facilities Authority Hospital Revenue Bonds, Series 2008B (Adventist Health System/Sunbelt Obligated Group), the Kansas Development Finance Authority Hospital Revenue Bonds, Series 2009C (Adventist Health System/Sunbelt Obligated Group), the Kansas Development Finance Authority Hospital Revenue Bonds, Series 2009D (Adventist Health System/Sunbelt Obligated Group), the Highlands County Health Facilities Authority Hospital Revenue Refunding Bonds, Series 2009E (Adventist Health System/Sunbelt Obligated Group),
and the Highlands County Health Facilities Authority Hospital Revenue Bonds, Series 2013B (Adventist Health System/Sunbelt Obligated Group), and (ii) finance, refinance or reimburse the Borrowers for their prior payment of the costs of certain capital improvements to and equipment for their respective Facilities (as defined in the Bond Indenture).

The Bonds are being sold pursuant to the Bond Purchase Agreement dated July 19, 2019 (the “Bond Purchase Agreement”) between the Authority and J.P. Morgan Securities LLC, acting on behalf of itself and the other underwriters named therein (collectively the “Underwriters”), and approved by Sunbelt, as representative of the Obligated Group.

In connection with the issuance of the Bonds and the Series 2019A Bonds, the Borrowers, the Authority and the Bond Trustee have executed a Tax Exemption Certificate and Agreement dated the date hereof (the “Tax Exemption Agreement”), which places certain restrictions on the investment of moneys held in the funds established by the Bond Indenture and, under certain circumstances, would require the transfer of certain moneys held in such funds to a Rebate Fund created under the Tax Exemption Agreement.

In our capacity as bond counsel, we have examined the following:

(a) certified copies of the Articles of Incorporation and the Bylaws of Sunbelt and the other Members of the Obligated Group and of Adventist Health System Sunbelt Healthcare Corporation, a Florida not-for-profit corporation (“Health Care”);

(b) certificates of the appropriate authorities of the states in which the Members of the Obligated Group are incorporated or qualified to do business, relative to the good standing of the Members therein;

(c) certified copies of the corporate proceedings of (i) the Board of Directors of Health Care authorizing or approving, as the sole member, directly or indirectly, of certain Members of the Obligated Group, and (ii) the Board of Directors of Sunbelt authorizing or approving, as the sole member, directly or indirectly, of the other Members of the Obligated Group, the execution and delivery of the Bond Indenture, the Loan Agreement, the Supplemental Indenture, the Note, the Tax Exemption Agreement, the Bond Purchase Agreement and the Official Statement;

(d) certified copies of the proceedings of the Authority authorizing the execution and delivery of the Bond Indenture, the Loan Agreement, the Tax Exemption Agreement and the Bond Purchase Agreement and the issuance and sale of the Bonds and approving the use of the Preliminary Official Statement and the Official Statement;

(e) the executed Note and executed counterparts of the Bond Indenture, the Loan Agreement, the Master Indenture, the Supplemental Indenture, the Tax Exemption Agreement, the Bond Purchase Agreement and the Official Statement;
Based upon the foregoing and in reliance upon certain documents and showings hereinafter referred to, we are of the opinion that:

1. The Authority is an independent public body politic and corporate duly created and existing under the laws of the State of Colorado and has full power and authority to enter into, execute and deliver the Bond Indenture, the Loan Agreement, the Tax Exemption Agreement and the Bond Purchase Agreement and to issue and sell the Bonds.

2. Sunbelt is a not-for-profit corporation duly organized, validly existing and in good standing under the laws of the State of Florida, is duly qualified to do business as a foreign corporation under the laws of the States of Illinois, Tennessee and Texas and has full power and authority to enter into, execute and deliver the Bond Purchase Agreement, the Official Statement, the Master Indenture, the Supplemental Indenture, the Tax Exemption Agreement, the Loan Agreement and the Note.

3. Each of the Borrowers other than Sunbelt is a not-for-profit corporation duly organized, validly existing and in good standing under the laws of its state of incorporation and has full power and authority to enter into, execute and deliver the Loan Agreement, the Master Indenture, the Supplemental Indenture, the Tax Exemption Agreement and the Note.

4. Each of the Members of the Obligated Group other than the Borrowers is a not-for-profit corporation duly organized, validly existing and in good standing under the laws of its state of incorporation and has full power and authority to enter into, execute and deliver the Master Indenture, the Supplemental Indenture and the Note.

5. The resolutions of the Authority authorizing the issuance and sale of the Bonds have been duly adopted by the Authority, and no further action of the Authority is required for their continued validity.
6. The Bond Indenture, the Loan Agreement and the Tax Exemption Agreement have been duly authorized or approved by the Authority and the Borrowers, have been duly executed and delivered by the Authority and the Borrowers, as applicable, and, assuming the due authorization, execution and delivery thereof by the Bond Trustee, as applicable, constitute legal, valid and binding instruments of the Authority and the Borrowers, as applicable, enforceable in accordance with their respective terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors’ rights generally and by the availability of equitable remedies.

7. The Master Indenture, the Supplemental Indenture and the Note have been duly authorized by the Obligated Group, have been duly executed and delivered by the Obligated Group, and, assuming the due authorization, execution and delivery thereof by the Master Trustee, constitute legal, valid and binding instruments of the Obligated Group enforceable in accordance with their respective terms, subject to the qualifications that (i) the enforcement thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors’ rights generally and by the availability of equitable remedies and (ii) the provisions of the Master Indenture, the Supplemental Indenture and the Note requiring payments to be made on the Note and on any other note issued under the Master Indenture may not be enforceable if such payments: (a) constitute payments on a fraudulent obligation under Section 548 of the federal Bankruptcy Code or a fraudulent conveyance under applicable state law; (b) are requested to be made from any moneys or assets which are donor restricted or which are subject to a direct, express or charitable trust which does not permit the use of such moneys or assets for such payments; (c) are requested with respect to payments on any note issued under the Master Indenture which was issued for a purpose which is not consistent with the charitable purposes of the Member of the Obligated Group from which such payment is requested or which was issued for the benefit of any entity other than a not-for-profit corporation which is exempt from federal income tax under Sections 501(a) and 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and is not a “private foundation” as defined in Section 509(a) of the Code; (d) 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 (e) are requested to be made pursuant to any loan violating applicable usury laws.

8. The Bond Purchase Agreement has been duly authorized, executed and delivered by the Authority and Sunbelt, as representative of the Obligated Group, and, assuming the due authorization, execution and delivery thereof on behalf of the Underwriters, constitutes a legal, valid and binding instrument of the Authority and the Obligated Group enforceable in accordance with its terms, subject to the qualifications that (i) the enforcement thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors’ rights generally and by the availability of equitable remedies and (ii) the enforcement of the indemnification provisions thereof may be limited by federal or state securities laws.
9. The Bonds have been duly authorized by the Authority, duly executed by authorized officers of the Authority, authenticated by the Bond Trustee and validly issued by the Authority and constitute the legal, valid and binding limited obligations of the Authority enforceable in accordance with their terms and are entitled to the benefit and security of the Bond Indenture, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors’ rights generally and by the availability of equitable remedies.

10. Subject to the condition that the Authority and the Borrowers comply with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals under the Code. Failure to comply with certain of such covenants by the Authority and the Borrowers, respectively, could cause the interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

11. Under the laws of the State of Colorado, as presently enacted and construed, so long as interest on the Bonds is not included in gross income for federal income tax purposes, interest on the Bonds will not be included in Colorado taxable income for purposes of the income tax imposed by the State of Colorado pursuant to Article 22 of Title 39 of the Colorado Revised Statutes, as amended, upon individuals, corporations and estates and trusts. No opinion is expressed regarding taxation of interest on the Bonds under any other provisions of Colorado law. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

12. The Official Statement has been duly authorized, executed and delivered by Sunbelt, as representative of the Obligated Group, and the use of the Preliminary Official Statement in connection with the issuance and sale of the Bonds has been duly approved by the Authority and Sunbelt, as representative of the Obligated Group.

13. The Bonds constitute exempt securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and of Section 304(a)(4) of the Trust Indenture Act of 1939, as amended; and it is not necessary in connection with the sale of the Bonds to the public to register the Bonds or the Note under the Securities Act of 1933, as amended, or to qualify the Bond Indenture, the Master Indenture or the Supplemental Indenture under the Trust Indenture Act of 1939, as amended.

14. Under the Master Indenture, each Member of the Obligated Group has granted to the Master Trustee a valid and enforceable security interest in its accounts, as defined in Article 9 of the Uniform Commercial Code of the state or states whose laws govern such matters with respect
to such accounts, and in its Gross Revenues, as defined in the Master Indenture, and all proceeds of such accounts and Gross Revenues. Such security interest has been perfected under the Uniform Commercial Codes of the States of Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, North Carolina and Wisconsin to the extent that it can be perfected solely by the filing of appropriate financing statements and is prior to any other security interest therein which could be perfected solely by such filing, subject to Permitted Encumbrances, as defined in the Master Indenture, including any security interest in any accounts permitted by Section 5.04 of the Master Indenture and clause (h) or (i) of the definition of Permitted Encumbrance contained in the Master Indenture and excluding any such accounts sold by any Member as permitted by the last paragraph of Section 5.07 of the Master Indenture, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors’ rights generally and by the availability of equitable remedies.

In rendering this opinion, including without limitation our opinion set forth in the foregoing paragraph 10, we are relying upon (i) certificates of the Authority and the Borrowers with respect to certain material facts within their respective knowledge, and (ii) the opinion of GrayRobinson, P.A., general counsel for the Obligated Group and Health Care, referred to in paragraph (h) above, that Health Care and the Members of the Obligated Group are organizations described in Section 501(c)(3) of the Code and as to certain other matters.

We have also relied upon such opinion of GrayRobinson, P.A., with respect to all matters relating to the organization and incorporation of each Member of the Obligated Group and Health Care and the power and authority of the Obligated Group and Health Care to conduct their respective health care activities as now being conducted.

In rendering the opinion set forth in paragraph 14 above, we have relied upon (i) searches of financing statements filed in the offices of the Secretaries of State of the States of Colorado, Florida, Illinois, Kansas, Kentucky, North Carolina, Texas and Wisconsin and in the office of the Clerk of the Superior Court of Gordon County, Georgia, made by firms furnishing such services, and (ii) an affidavit of an officer or authorized agent of the Members of the Obligated Group as to all matters which are not required to appear of record in order to be effective against bona fide purchasers or mortgagees without notice and as to judgments and tax liens against the properties of the Obligated Group.

Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion, and is not a guarantee of a result. This opinion is rendered as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,