



\$49,230,000
North Carolina Medical Care Commission
Variable Rate Demand Hospital Revenue Bonds
(Randolph Hospital)
Series 2007
CUSIP NO. 65820H ZR7

Dated: Date of Delivery**Price: 100%****Due: October 1, 2037***Tax Exemption:*

In the opinion of Bond Counsel, under existing law and subject to compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest on the Series 2007 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (however, for purposes of computing the alternative minimum tax imposed on certain corporations such interest is taken into account in determining adjusted current earnings). In the opinion of Bond Counsel, under existing law, interest on the Series 2007 Bonds is exempt from State of North Carolina income taxes. See "TAX EXEMPTION" herein.

Security:

The bonds offered hereby (the "Series 2007 Bonds") are being issued by the North Carolina Medical Care Commission (the "Commission") under a Trust Agreement (the "Trust Agreement") between the Commission and First-Citizens Bank & Trust Company, Raleigh, North Carolina, as trustee (the "Bond Trustee"). THE SERIES 2007 BONDS ARE LIMITED OBLIGATIONS OF THE COMMISSION, AND THE COMMISSION WILL NOT BE OBLIGATED TO PAY DEBT SERVICE ON THE SERIES 2007 BONDS EXCEPT FROM THE REVENUE AND OTHER FUNDS PLEDGED OR ASSIGNED THEREFOR UNDER THE TRUST AGREEMENT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NORTH CAROLINA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE SERIES 2007 BONDS. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS" herein.

Credit Facility:

The payment of the principal and purchase price of and interest on the Series 2007 Bonds will be secured by an irrevocable, direct-pay Letter of Credit (the "Letter of Credit") issued by

Bank of America, N.A.

(the "Bank") pursuant to which the Bond Trustee will be permitted to draw up to (a) an amount equal to the aggregate principal amount of the Series 2007 Bonds outstanding for the payment of the principal of the Series 2007 Bonds or the principal component of the purchase price of the Series 2007 Bonds, plus (b) an amount equal to 40 days' interest on the Series 2007 Bonds outstanding (computed at a rate of 12% per annum) for the payment of interest on the Series 2007 Bonds or the interest component of the purchase price of the Series 2007 Bonds, all as further described herein. The Letter of Credit will expire on June 15, 2010, unless extended or earlier terminated as described herein.

Purpose:

Proceeds of the Series 2007 Bonds, together with other available funds, will be used to (a) pay, or reimburse Randolph Hospital, Inc. (the "Corporation") for paying, a portion of the cost of the acquisition, construction and installation of certain capital improvements to the Corporation's health care facilities, as more fully described herein (the "Project"), (b) refund the Commission's Health Care Facilities Revenue Bonds (Randolph Hospital, Incorporated Project), Series 1999, and (c) pay certain expenses incurred in connection with the issuance of the Series 2007 Bonds.

Interest Payment Date:

During a Weekly Interest Rate Period, the first Business Day of each calendar month. The first Interest Payment Date is July 2, 2007. During a Daily Interest Rate Period, the fifth Business Day of each calendar month.

Denomination:

During any Weekly Interest Rate Period or Daily Interest Rate Period, \$100,000 and any integral multiple of \$5,000 in excess of \$100,000.

Redemption:

Optional, extraordinary optional and mandatory sinking fund redemption as described herein.

Bond Trustee:

First-Citizens Bank & Trust Company, Raleigh, North Carolina.

Bond Counsel:

Robinson, Bradshaw & Hinson, P.A., Charlotte, North Carolina.

Underwriter's Counsel:

Womble Carlyle Sandridge & Rice, PLLC, Raleigh, North Carolina.

Corporation Counsel:

Kennedy Covington Lobdell & Hickman, L.L.P., Research Triangle Park, North Carolina.

Credit Facility Provider's Counsel:

Helms Mulliss & Wicker, PLLC, Charlotte, North Carolina.

Settlement Date:

On or about June 14, 2007.

Limited Information:

Only selected information is presented on this cover page. A prospective investor should read this Official Statement in its entirety to make an informed decision regarding the Series 2007 Bonds. This Official Statement summarizes certain terms of the Series 2007 Bonds only while the Series 2007 Bonds bear interest at a Weekly Interest Rate or a Daily Interest Rate. Should the interest rate borne by the Series 2007 Bonds be converted to an interest rate other than a Weekly Interest Rate or a Daily Interest Rate, it is expected that a new official statement or other disclosure document will be distributed describing the Series 2007 Bonds during such other interest rate period.



No dealer, broker, salesman, or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement in connection with the offering described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Series 2007 Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Series 2007 Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. Neither the delivery of this Official Statement nor the sale of any of the Series 2007 Bonds implies that the information herein is correct as of any date subsequent to the date thereof.

The information contained herein has been obtained from the Commission, the Corporation and other sources believed to be reliable. The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has 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 Underwriter does not guarantee the accuracy or completeness of such information.

The Commission neither has nor assumes any responsibility for the accuracy or completeness of the information in this Official Statement other than that contained under the caption "THE COMMISSION" and the information related to the Commission under the caption "LITIGATION."

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
THE COMMISSION	3
General	3
Outstanding Debt.....	4
Membership.....	4
Staff of the Commission.....	5
Certain Administrative Officers	5
THE OBLIGATED GROUP AND THE HOSPITAL	6
THE SERIES 2007 BONDS.....	7
General	7
Determination of the Weekly Interest Rate	8
Determination of the Daily Interest Rate.....	9
Conversion of Interest Rates on Series 2007 Bonds	10
Tender and Purchase of Series 2007 Bonds	11
Source of Funds for Purchase of Series 2007 Bonds	14
Redemption Provisions.....	14
Book Entry System.....	18
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS	18
THE LETTER OF CREDIT	19
General	19
Drawings Under the Letter of Credit.....	20
Reduction and Reinstatement of the Letter of Credit.....	20
Alternate Credit Facility; Liquidity Facility; Self Liquidity Arrangement	21
SUMMARY OF CERTAIN PROVISIONS OF THE CREDIT FACILITY PROVIDER AGREEMENT ...	21
PLAN OF FINANCE	22
The Refunding Plan.....	22
The Project	22
The Swap Agreement	23
ESTIMATED SOURCES AND USES OF FUNDS	23
ANNUAL DEBT SERVICE REQUIREMENTS	24
LITIGATION	24
LEGAL MATTERS	25
TAX EXEMPTION	25
RATINGS	26
CERTAIN RELATIONSHIPS	26
CONTINUING DISCLOSURE	26
THE REMARKETING AGENT AND TENDER AGENT	27
UNDERWRITING	27
OTHER MATTERS	27

Appendix A	Certain Information Concerning the Bank
Appendix B	Form of the Credit Facility
Appendix C	Summary of Principal Legal Documents
Appendix D	Proposed Form of Bond Counsel Opinion
Appendix E	Information Regarding the Book-Entry-Only System

**Department of Health and Human Services
The North Carolina Medical Care Commission**

Phone: (919) 855-3750 ▪ Fax: (919) 733-2757
2701 Mail Service Center 27699-2701 • 701 Barbour Drive 27603
Raleigh, N.C.

Michael F. Easley, Governor

Department of Health and Human Services

**\$49,230,000
North Carolina Medical Care Commission
Variable Rate Demand Hospital Revenue Bonds
(Randolph Hospital)
Series 2007**

INTRODUCTION

This Official Statement, including the cover page, inside cover page and the appendices, is provided to furnish information regarding the offering by the North Carolina Medical Care Commission (the “Commission”) of its \$49,230,000 Variable Rate Demand Hospital Revenue Bonds (Randolph Hospital) Series 2007 (the “Series 2007 Bonds”). The Series 2007 Bonds are being issued under the Health Care Facilities Finance Act, Chapter 131A of the General Statutes of North Carolina, as amended (the “Act”), and a Trust Agreement, dated as of June 1, 2007 (the “Trust Agreement”), between the Commission and First-Citizens Bank & Trust Company, Raleigh, North Carolina, as trustee (the “Bond Trustee”).

This Official Statement generally describes the Series 2007 Bonds only while bearing interest at the Weekly Interest Rate or the Daily Interest Rate. Prospective purchasers of the Series 2007 Bonds bearing interest at rates other than the Weekly Interest Rate or the Daily Interest Rate should not rely on this Official Statement.

Concurrently with the issuance of the Series 2007 Bonds, the Commission will enter into a Loan Agreement, dated as of June 1, 2007 (the “Loan Agreement”), with Randolph Hospital, Inc., a North Carolina nonprofit corporation (the “Corporation”). The Commission will lend the proceeds of the Series 2007 Bonds to the Corporation for the purpose of providing funds, together with other available funds, to (a) pay, or reimburse the Corporation for paying, a portion of the cost of the acquisition, construction and installation of certain capital improvements to the Corporation’s health care facilities, as more fully described herein (the “Project”), (b) refund the outstanding North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Randolph Hospital), Series 1999, currently outstanding in the aggregate principal amount of \$20,670,000 (the “1999 Bonds”), and (c) pay certain expenses incurred in connection with the issuance of the Series 2007 Bonds. See “PLAN OF FINANCE” herein.

The Series 2007 Bonds are limited obligations of the Commission, payable solely from money to be received from the Corporation pursuant to the terms of the Loan Agreement and Obligation No. 1, dated as of the date of delivery of the Series 2007 Bonds (“Obligation No. 1”), issued by the Corporation to the Commission. Obligation No. 1 will be issued pursuant to a Master Trust Indenture, dated as of June 1, 2007 (the “Master Indenture”), between the Corporation, Randolph Medical Associates (“RMA”) and The Randolph Hospital Community Health Foundation (the “Foundation”) and First-Citizens Bank &

Trust Company, Raleigh, North Carolina, as trustee (the “Master Trustee”), and a Supplemental Indenture for Obligation No. 1, dated as of June 1, 2007 (the “Supplemental Indenture”), between the Corporation and the Master Trustee.

The payment of the principal and purchase price (hereinafter described) of and interest on the Series 2007 Bonds will also be secured by an irrevocable, direct-pay letter of credit (the “Letter of Credit” and, initially, the “Credit Facility”) issued by Bank of America, N.A. (in such capacity, the “Bank” and, initially, the “Credit Facility Provider”) pursuant to a Letter of Credit and Reimbursement Agreement, dated as of June 1, 2007 (the “Credit Facility Provider Agreement”), between the Corporation and the Bank. Under the Letter of Credit, the Bond Trustee will be permitted to draw up to (a) an amount equal to the aggregate principal amount of the Series 2007 Bonds Outstanding for the payment of the principal of the Series 2007 Bonds or the principal component of the purchase price of the Series 2007 Bonds, plus (b) an amount equal to up to 40 days’ interest on the Series 2007 Bonds Outstanding computed at a rate of 12%, but not exceeding the actual amount of interest accrued on the Series 2007 Bonds, for the payment of interest on the Series 2007 Bonds or the interest component of the purchase price of the Series 2007 Bonds. The Credit Facility will initially be issued on June 14, 2007 in an amount sufficient to pay the principal and purchase price of and interest on the Series 2007 Bonds. The Bond Trustee will draw on the Letter of Credit or any Alternate Credit Facility to make the required payments of principal of and interest on the Series 2007 Bonds and to pay the purchase price of the Series 2007 Bonds upon optional or mandatory tender as described under the caption “THE SERIES 2007 BONDS – Tender and Purchase of Series 2007 Bonds” herein.

The Letter of Credit will expire on June 15, 2010, unless earlier terminated as provided therein or unless otherwise renewed or extended. Pursuant to the Trust Agreement, the Letter of Credit may be replaced by an Alternate Credit Facility. The Series 2007 Bonds are subject to mandatory tender for purchase on the proposed effective date of an Alternate Credit Facility, notice of which will be provided to the Holders at least thirty (30) days prior to such mandatory tender date. See “THE SERIES 2007 BONDS – Tender and Purchase of Series 2007 Bonds” and “THE LETTER OF CREDIT” herein and Appendices A and B hereto.

The Corporation will issue Obligation No. 2, dated as of the date of delivery of the Series 2007 Bonds (“Obligation No. 2”), to the Bank pursuant to the Master Indenture and a Supplemental Indenture for Obligation No. 2, dated as of June 1, 2007, between the Corporation and the Master Trustee, to secure certain repayment and other obligations to the Bank for providing a letter of credit securing payment of the principal and purchase price of and interest on the Series 2007 Bonds.

Obligation No. 1 and Obligation No. 2 will be joint and several obligations of each Member of the Obligated Group. At the time of delivery of the Series 2007 Bonds, the Members of the Obligated Group will be the Corporation, RMA, and the Foundation.

The Master Indenture permits any Persons which are not Members of the Obligated Group and other corporations which are successor corporations to any Member of the Obligated Group through merger or consolidation as permitted by the Master Indenture to become Members of the Obligated Group upon compliance with certain financial and other requirements. The Master Indenture also permits, upon compliance with certain requirements, any Member of the Obligated Group to withdraw from the Obligated Group. The Loan Agreement, however, prohibits the withdrawal of the Corporation from the Obligated Group without the written consent of the Commission.

Pursuant to the Master Indenture, as security for the payment of the amounts due on Obligation No. 1 and Obligation No. 2 (and any other Obligations Outstanding or hereafter issued under the Master Indenture), the Members of the Obligated Group will grant a security interest in Pledged Assets to the

Master Trustee, subject to Permitted Liens and subject to the right of the Members of the Obligated Group to sell Accounts or to incur Indebtedness secured by Accounts under certain circumstances. See “SUMMARY OF THE MASTER INDENTURE — Particular Covenants--Transfer of Operating Assets; Transfer of Cash and Investments; Sale of Accounts” and “--Limitations on Indebtedness” in Appendix C to this Official Statement. In addition, the Members of the Obligated Group will be subject to covenants under the Master Indenture restricting, among other things, incurrence of Indebtedness, existence of Liens, consolidation or merger, and disposition of assets.

Payments on Obligation No. 1 will be required to be sufficient to pay the principal of and interest on the Series 2007 Bonds as they become due and payable. The Commission will assign to the Bond Trustee all of its right, title and interest in and to Obligation No. 1, all rights under the Master Indenture as owner of Obligation No. 1 and, substantially all of its right, title and interest in and to the Loan Agreement to secure the payment of the Series 2007 Bonds.

Certain provisions and terms of the Series 2007 Bonds require agreements with and between other parties, including a separate Tender Agent Agreement dated as of June 1, 2007 (the “Tender Agent”), among the Bond Trustee, First-Citizens Bank & Trust Company, as tender agent (the “Tender Agent”), the Corporation and A.G. Edwards & Sons, Inc., in its capacity as Remarketing Agent (as hereinafter defined). To facilitate the remarketing of the Series 2007 Bonds upon tender for purchase, the Commission, the Corporation and A.G. Edwards & Sons, Inc. (as the “Remarketing Agent”) are entering into a Remarketing Agreement, dated as of June 1, 2007 (the “Remarketing Agreement”).

This introduction is merely a summary and is qualified by reference to the entire Official Statement.

Capitalized terms used and not otherwise defined herein shall have the meanings given to such terms in the Master Indenture, the Loan Agreement and the Trust Agreement (see “DEFINITIONS OF CERTAIN TERMS” in Appendix C). Brief descriptions and summaries of the Master Indenture, the Loan Agreement, the Trust Agreement, the Remarketing Agreement, the Tender Agreement, the Credit Facility and the Credit Facility Provider Agreement are included in this Official Statement. Those descriptions and summaries do not purport to be comprehensive or definitive, and all references in this Official Statement to the Master Indenture, the Loan Agreement, the Trust Agreement, the Remarketing Agreement, the Tender Agreement, the Credit Facility and the Credit Facility Provider Agreement are qualified in their entirety by reference to those documents, and all references to the Series 2007 Bonds are qualified by reference to the definitive form of the Series 2007 Bonds contained in the Trust Agreement. Copies of those documents may be obtained from the Corporation prior to the delivery of the Series 2007 Bonds and thereafter will be on file at the principal corporate trust office of the Bond Trustee.

THE COMMISSION

General

The Commission was created primarily as a result of the findings of the North Carolina Hospital and Medical Care Commission, a special commission appointed in 1944 to study the critical shortages in general hospital facilities and trained medical personnel in the State of North Carolina (the “State”) and to make recommendations for improvements in these areas. Among the recommendations made was that the legislature provide for a permanent State agency that would be responsible for the maintenance of high standards in the State’s hospitals and for the administration of a medical student loan fund and a statewide hospital and medical care program.

The Commission was established in 1945 and, pursuant to its enabling legislation, was given the power, among others, to make a survey of the hospital resources in the State and formulate a statewide program for construction and maintenance of local hospitals, health centers and related facilities and to receive and administer federal and State funds appropriated for such purposes.

In 1946, Congress passed the Hospital Survey and Construction Act (Hill-Burton) to provide funds for the construction and renovation of health care facilities, and the Commission was designated as the agency empowered to administer the program within the State. Under this program, also known as the Hill-Burton program, health facility construction in North Carolina has totaled more than \$500 million, of which 40% was provided by federal sources, 5% by the State and 55% by local sponsors. Of the more than 500 Hill-Burton projects approved by the Commission between 1946 and 1976, 241 were general hospital projects, including 80 completely new facilities.

Pursuant to the Executive Organization Act of 1973, the 17-member Commission was incorporated into the Department of Human Resources (now the Department of Health and Human Services). Three members of the Commission are nominated by the North Carolina Medical Society, one by the North Carolina Pharmaceutical Association, one by the North Carolina State Nurses' Association, one by the North Carolina Hospital Association and one by The Duke Endowment. Each nomination is subject to the Governor's approval. In addition, ten Commission members, one of whom must be a dentist, are appointed by the Governor.

Today the Commission has the duty and power to promulgate, adopt, amend and rescind rules in accordance with the laws of the State regarding the regulation and licensing or certification, as applicable, of hospitals, hospices, free standing outpatient surgical facilities, nursing homes, adult care homes, home care agencies, home health agencies, nursing pools, facilities providing mammography/pap smear services, free standing abortion clinics, ambulances and emergency medical services personnel.

In 1975, the North Carolina General Assembly enacted the Health Care Facilities Finance Act, which enables the Commission to issue tax-exempt revenue bonds to finance construction and equipment projects for nonprofit and public hospitals, nursing homes, continuing care facilities for the elderly and facilities related to the foregoing.

Outstanding Debt

As of March 31, 2007, the Commission had issued revenue bonds or notes to finance 315 projects. The total authorized principal amount of all such financings was \$12,077,857,802 and the total outstanding principal amount of all such financings as of March 31, 2007 was \$6,566,151,860, excluding financings that have been refunded. Each such issue is payable solely from revenues derived from the respective corporate entity or entities receiving such financing and any other credit support provided therefor, is separately secured, and is separate and independent from all other series of bonds as to source of payment and security.

Membership

The Commission currently consists of 17 members as follows:

<u>NAME</u>	<u>TERM</u>	<u>PRINCIPAL OCCUPATION</u>	<u>RESIDENCE</u>
Lucy Hancock Bode Chairman	1993-2005*	Housewife/Health Consultant	Raleigh

<u>NAME</u>	<u>TERM</u>	<u>PRINCIPAL OCCUPATION</u>	<u>RESIDENCE</u>
Joseph D. Crocker Vice Chairman	1988-2008	Director of Operations, Z. Smith Reynolds Foundation	Winston-Salem
Martha Barham	2005-2010	Registered Nurse	High Point
Andrea Bazan-Manson	2005-2008	President, Triangle Community Foundation	Raleigh
George A. Binder, MD	2005-2007	Physician	Fayetteville
Robert F. Burgin	2000-2008	Retired Hospital Administrator	Asheville
George H. V. Cecil	1987-2007	Chairman, Biltmore Dairy Farms, Inc.	Biltmore
Gerald P. Cox	2002-2010	Health Care Executive	Rocky Mount
John A. Fagg, MD	2004-2007	Physician	Winston-Salem
Michael Hubbard	2005-2008	Attorney	Raleigh
Clifford B. Jones, Jr., DDS	1995-2007	Dentist	Elizabeth City
Albert F. Lockamy, Jr., RPh	1986-2010	Pharmacist	Raleigh
Mary L. Piepenbring	2005-2009	Director Healthcare Division Duke Endowment	Charlotte
Carl K. Rust II	2002-2009	Physician	Wilmington
Robert E. Schaaf, MD	2005-2010	Physician	Raleigh
Henry A. Unger, MD	1998-2009	Urologist	Cary
Margaret Weller-Stargell	2006-2009	President/CEO Coastal Horizons Center, Inc.	Wilmington

*Will continue to serve until reappointed or a successor is appointed and qualified.

Staff of the Commission

The Division of Facility Services of the Department of Health and Human Services employs a staff of approximately 400 persons (including registered architects, professional engineers and consultants in fields of emergency medicine, hospital administration, nursing service and administration, dietetics and nutrition, laboratory design and operation, and medical records), the services of whom are available to and used by the Commission. The Division of Facility Services provides all necessary administrative and clerical assistance to the Commission.

Certain Administrative Officers

Robert J. Fitzgerald, Secretary of the North Carolina Medical Care Commission and Director of the Division of Facility Services, North Carolina Department of Health and Human Services. Mr. Fitzgerald is responsible for the implementation of the Act. As Director of the Division of Facility Services, Mr. Fitzgerald has overall responsibility for all the division sections, which include Construction, Certification, Emergency Medical Services, Medical Facilities Planning, Certificate of

Need, Group Care Licensure, Jails and Detention, Nurse Aide Registry and Investigations, and Regulatory Services. He has been with the Division of Facility Services and the Commission since 1982. Mr. Fitzgerald has a B.A. in Government from the University of South Dakota and an M.A. in Public Administration from the University of Minnesota.

William L. Warren, Chief, Construction Section, Division of Facility Services, North Carolina Department of Health and Human Services. Mr. Warren is responsible for the review of plans and specifications for projects seeking assistance under the Act to insure that they meet the minimum standards of construction and design developed by the Construction Section for that purpose. Mr. Warren has been with the Construction Section of the Division of Facility Services since 1984 and has served successively as Building Systems Engineer (1984-1988) and Assistant Chief (1988-1991). In December 1991, he assumed the position of Chief of the Construction Section. Mr. Warren has a B.S. degree in Engineering from North Carolina State University and is experienced in the areas of electrical, maintenance and mechanical engineering.

Christopher B. Taylor, CPA, Assistant Secretary, North Carolina Medical Care Commission, North Carolina Department of Health and Human Services. As Assistant Secretary, Mr. Taylor is responsible for the areas of (1) financial and operational auditing and compliance, (2) assistance and consultation to the Construction Section during project development and completion and (3) evaluation and counseling of projects during the process of financing through the Commission. Mr. Taylor is a Certified Public Accountant and a magna cum laude graduate of North Carolina Wesleyan College. He served as a Senior Internal Auditor for the Department from 1979 until 1983. In 1983, Mr. Taylor was named Auditor for the Commission and served in that capacity until 1987, when he was appointed Financial Advisor for the Commission. In 2005, Mr. Taylor was appointed Assistant Secretary to the Commission. Mr. Taylor is a member of the American Institute of Certified Public Accountants, the North Carolina Association of Certified Public Accountants and the Healthcare Financial Management Association.

Kathy C. Larrison, Auditor, North Carolina Medical Care Commission, North Carolina Department of Health and Human Services. As Auditor for the Commission, Ms. Larrison is responsible for continuous review and audit of the projects financed through the Commission to ensure financial, legal, and operational compliance with the bond and note covenants. She has a B.B.A. in Accounting from Campbell University and is a member of the Healthcare Financial Management Association. She joined the staff in September 2004, after serving 17 years in an acute care hospital in the capacities of Staff Accountant, Controller and Chief Financial Officer.

THE OBLIGATED GROUP AND THE HOSPITAL

The Corporation is a North Carolina nonprofit corporation that was incorporated in 1931. The Corporation has been determined to be exempt from federal income taxation pursuant to Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code.

The Corporation owns and operates Randolph Hospital, a 145-bed acute care hospital in Asheboro, North Carolina (the "Hospital"). The Hospital is accredited by The Joint Commission and is licensed by the Division of Facility Services of the Department of Health and Human Services of the State of North Carolina. The Hospital is also an approved provider of both the Medicare and Medicaid programs. The Hospital is the only hospital in Randolph County and serves a population of more than 125,000. The Hospital's active medical staff includes 86 physicians who practice in the following medical specialties, among others: family practice, obstetrics, pediatrics, general surgery, internal

medicine, anesthesiology, radiology, pathology, emergency medicine, cardiology and orthopedics. Eighty one physicians on the active medical staff are board certified in their specialities.

In 1993, the Corporation created a controlled affiliate, Randolph Medical Associates, a tax-exempt, nonprofit corporation. This corporation employs physicians who provide needed primary care medical services to the county. They have offices in Asheboro, Randleman, Liberty and Seagrove.

In 1995, the Corporation created another controlled affiliate, The Randolph Hospital Community Health Foundation, a tax-exempt, nonprofit corporation. This corporation operates as an endowment and provides grant opportunities to promote health and wellness in the community.

NO REPRESENTATION IS MADE HEREIN REGARDING THE FINANCIAL HISTORY OR CURRENT FINANCIAL CONDITION OF THE CORPORATION OR FUTURE REVENUES OF THE CORPORATION. THERE CAN BE NO ASSURANCE THAT MONEYS AVAILABLE TO THE CORPORATION WILL BE SUFFICIENT TO PAY DEBT OBLIGATIONS UNDERLYING THE SERIES 2007 BONDS. INVESTORS SHOULD NOT RELY UPON INFORMATION PROVIDED HEREIN REGARDING THE BUSINESS OF THE CORPORATION, THE PROJECT, THE ESTIMATED USES OF FUNDS FOR THE PROJECT, OR ANY EVIDENCE REGARDING THE FINANCIAL HISTORY, CURRENT FINANCIAL CONDITION OR FUTURE REVENUES OF THE CORPORATION IN MAKING INVESTMENT DECISIONS CONCERNING THE SERIES 2007 BONDS. PROSPECTIVE PURCHASERS OF THE SERIES 2007 BONDS ARE ADVISED TO RELY SOLELY UPON THE LETTER OF CREDIT FOR PAYMENT OF PRINCIPAL AND PURCHASE PRICE OF AND INTEREST ON THE SERIES 2007 BONDS.

THE SERIES 2007 BONDS

General

The Series 2007 Bonds initially will bear interest at a Weekly Interest Rate as described below under “**Determination of the Weekly Interest Rate**” unless and until, at the direction of the Corporation on behalf of the Commission and upon compliance with the conditions set forth in the Trust Agreement and the Loan Agreement, the interest rate borne by the Series 2007 Bonds is converted to a Weekly Interest Rate, a Long-Term Interest Rate or Bond Interest Term Rates.

This Official Statement summarizes certain terms of the Series 2007 Bonds only while the Series 2007 Bonds bear interest at a Weekly Interest Rate or a Daily Interest Rate. Should the interest rate borne by the Series 2007 Bonds be converted to an interest rate other than a Weekly Interest Rate, the Series 2007 Bonds will be subject to mandatory tender and purchase. Should the interest rate borne by the Series 2007 Bonds be converted to an interest rate other than a Weekly Interest Rate or a Daily Interest Rate, it is expected that a new official statement or other disclosure document will be distributed describing the Series 2007 Bonds during such other interest rate period.

The Series 2007 Bonds are to (i) mature on October 1, 2037, subject to prior redemption as described herein under “**Redemption Provisions,**” (ii) be dated the date of their delivery and (iii) bear interest from that date until paid. So long as the Series 2007 Bonds bear interest at a Weekly Interest Rate or a Daily Interest Rate, interest will be computed on the basis of a 365- or 366-day year for the actual days elapsed for the Series 2007 Bonds.

The Series 2007 Bonds will be issued as fully registered bonds in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of DTC. The Series 2007 Bonds may be

purchased by the beneficial owners in denominations, during a Weekly Interest Rate Period or a Daily Interest Rate Period, of \$100,000 and integral multiples of \$5,000 in excess of \$100,000 (during a Weekly Interest Rate Period or a Daily Interest Rate Period, an “Authorized Denomination”).

While the Series 2007 Bonds bear interest at a Weekly Interest Rate, interest on the Series 2007 Bonds will be payable monthly in arrears on the first Business Day of each month, commencing July 2, 2007 (during a Weekly Interest Rate Period, an “Interest Payment Date”), for the period commencing on the first Business Day of the preceding month and ending on the day immediately preceding the Interest Payment Date (or, if sooner, the last day of such Weekly Interest Rate Period). While the Series 2007 Bonds bear interest at a Daily Interest Rate, interest on the Series 2007 Bonds will be payable monthly in arrears on the fifth Business Day of each month (during a Daily Interest Rate Period, an “Interest Payment Date”) for the period commencing on the first day of the preceding month and ending on the last day of such month (or, if sooner, the last day of such Daily Interest Rate Period). In any event, interest on the Series 2007 Bonds will be payable for the final Interest Rate Period to the date on which the Series 2007 Bonds have been paid in full.

At no time will any Series 2007 Bond (other than a Bank Bond) bear interest at a Weekly Interest Rate or a Daily Interest Rate that is in excess of the lesser of 12% per annum and the maximum rate of interest on the relevant obligation permitted by applicable law.

Principal of and premium, if any, and interest on the Series 2007 Bonds will be paid by the Bond Trustee. Principal is payable upon presentation of the Series 2007 Bonds by the Holders thereof as the Series 2007 Bonds become due and payable. Except as otherwise provided in the Trust Agreement, interest on the Series 2007 Bonds will be payable on each Interest Payment Date by the Bond Trustee by check mailed on the date on which interest is due to the Holders of the Series 2007 Bonds at the close of business on the Regular Record Date in respect of such Interest Payment Date at the registered addresses of such Holders as they appear on the registration books maintained by the Bond Trustee. The Regular Record Date with respect to any Interest Payment Date for the Series 2007 Bonds bearing interest at a Weekly Interest Rate is the Business Day immediately preceding such Interest Payment Date. The Regular Record Date with respect to any Interest Payment Date for the Series 2007 Bonds bearing interest at a Daily Interest Rate is the last Business Day of each calendar month or, in the case of the last Interest Payment Date in respect to a Daily Interest Rate Period, the Business Day immediately preceding such Interest Payment Date. Notwithstanding the foregoing, so long as records of ownership of the Series 2007 Bonds are maintained through the Book-Entry System described in Appendix E, all payments to the Beneficial Owners of the Series 2007 Bonds will be made in accordance with the procedures described in Appendix E.

Pursuant to the Remarketing Agreement, the Remarketing Agent will determine the Interest Rate on the Series 2007 Bonds and use its best efforts to remarket the Series 2007 Bonds subject to optional and mandatory tender for purchase.

Determination of the Weekly Interest Rate

General. During each Weekly Interest Rate Period for the Series 2007 Bonds, the Series 2007 Bonds will bear interest at the Weekly Interest Rate, which will be determined by the Remarketing Agent on Wednesday of each week during such Weekly Interest Rate Period, or if such day is not a Business Day, then on the immediately preceding Business Day. The first Weekly Interest Rate for the Series 2007 Bonds determined for each Weekly Interest Rate Period will be determined on or prior to the effective date of such Weekly Interest Rate Period and will apply to the period commencing on the effective date of such Weekly Interest Rate Period and ending on and including the next succeeding Wednesday. Thereafter, each Weekly Interest Rate will apply to the period commencing on and including Thursday

and ending on and including the next succeeding Wednesday, unless such Weekly Interest Rate Period will end on a day other than Wednesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period will apply to the period commencing on and including the Thursday preceding the last day of such Weekly Interest Rate Period and ending on and including the last day of such Weekly Interest Rate Period.

Each Weekly Interest Rate with respect to the Series 2007 Bonds will be the rate of interest per annum determined by the Remarketing Agent (based on the examination of tax-exempt obligations comparable in the judgment of the Remarketing Agent to the Series 2007 Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Series 2007 Bonds, would enable the Remarketing Agent to sell all of the Series 2007 Bonds on such date of determination at a price (without regarding accrued interest) equal to the principal amount thereof.

In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for the Series 2007 Bonds for any week in which the Series 2007 Bonds bear interest at such rate, then the Weekly Interest Rate for such week will be the same as the Weekly Interest Rate for the immediately preceding week if such Weekly Interest Rate was determined by the Remarketing Agent. In the event that the Weekly Interest Rate for the immediately preceding week was not determined by the Remarketing Agent, or in the event that the Weekly Interest Rate determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Interest Rate for such week will be equal to 110% of the SIFMA Index (which means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry Financial Markets Association (“SIFMA”) or any person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Remarketing Agent and effective from such date) or, if such index is no longer available, 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal on the day such Weekly Interest Rate would otherwise be determined as provided in the Trust Agreement.

Determination of the Daily Interest Rate

During each Daily Interest Rate Period, the Series 2007 Bonds shall bear interest at the Daily Interest Rate, which shall be determined by the Remarketing Agent for the Series 2007 Bonds on each Business Day for such Business Day.

The Daily Interest Rate for the Series 2007 Bonds shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent, to the Series 2007 Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) on or before 9:30 a.m. on a Business Day to be the minimum interest rate which, if borne by such Series 2007 Bonds, would enable the Remarketing Agent to sell all of such Series 2007 Bonds on such Business Day at a price (without regard to accrued interest) equal to the principal amount thereof. The Daily Interest Rate for any day which is not a Business Day shall be the same as the Daily Interest Rate for the immediately preceding Business Day.

If for any reason a Daily Interest Rate for the Series 2007 Bonds is not so established for any Business Day by the Remarketing Agent, the Daily Interest Rate for such Business Day shall be the same as the Daily Interest Rate for the immediately preceding day and such rate shall continue until the earlier of (A) the date on which the Remarketing Agent determines a new Daily Interest Rate or (B) the seventh day succeeding the first such day on which such Daily Interest Rate is not determined by the Remarketing

Agent. In the event that the Daily Interest Rate shall be held to be invalid or unenforceable by a court of law, or the Remarketing Agent fails to determine a new Daily Interest Rate for a period of seven days as described in clause (B) of the immediately preceding sentence, the interest rate applicable to the Series 2007 Bonds, as determined by the Remarketing Agent, shall be the interest rate per annum equal to 110% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* as reported for each Business Day (and for the immediately preceding Business Day for each day which is not a Business Day) until such Daily Interest Rate is again validly determined by such Remarketing Agent.

Conversion of Interest Rates on Series 2007 Bonds

Conversion from Weekly Interest Rate or Daily Interest Rate. The Corporation on behalf of the Commission may direct that the interest rate on the Series 2007 Bonds bearing interest at a (i) Weekly Interest Rate be converted to a Daily Interest Rate, a Long-Term Interest Rate or Bond Interest Term Rates or (ii) Daily Interest Rate be converted to a Weekly Interest Rate, a Long-Term Interest Rate or Bond Interest Term Rates, upon satisfaction of certain conditions set forth in the Trust Agreement.

If the Interest Rate Period for the Series 2007 Bonds is to be converted from the Daily Interest Rate or a Weekly Interest Rate, then the Series 2007 Bonds will be subject to mandatory tender for purchase on the effective date of the conversion to another Interest Rate Period, at a purchase price equal to the principal amount thereof, without premium, plus accrued interest (if any) to the effective date of the conversion. The Trust Agreement provides that the Bond Trustee is required to give notice of any conversion to another Interest Rate Period to the Holders of the Series 2007 Bonds not less than 30 days prior to the proposed effective date of such conversion.

Certain Conditions to Conversion of Interest Rates on Series 2007 Bonds. In connection with any conversion of the Interest Rate Period for any Series 2007 Bonds from a Weekly Interest Rate Period or a Daily Interest Rate Period, the Corporation will cause to be provided to the Bond Trustee a Favorable Opinion of Bond Counsel dated the effective date of such conversion. In the event that Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on any such date, then the Interest Rate Period for the Series 2007 Bonds will not be converted from the Weekly Interest Rate Period or the Daily Interest Rate Period, as applicable, and the Series 2007 Bonds will continue to bear interest at a Weekly Interest Rate or Daily Interest Rate as in effect immediately prior to such proposed conversion of the Interest Rate Period.

In any event, if notice of such conversion has been mailed to the Holders of Series 2007 Bonds, and Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on the effective date of the proposed conversion, the Series 2007 Bonds will continue to be subject to mandatory purchase on the date which would have been the effective date of such conversion as provided in the Trust Agreement.

The Corporation may rescind its election to convert the Interest Rate Period for the Series 2007 Bonds from a Weekly Interest Rate Period or a Daily Interest Rate Period by delivering a rescission notice to the Bond Trustee, the Remarketing Agent, the Tender Agent, the Credit Facility Provider and the Commission on or prior to 10:00 a.m. on the second Business Day preceding the proposed effective date of the conversion. However, if a notice of the proposed conversion has been given to the Holders of the Series 2007 Bonds, then the Series 2007 Bonds nevertheless will still be subject to mandatory tender for purchase on the date which would have been the effective date of the conversion, regardless of the rescission.

If, at any time, the interest rate determination method for the Series 2007 Bonds is to be changed from one interest rate determination method to another, the interest rate determination method for all of the Series 2007 Bonds must be changed.

Tender and Purchase of Series 2007 Bonds

THE TRUST AGREEMENT PROVIDES THAT, SO LONG AS CEDE & CO. IS THE SOLE REGISTERED OWNER OF THE SERIES 2007 BONDS, ALL TENDERS AND DELIVERIES OF SERIES 2007 BONDS UNDER THE PROVISIONS OF THE TRUST AGREEMENT WILL BE MADE PURSUANT TO DTC'S PROCEDURES AS IN EFFECT FROM TIME TO TIME, AND NONE OF THE COMMISSION, THE CORPORATION, THE BOND TRUSTEE OR THE REMARKETING AGENT WILL HAVE ANY RESPONSIBILITY FOR OR LIABILITY WITH RESPECT TO THE IMPLEMENTATION OF SUCH PROCEDURES.

Tender for Purchase Upon Election of Holder During Weekly Interest Rate Period. During any Weekly Interest Rate Period, any Series 2007 Bond (other than a Bank Bond) will be purchased in whole (or in part if both the amount to be purchased and the amount remaining unpurchased will consist of Authorized Denominations) from the Holder thereof at the option of such Holder on any Business Day at a purchase price equal to the principal amount thereof, without premium, plus accrued interest (if any) through and including the day immediately preceding the date of purchase, unless the date of purchase is an Interest Payment Date, in which case at a purchase price equal to the principal amount thereof, without premium, payable in immediately available funds, upon delivery to the Tender Agent at its principal office for delivery of the Series 2007 Bonds, to the Bond Trustee at its Designated Corporate Trust Office and to the Remarketing Agent of an irrevocable written notice which states the principal amount of such Series 2007 Bond, the principal amount thereof to be purchased and the date on which the same will be purchased, which date must be a Business Day at least seven days after the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, will be deemed to have been received on the next succeeding Business Day.

Tender for Purchase Upon Election of Holder During Daily Interest Rate Period. During any Daily Interest Rate Period, any Series 2007 Bond (other than a Bank Bond) will be purchased in whole (or in part if both the amount to be purchased and the amount remaining unpurchased will consist of Authorized Denominations) from the Holder thereof at the option of such Holder on any Business Day at a purchase price equal to the principal amount thereof, without premium, plus accrued interest (if any) through and including the day immediately preceding the date of purchase, unless the date of purchase is an Interest Payment Date, in which case at a purchase price equal to the principal amount thereof, without premium, payable in immediately available funds, upon delivery to the Tender Agent at its principal office for delivery of the Series 2007 Bonds, to the Bond Trustee at its Designated Corporate Trust Office and to the Remarketing Agent, by 11:00 a.m. on such Business Day of an irrevocable written notice which states the principal amount of such Series 2007 Bond, the principal amount thereof to be purchased and the date on which the same will be purchased.

Mandatory Tender for Purchase Upon Conversion to a Different Interest Rate Period. The Series 2007 Bonds will be subject to mandatory tender for purchase on the effective date of a conversion to a different Interest Rate Period for the Series 2007 Bonds, or on the day which would have been the effective date of such a conversion to a new Interest Rate Period had certain events described in the Trust Agreement not occurred which resulted in the interest rate determination method on the Series 2007 Bonds not being converted, at a purchase price, payable in immediately available funds, equal to the principal amount thereof, without premium, plus accrued interest (if any) to the effective date of the conversion unless such date is an Interest Payment Date, in which case at a purchase price, payable in immediately available funds, equal to the principal amount thereof, without premium.

Mandatory Tender for Purchase at the Direction of the Corporation or the Credit Facility Provider. The Series 2007 Series Bonds are subject to mandatory tender for purchase on any Business Day designated by the Corporation, with the consent of the Remarketing Agent and the Credit Facility Provider or the Liquidity Facility Provider, if any, at a purchase price, payable in immediately available funds, equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest (if any) through and including the day immediately preceding the date of purchase unless the date of purchase is an Interest Payment Date, in which case at a purchase price, payable in immediately available funds, equal to the principal amount thereof, without premium. Such purchase date must be a Business Day not earlier than the 30th day following the fifth Business Day after receipt by the Bond Trustee of such designation.

While a Credit Facility is in effect, the Series 2007 Bonds are subject to mandatory tender for purchase on the fourth Business Day after receipt by the Bond Trustee of a written notice from the Credit Facility Provider that an event of default under the Credit Facility Provider Agreement has occurred and is continuing and a written request from the Credit Facility Provider that all of the Series 2007 Bonds be required to be tendered for purchase.

Mandatory Tender for Purchase upon Termination, Replacement or Expiration of Liquidity Facility or Credit Facility or upon Delivery of Alternate Liquidity Facility or Credit Facility while Self Liquidity Arrangement is in Effect; Mandatory Standby Tender. If at any time the Bond Trustee gives notice that the purchase price of the Series 2007 Bonds will on the date specified in such notice cease to be payable from a then-existing Liquidity Facility or Credit Facility as a result of (i) the termination, replacement or expiration of the term of such Liquidity Facility or Credit Facility, including a termination at the option of the Corporation in accordance with the terms of such Liquidity Facility or Credit Facility or (ii) the occurrence of a Mandatory Standby Tender, then the Series 2007 Bonds will be purchased or deemed purchased at a purchase price, payable in immediately available funds, equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest (if any) through and including the day immediately preceding the date of purchase unless the date of purchase is an Interest Payment Date, in which case at a purchase price, payable in immediately available funds, equal to the principal amount thereof, without premium. If a Self-Liquidity Arrangement, but no Liquidity Facility or Credit Facility, is in effect with respect to the Series 2007 Bonds, the Series 2007 Bonds will be subject to mandatory tender for purchase on the date specified in a notice given by the Bond Trustee in accordance with the Trust Agreement that a Liquidity Facility or an Alternate Credit Facility will be delivered, at a purchase price, payable in immediately available funds, equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest (if any) through and including the day immediately preceding the date of purchase, unless the date of purchase is an Interest Payment Date, in which case at a purchase price, payable in immediately available funds, equal to the principal amount thereof, without premium. In the event that funds from the remarketing of the Series 2007 Bonds are not sufficient to pay the purchase price of all the Series 2007 Bonds subject to mandatory tender upon replacement of an existing Liquidity Facility or Credit Facility, funds for such purchase will be drawn under the then-existing Liquidity Facility or Credit Facility, not the Alternate Liquidity Facility, Alternate Credit Facility or Self Liquidity Arrangement. In the case of a mandatory tender upon delivery of a Liquidity Facility or an Alternate Credit Facility for a Series 2007 Bonds while a Self Liquidity Arrangement, but no Liquidity Facility or Credit Facility, is in effect, the purchase price will be paid through such Self Liquidity Arrangement, if necessary, rather than such Alternate Liquidity Facility or Credit Facility.

Any purchase of a Series 2007 Bond under the circumstances described in the preceding paragraph will occur: (1) on the fifth Business Day preceding any expiration or termination of a Liquidity Facility or a Credit Facility without replacement with an Alternate Liquidity Facility, a Credit Facility, an Alternate Credit Facility, a Liquidity Facility or a Self Liquidity Arrangement or upon any termination of a Liquidity Facility as a result of a Mandatory Standby Tender, (2) on the proposed date of the

replacement of a Liquidity Facility or a Credit Facility, in any case where an Alternate Liquidity Facility, a Liquidity Facility or a Self Liquidity Arrangement is being delivered to the Tender Agent or a Credit Facility or an Alternate Credit Facility is being delivered to the Bond Trustee, and (3) on the proposed date of the delivery of an Alternate Liquidity Facility or a Credit Facility, in any case where a Self Liquidity Arrangement, but no Liquidity Facility or Credit Facility, is in effect. No such mandatory tender will be effected with respect to the Series 2007 Bonds upon the replacement of a Liquidity Facility or a Credit Facility in the event such Liquidity Facility Provider or Credit Facility Provider is failing to honor conforming draws. "Mandatory Standby Tender" means the mandatory tender of the Series 2007 Bonds upon receipt by the Bond Trustee of written notice from a Liquidity Facility Provider that an event with respect to the Liquidity Facility has occurred which requires or gives such Liquidity Facility Provider the option to terminate such Liquidity Facility upon notice. A Mandatory Standby Tender does not include circumstances in which a Liquidity Facility Provider may suspend or terminate its obligations to purchase tendered Series 2007 Bonds without notice, in which case there will be no mandatory tender of the Series 2007 Bonds.

The Bond Trustee is required to give notice by mail to the Holders of the Series 2007 Bonds secured by a Liquidity Facility or a Credit Facility (i) on or before the 30th day preceding the replacement, termination or expiration of such Liquidity Facility or Credit Facility (except in the case of a termination resulting from an event resulting in the immediate termination or suspension of the obligation of the Liquidity Facility Provider therefor to purchase such Bonds under the terms of such Liquidity Facility) in accordance with its terms, or (ii) in the case of any Mandatory Standby Tender under such Liquidity Facility, as soon as reasonably possible, but no later than the Business Day following the receipt by the Bond Trustee of notice of the Mandatory Standby Tender. While a Self Liquidity Arrangement, but no Liquidity Facility or Credit Facility, is in effect for the Series 2007 Bonds, the Bond Trustee will give notice by mail to the Holders of the Series 2007 Bonds on or before the 30th day preceding the delivery of a Liquidity Facility or an Alternate Credit Facility. The notice must be accompanied by directions for the purchase of the Series 2007 Bonds. Among other things, the notice must state (A) the date of the termination or expiration of the Liquidity Facility or the Credit Facility and, in the case of replacement, the date of the proposed substitution of a Liquidity Facility, Alternate Liquidity Facility, Credit Facility, Alternate Credit Facility or Self Liquidity Arrangement (if any) or, if a Self Liquidity Arrangement, but no Liquidity Facility or Credit Facility, is in effect, the date of delivery of a Liquidity Facility or an Alternate Credit Facility, (B) that the Series 2007 Bonds will be purchased as a result of such replacement, termination or expiration, including any termination as a result of a Mandatory Standby Tender, or as a result of such delivery of a Liquidity Facility or an Alternate Credit Facility, as applicable, (C) the date on which such purchase will occur, and (D) any other information required in the notice to the Holders of the Series 2007 Bonds.

In connection with any mandatory tender for purchase of Series 2007 Bonds upon the direction of the Corporation, the Bond Trustee will give notice of a mandatory tender for purchase by first-class mail to the Holders not less than 30 days prior to the Tender Date. In connection with any mandatory tender for purchase of Series 2007 Bonds upon the direction of the Credit Facility Provider, the Bond Trustee will give notice of a mandatory tender for purchase by first class mail to the Holders not less than 3 days prior to the Tender Date.

Irrevocable Notice Deemed to be Tender of Bonds. The giving of notice by a Holder of a Series 2007 Bond of its election to have its Series 2007 Bond purchased will constitute the irrevocable tender for purchase of such Series 2007 Bond with respect to which such notice has been given, regardless of whether such Series 2007 Bond is delivered to the Tender Agent for purchase on the relevant Tender Date. If any Holder of a Series 2007 Bond who has given notice of tender for purchase as described in the preceding sentence fails to deliver such Series 2007 Bond to the Tender Agent at the place and on the

applicable date and at the time specified, or fails to deliver such Series 2007 Bond properly endorsed, such Series 2007 Bond will constitute an Undelivered Bond.

Undelivered Bonds. If funds in the amount of the Tender Price of the Undelivered Bonds are available for payment to the Holder thereof on the date and at the time specified, from and after the date and time of that required delivery, (1) each Undelivered Bond will be deemed to be purchased and will no longer be deemed to be Outstanding under the Trust Agreement; (2) interest will no longer accrue thereon; and (3) funds in the amount of the Tender Price of each such Undelivered Bond are held by the Bond Trustee for the benefit of the Holder thereof (provided that the Holder will have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such Undelivered Bond to the Tender Agent at its principal office for delivery of the Series 2007 Bonds. Any funds held by the Bond Trustee as described in clause (3) of the preceding sentence will be held uninvested and not commingled. The Tender Agent may refuse to accept delivery of any Series 2007 Bonds for which a proper instrument of transfer has not been provided; such refusal, however, will not affect the validity of the purchase of such Series 2007 Bond as described in the Trust Agreement.

Payment of Tender Price. For payment of the Tender Price of any Series 2007 Bond required to be purchased as provided in the Trust Agreement on the Tender Date specified in the applicable notice, such Series 2007 Bond must be delivered on the date specified in such notice, to the Tender Agent at its principal office for delivery of the Series 2007 Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Holder thereof or his duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Source of Funds for Purchase of Series 2007 Bonds

On the date on which Series 2007 Bonds are to be purchased pursuant to the Trust Agreement, the Bond Trustee will purchase such Series 2007 Bonds from the Holders thereof at the Tender Price thereof. Funds for the payment of such Tender Price will be derived solely from the following sources in the order of priority indicated:

- (a) proceeds of the sale of the Series 2007 Bonds remarketed by the Remarketing Agent;
- (b) moneys received from draws on the Credit Facility or a Liquidity Facility; and
- (c) moneys provided to the Tender Agent by the Corporation (1) pursuant to a Self Liquidity Arrangement, or (2) otherwise so provided.

The failure of the Corporation to pay the Tender Price of Series 2007 Bonds tendered or deemed tendered for purchase when due and payable constitutes an Event of Default under the Trust Agreement. See “SUMMARY OF THE TRUST AGREEMENT—Events of Default” in Appendix C.

Redemption Provisions

Optional Redemption. While the Series 2007 Bonds bear interest at a Daily Interest Rate or a Weekly Interest Rate, such Series 2007 Bonds are subject to optional redemption by the Commission, at the written direction of the Corporation Representative, in whole or in part, on any Business Day, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued but unpaid interest to, but not including, the redemption date.

Mandatory Sinking Fund Redemption. While the Series 2007 Bonds bear interest at a Daily Interest Rate or a Weekly Interest Rate, the Series 2007 Bonds are subject to mandatory sinking fund redemption on October 1 in the following years and at the principal amounts set forth below, without premium:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2008	\$ 1,050,000	2023	\$1,910,000
2009	1,050,000	2024	1,500,000
2010	1,050,000	2025	1,500,000
2011	1,150,000	2026	1,600,000
2012	1,150,000	2027	1,700,000
2013	1,250,000	2028	1,700,000
2014	1,250,000	2029	1,800,000
2015	1,350,000	2030	1,900,000
2016	1,400,000	2031	2,000,000
2017	1,400,000	2032	2,000,000
2018	1,500,000	2033	2,100,000
2019	1,500,000	2034	2,200,000
2020	1,600,000	2035	2,300,000
2021	1,700,000	2036	2,400,000
2022	1,700,000	2037*	2,520,000

*Maturity.

While the Series 2007 Bonds bear interest at a Weekly Interest Rate or a Daily Interest Rate, the Commission and the Bond Trustee may from time to time and at any time, enter into agreements, with the consent of the Credit Facility Provider, if any, but without the consent of or notice to any Holder, to modify the mandatory sinking fund redemptions set forth above if the Bond Trustee receives a Favorable Opinion of Bond Counsel.

Extraordinary Optional Redemption. The Series 2007 Bonds are subject to redemption by the Commission, at the direction of the Corporation Representative, on any Business Day at a redemption price equal to 100% of the principal amount of the Series 2007 Bonds to be redeemed plus accrued interest to the redemption date, (1) in whole or in part (but not in amounts less than \$100,000), from amounts received by the Corporation as insurance proceeds with respect to any casualty loss or failure of title or condemnation awards, upon damage to or destruction of all or any part of (but not less than \$100,000) by fire or casualty, or loss of title to or use of all or any part of the Operating Assets as a result of the failure of title or as a result of Eminent Domain proceedings or proceedings in lieu thereof (if such damage, destruction, loss of title or loss of use causes the Operating Assets in the aggregate to be impracticable to operate, as evidenced by an Officer's Certificate filed with the Commission and the Bond Trustee); or (2) in whole, upon changes in the Constitution of the United States of America or of the State or of legislative or administrative action, or failure of administrative action by the United States or the State or any agency or political subdivision of either, or by reason of any judicial decision to such extent that, in the opinion of the board of directors of the Corporation (expressed in a resolution) and in the opinion of an independent architect, engineer or Consultant, both filed with the Commission and the Bond Trustee, (a) the Loan Agreement is impossible to perform without unreasonable delay or (b) unreasonable burdens or excessive liabilities not being imposed as of the date of the Loan Agreement are imposed on the Corporation.

Selection of Bonds to be Redeemed. The Series 2007 Bonds will be redeemed only in Authorized Denominations. The Bond Trustee will select the Series 2007 Bonds to be redeemed in accordance with the terms and provisions of the Trust Agreement.

If less than all of the Series 2007 Bonds are to be called for redemption, the Bond Trustee will first select and call Bank Bonds for redemption before any other Series 2007 Bonds are selected and called for redemption. If, following such selection and call for redemption, additional Series 2007 Bonds must be selected and called for redemption and the Series 2007 Bonds are bearing interest at a Weekly Interest Rate or a Daily Interest Rate, the Bond Trustee will select, or arrange for the selection of, in such manner as it shall deem fair and equitable, the Series 2007 Bonds, in portions thereof equal to Authorized Denominations; provided that for so long as the only Holder is a Securities Depository Nominee, such selection will be made by the Securities Depository. If there are called for redemption less than the principal amount of a Series 2007 Bond, the Commission will execute and the Bond Trustee will authenticate and deliver, upon surrender of such Series 2007 Bond, without charge to the Holder thereof in exchange for the unredeemed principal amount of such Series 2007 Bond at the option of such Holder, Series 2007 Bonds in any of the Authorized Denominations or, if the Series 2007 Bonds are held in the Book-Entry System, the Securities Depository for the Series 2007 Bonds will, acting pursuant to its rules and procedures, reflect such partial redemption in the Book-Entry System and the Bond Trustee will either (i) exchange the Series 2007 Bond or Series 2007 Bonds held by such Securities Depository for a new Series 2007 Bond or Series 2007 Bonds in the appropriate principal amount, if such Series 2007 Bond is presented to the Bond Trustee by such Securities Depository, or (ii) obtain from such Securities Depository a written confirmation of the reduction in the principal amount of the Series 2007 Bonds held by the Securities Depository.

Notice of Redemption. Not less than 30 days but not more than 60 days before the redemption date of any Series 2007 Bonds, whether such redemption be in whole or in part, the Bond Trustee will cause a notice of any such redemption signed by such Bond Trustee to be mailed, first-class postage prepaid (or sent by Electronic Means if so required by a Holder), to all Holders of the Series 2007 Bonds to be redeemed in whole or in part. Each such notice will set forth the CUSIP numbers and bond certificate numbers of the Series 2007 Bonds to be redeemed, the issue date of the Series 2007 Bonds to be redeemed, the date fixed for redemption, the Redemption Price to be paid, the maturity of the Series 2007 Bonds to be redeemed and, in the case of Series 2007 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed, the address and phone number of the Bond Trustee, the date of the redemption notice and that on the redemption date the Series 2007 Bonds called for redemption will be payable at the Principal Office of the Bond Trustee, that from that date interest will cease to accrue and be payable and that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Series 2007 Bonds. If any Series 2007 Bond is to be redeemed in part only, the notice of redemption will state also that on or after the redemption date, upon surrender of such Series 2007 Bond, a new Series 2007 Bond in principal amount equal to the unredeemed portion of such Series 2007 Bond will be issued. Notwithstanding anything in the Trust Agreement to the contrary, while a Credit Facility is in effect, then unless the Credit Facility Provider has failed to honor a proper drawing under the Credit Facility (and such failure remains uncured), no notice of optional redemption shall be given by the Bond Trustee until (i) the Corporation has deposited with the Bond Trustee moneys in an amount sufficient to reimburse the Credit Facility Provider in accordance with the terms of the Credit Facility Provider Agreement then in effect for the amount of any draw which is permitted to be made, if any, on the Credit Facility in connection with such redemption, or (ii) the Bond Trustee has received written consent from the Credit Facility Provider to such optional redemption and, if not otherwise permitted under the Credit Facility, to draw on the Credit Facility in connection with such redemption.

In the case of an optional redemption of Series 2007 Bonds, the redemption notice may state that (a) it is conditioned upon the deposit of moneys, Defeasance Obligations or a combination of both, in an amount equal to the amount necessary to effect the redemption, with the Bond Trustee no later than the scheduled redemption date or (b) the Corporation retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a “Conditional Redemption”), and such notice and optional redemption will be of no effect if such moneys are not so deposited or if the notice is rescinded. In the case of a Conditional Redemption subject to the deposit of moneys or Defeasance Obligations, the failure of the Corporation or any other Person to make such moneys or obligations available in part or in whole on or before the scheduled redemption date will not constitute an Event of Default under the Trust Agreement and any Series 2007 Bonds subject to such Conditional Redemption will remain Outstanding. Any Conditional Redemption subject to rescission may be rescinded in whole or in part at any time on or prior to the scheduled redemption date if a Corporation Representative instructs the Bond Trustee in writing to rescind the redemption notice. Any Series 2007 Bonds subject to Conditional Redemption where redemption has been rescinded will remain Outstanding, and the rescission will not constitute an Event of Default under the Trust Agreement. If a Conditional Redemption for which notice has been sent to Holders will not occur, either because moneys or obligations to effect such redemption are not available on or before the scheduled redemption date or the Corporation has rescinded such notice, the Bond Trustee will immediately give notice by Electronic Means to the Securities Depository if all of the Series 2007 Bonds are Book-Entry Bonds or the affected Holders of any Series 2007 Bonds that are not Book-Entry Bonds that the redemption did not occur and that the Series 2007 Bonds called for redemption and not so paid remain Outstanding.

Effect of Calling for Redemption. On or before the date fixed for redemption of the Series 2007 Bonds, moneys, Defeasance Obligations or a combination of both will be deposited with the Bond Trustee to pay the principal of and the premium, if any, and interest accruing thereon to the redemption date of the Series 2007 Bonds called for redemption.

On the date fixed for redemption of the Series 2007 Bonds, notice having been given in the manner and under the conditions set forth in the Trust Agreement, the Series 2007 Bonds or portions thereof called for redemption will be due and payable at the Redemption Price provided therefor, plus accrued interest to such date. If on the date fixed for redemption of the Series 2007 Bonds, moneys, Defeasance Obligations or a combination of both, sufficient to pay the Redemption Price of the Series 2007 Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, are held by the Bond Trustee in trust for the Holders of the Series 2007 Bonds to be redeemed, interest on the Series 2007 Bonds called for redemption will cease to accrue; such Series 2007 Bonds will cease to be entitled to any benefits or security under the Trust Agreement or to be deemed Outstanding; and the Holders of such Series 2007 Bonds will have no rights in respect thereof except to receive payment of the Redemption Price thereof, plus accrued interest to the date fixed for redemption. Series 2007 Bonds and portions of Series 2007 Bonds for which irrevocable instructions to pay on one or more specified dates or to call for redemption on a specified redemption date have been given to the Bond Trustee in form satisfactory to it will not thereafter be deemed to be Outstanding under the Trust Agreement and will cease to be entitled to the security of or any rights under the Trust Agreement, other than rights to receive payment of the Redemption Price thereof and accrued interest thereon to the date fixed for redemption, to be given notice of redemption, and, to the extent provided in the Trust Agreement, to receive Series 2007 Bonds for any unredeemed portions of Series 2007 Bonds if moneys, Defeasance Obligations or a combination of both, sufficient to pay the Redemption Price of such Series 2007 Bonds or portions thereof, together with accrued interest thereon to the date upon which such Series 2007 Bonds are to be paid or redeemed, are held in separate accounts by the Bond Trustee in trust for the Holders of such Series 2007 Bonds.

Book-Entry System

The Series 2007 Bonds will be delivered as fully registered certificates in book-entry-only form without physical delivery of certificates to the beneficial owners of the Series 2007 Bonds. The Bond Trustee will make payments of principal and interest on the Series 2007 Bonds to The Depository Trust Company, New York, New York (“DTC”), which will in turn remit such payments to its direct participants for subsequent distribution to the beneficial owners of the Series 2007 Bonds. See Appendix E hereto.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS

Principal of, premium, if any, and interest on the Series 2007 Bonds will be payable from moneys paid by the Corporation and any other Members of the Obligated Group pursuant to the Loan Agreement and Obligation No. 1. Obligation No. 1 is a joint and several general obligation of the Corporation and any future Member of the Obligated Group. At the time of delivery of the Series 2007 Bonds, the Corporation will be the sole Member of the Obligated Group. The Commission will assign to the Bond Trustee its right, title, and interest in and to Obligation No. 1, its rights under the Master Indenture as owner of Obligation No. 1 and its right, title, and interest in and to the Loan Agreement, including the right to receive loan payments thereunder (except for certain reserved rights, including its rights to indemnification and the payment of certain expenses, its rights to give certain approvals and consents, and its rights to receive certain documents, information and notices), as security for the payment of the principal of, redemption premium, if any, and interest on the Series 2007 Bonds. The Series 2007 Bonds are further secured by the moneys and securities held by the Bond Trustee in certain funds and accounts created under the Trust Agreement. The payment of the principal and purchase price of and interest on the Series 2007 Bonds will also be secured by the Credit Facility. See “THE LETTER OF CREDIT” herein and Appendices A and B hereto.

Pursuant to the Master Indenture, the Corporation has pledged, assigned and granted to the Master Trustee a security interest in the Pledged Assets as security for the payment of amounts due on any Obligations issued thereunder, including Obligation No. 1. Pledged Assets consist of all Accounts of the Members of the Obligated Group, now owned or hereafter acquired, and all proceeds thereof, and all Lockbox Accounts. Lockbox Accounts means all accounts established by the Master Trustee into which are deposited only the Gross Receipts delivered by the Members of the Obligated Group to the Master Trustee upon an Event of Default under the Master Indenture and the Master Trustee’s request therefor. The security interest in the Pledged Assets has been perfected to the extent, and only to the extent, that such security interest may be perfected by filing financing statements under the Uniform Commercial Code of the State (the “UCC”). Continuation statements with respect to such filings must be filed every five years to continue the perfection of such security interest. The security interest in the Pledged Assets is subject to Permitted Liens that exist prior to or that may be created subsequent to the time the security interest in the Pledged Assets attaches (see “SUMMARY OF THE MASTER INDENTURE—Particular Covenants--Limitation on Creation of Liens” in Appendix C). The security interest in the Pledged Assets is also subject to the right of each Member of the Obligated Group to sell Accounts or to incur Indebtedness secured by Accounts under certain circumstances (see “SUMMARY OF THE MASTER INDENTURE—Particular Covenants--Limitations on Indebtedness” and “--Transfer of Operating Assets; Transfer of Cash and Investments; Sale of Accounts” in Appendix C). In either event, the security interest held by the Master Trustee with respect to those Accounts would be released.

The security interest in the Pledged Assets may not be enforceable against third parties unless Gross Receipts are transferred to the Master Trustee (which transfer Members of the Obligated Group are required to make only if requested by the Master Trustee upon the occurrence and continuation of an

Event of Default under the Master Indenture) and is subject to certain exceptions under the UCC. In such event, the Bond Trustee may not be able to compel Medicare, Medicaid, Blue Cross and Blue Shield of North Carolina or other third parties to make payments directly to the Bond Trustee. The enforcement of the security interest in the Pledged Assets may be further limited by the following: (a) statutory liens, (b) rights arising in favor of the United States of America or any agency thereof, (c) present or future prohibitions against assignment contained in any federal or State statutes or regulations, (d) constructive trusts, equitable liens or other rights impressed or conferred by any State or federal court in the exercise of its equitable jurisdiction, and (e) federal bankruptcy laws, State receivership or fraudulent conveyance laws or similar laws affecting creditors' rights that may affect the enforceability of the Master Indenture or the security interest in the Pledged Assets.

The remedies specified in the Loan Agreement, the Trust Agreement and the Master Indenture may, in many respects, require judicial action of a nature that is often subject to discretion and delay. Under existing law, the remedies specified in the Loan Agreement, the Trust Agreement and the Master Indenture may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in those documents. The various legal opinions to be delivered concurrently with the delivery of the Series 2007 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, fraudulent conveyance, reorganization, and other laws affecting the enforcement of creditors' rights generally and by general equitable principles.

Pursuant to the Master Indenture, the Members of the Obligated Group are subject to covenants under the Master Indenture relating to maintenance of a Long-Term Debt Service Coverage Ratio and restricting, among other things, incurrence of Indebtedness, existence of Liens on Property, consolidation and merger, disposition of assets, addition of Members to the Obligated Group, and withdrawal of Members from the Obligated Group. See "SUMMARY OF THE MASTER INDENTURE" in Appendix C.

The Master Indenture permits each Member of the Obligated Group to issue or incur Additional Indebtedness evidenced by Obligations that will share the security for Obligation No. 1 on a parity with Obligation No. 1 and any other Obligations hereafter issued under the Master Indenture. Such additional Obligations will not be secured by the money or investments in any fund or account held by the Bond Trustee under the Trust Agreement as security for the Series 2007 Bonds.

The Series 2007 Bonds are limited obligations of the Commission and the Commission will not be obligated to pay debt service on the Series 2007 Bonds except from the revenues and other funds pledged or assigned therefor under the Trust Agreement, including moneys paid by the Obligated Group under Obligation No. 1. Neither the faith and credit nor the taxing power of the State or of any other political subdivision thereof is pledged as security for the Series 2007 Bonds.

THE LETTER OF CREDIT

General

The payment of the principal and purchase price of and interest on the Series 2007 Bonds will be secured by the Letter of Credit (the form of which is attached as Appendix B). The Letter of Credit will initially be issued in the amount of \$49,877,409 (the "Commitment") of which (i) an amount not exceeding \$49,230,000 (as reduced from time to time in accordance with the terms of the Letter of Credit, the "Principal Component"), may be drawn upon with respect to payment of the unpaid principal amount

or the portion of purchase price corresponding to principal of the Series 2007 Bonds, and (ii) an amount not exceeding \$647,409 (as reduced from time to time in accordance with the terms of the Letter of Credit, the “Interest Component”) may be drawn upon with respect to payment of 40 days’ interest, or the portion of purchase price corresponding to interest accrued on the Series 2007 Bonds at an assumed rate of 12%.

The Bond Trustee will draw on the Letter of Credit or any Alternate Credit Facility to make the required payments of principal of and interest on the Series 2007 Bonds and to pay the purchase price of the Series 2007 Bonds upon optional or mandatory tender as described under the caption “THE SERIES 2007 BONDS – Tender and Purchase of Series 2007 Bonds” herein.

The Letter of Credit will automatically terminate and be delivered to the Bank for cancellation upon the earliest of (the “Termination Date”) (a) the stated expiration date of the Letter of Credit, June 15, 2010, (b) the making by the Bond Trustee and the honoring by the Bank of the final drawing available to be made under the Letter of Credit, (c) the day on which the Letter of Credit is surrendered by the Bond Trustee to the Bank accompanied by a certificate from the Bond Trustee stating that the Letter of Credit is terminated, (d) two Business Days following the first day after a conversion of the interest rate on the Series 2007 Bonds to other than a Weekly Interest Rate or a Daily Interest Rate or (e) thirty days after receipt by the Bond Trustee of a certificate from the Bank declaring the occurrence of an Event of Default under the Credit Facility Provider Agreement and requesting the Bond Trustee to accelerate the payment of the Series 2007 Bonds and draw on the Letter of Credit to pay the Series 2007 Bonds upon such acceleration or, if such day is not a Business Day, on the next succeeding Business Day.

The Letter of Credit applies only to the payment of principal or the portion of the purchase price of the Series 2007 Bonds corresponding to principal, and up to 40 days’ interest accruing on the Series 2007 Bonds (computed at a rate of 12% per annum), from the Date of Issuance through the Termination Date computed on the basis of a 365 day year and does not apply to any interest that may accrue thereon or any principal, premium or other amounts which may be payable with respect to the Series 2007 Bonds subsequent to the termination of the Letter of Credit.

Drawings Under the Letter of Credit

The Bond Trustee is authorized and directed to draw moneys under the Letter of Credit to the extent available in accordance with the terms thereof to make timely payments of principal and interest on the Series 2007 Bonds. The Bond Trustee, in accordance with the provisions of the Trust Agreement, is also authorized and directed to draw moneys under the Letter of Credit to the extent available in accordance with the terms thereof in order to effect the purchase of Series 2007 Bonds (or portions thereof in Authorized Denominations) on any optional or mandatory purchase date. Upon declaration of acceleration of the Series 2007 Bonds following an Event of Default under the Trust Agreement, the Bond Trustee is authorized and directed to draw on the Letter of Credit to the extent available in an amount equal to the full unpaid principal of and accrued interest on the Series 2007 Bonds.

Reduction and Reinstatement of the Letter of Credit

The Commitment will be reduced immediately following the Bank’s honoring any draft drawn under the Letter of Credit by an amount equal to the amount of such draft. In connection with a drawing made to pay principal of Series 2007 Bonds, the Principal Component will not be reinstated. In connection with a drawing made to pay interest on the Series 2007 Bonds, the Interest Component will be reinstated automatically and immediately by the amount of such drawing. In connection with drawings made to pay purchase price of Series 2007 Bonds, upon release by the Bank, or on its behalf, of any Pledged Bonds (as defined below), the Principal Component will be reinstated automatically and

immediately by the principal amount of such Pledged Bonds, and the Interest Component will be automatically reinstated by the amount of such drawing relating to the portion of purchase price of such Pledged Bonds corresponding to interest. “Pledged Bonds” means those Series 2007 Bonds that have been purchased with moneys furnished by the Bank pursuant to a drawing under the Letter of Credit in connection with a mandatory or optional purchase date.

Alternate Credit Facility; Liquidity Facility; Self Liquidity Arrangement

The Corporation may, at any time, and from time to time, upon 30 days’ notice to Holders provide an Alternate Credit Facility in substitution for the Credit Facility, but only in accordance with the Trust Agreement as described in the immediately succeeding paragraph below.

If there is delivered to the Bond Trustee (i) an Alternate Credit Facility covering the Series 2007 Bonds, (ii) a Favorable Opinion of Bond Counsel, (iii) either (A) written evidence from each Rating Agency then rating the Series 2007 Bonds, in each case to the effect that such Rating Agency has reviewed the proposed Alternate Credit Facility and the ratings of the Series 2007 Bonds after substitution of such Alternate Credit Facility will not result in a long-term rating of below “A” and a short-term rating below the highest short-term rating category (without giving effect to any gradations within such category) from such Rating Agency or (B) written evidence that the long-term debt and short-term debt of the provider of the proposed Alternate Credit Facility is rated “A” or better and in the highest short-term rating category (without giving effect to any gradations within such category), respectively, by Moody’s, S&P or Fitch, (iv) if such Alternate Credit Facility is other than a letter of credit issued by a domestic commercial bank, an Opinion of Counsel addressed to the Commission, the Corporation, the Bond Trustee, the Tender Agent and the Remarketing Agent and satisfactory to the Bond Trustee and the Remarketing Agent that no registration of the Series 2007 Bonds or such Alternate Credit Facility is required under the Securities Act of 1933, as amended, (v) an Opinion of Counsel addressed to the Commission, the Corporation, the Bond Trustee, the Tender Agent and the Remarketing Agent and satisfactory to the Bond Trustee to the effect that such Alternate Credit Facility is a valid and enforceable obligation of the issuer or provider thereof, and (vi) if the Credit Facility then in effect with respect to the Series 2007 Bonds does not cover premiums due on the Series 2007 Bonds, and the Series 2007 Bonds would be subject to mandatory tender for purchase at a purchase price in excess of the principal amount thereof plus accrued and unpaid interest thereon to but not including the date of purchase under the provisions of the Trust Agreement described under the caption “THE SERIES 2007 BONDS—Tender and Purchase of Series 2007 Bonds,” Available Moneys in an amount sufficient to pay the premium due on the Series 2007 Bonds under the Trust Agreement, then the Bond Trustee shall accept such Alternate Credit Facility.

Rather than an Alternate Credit Facility, the Corporation may cause a Liquidity Facility or Self Liquidity Arrangement to be delivered to the Tender Agent if all of the conditions set forth in the Trust Agreement regarding the delivery of a Liquidity Facility or Self Liquidity Arrangement are satisfied. See “SUMMARY OF THE TRUST AGREEMENT—Liquidity Facility; Self Liquidity Arrangement” in Appendix C.

SUMMARY OF CERTAIN PROVISIONS OF THE CREDIT FACILITY PROVIDER AGREEMENT

The Corporation is required to reimburse the Bank immediately after any payment is made under the Letter of Credit pursuant to any drawing to pay principal of or interest, or the portion of the purchase price of Series 2007 Bonds corresponding to interest, on the Series 2007 Bonds. If the Bank honors a drawing under the Letter of Credit to pay the portion of the purchase price of Series 2007 Bonds

corresponding to principal, the Corporation will have up to 90 days after payment is made pursuant to such drawing to repay the Bank for the amount paid pursuant to such drawing. The Corporation will pay interest on such amount from the date of the drawing at an interest rate equal to the Tender Advance Rate (as defined in the Credit Facility Provider Agreement), and such interest will be due on the first day of each month and on the date of payment or prepayment of such amount.

The Credit Facility Provider Agreement sets forth a number of events of default, including but not limited to the failure of the Corporation to reimburse the Bank for any drawing under the Letter of Credit when due. The Bank may waive any event of default under the Credit Facility Provider Agreement.

Upon the occurrence of an event of default under the Credit Facility Provider Agreement, the Bank may, in its sole discretion, (i) declare all amounts payable by the Corporation under the Credit Facility Provider Agreement to be forthwith due and payable, and the same will thereupon become due and payable without demand, presentment, protest or further notice of any kind, all of which have been waived by the Corporation in the Credit Facility Provider Agreement, (ii) exercise all of its rights and remedies under the Credit Facility Provider Agreement, the Trust Agreement, the Master Indenture and Obligation No. 2 and/or (iii) by notice to the Bond Trustee, require the Bond Trustee to accelerate payment of all Series 2007 Bonds and interest accrued thereon as provided in the Trust Agreement.

PLAN OF FINANCE

The Refunding Plan

On the date of delivery of the Bonds, a portion of the proceeds of the Bonds will be used to refund the 1999 Bonds. The proceeds of the 1999 Bonds were used to (a) refund outstanding indebtedness of the Corporation, the proceeds of which were used to refinance a loan made by the Commission to the Corporation of a portion of the proceeds of the Commission's Hospital Revenue Bonds (Pooled Financing Project), Series 1991A, the proceeds of which were used to finance all or a portion of the cost of one or more of the following projects: (i) the construction and equipping of a six-level, approximately 96,000 square-foot parking structure at the Hospital, (ii) the construction and equipping of a five-story, approximately 152,000 square-foot addition to the then-existing Hospital facilities, including a medical mall for outpatient services, new operating rooms, a new radiology department, new private patient rooms, a women's center and a new critical care unit, (iii) the renovation of certain portions of the then-existing Hospital facilities and (iv) the acquisition of certain capital equipment for use in or in connection with the Hospital facilities; (b) pay, or reimburse the Corporation for paying, all or a portion of the costs of renovating and equipping then-existing Hospital facilities in connection with the relocation and expansion of the Hospital's Emergency Department; and (c) pay, or reimburse the Corporation for paying, certain expenses incurred in connection with the issuance of the 1999 Bonds by the Commission.

The Project

After payment of the 1999 Bonds, the remaining proceeds of the Series 2007 Bonds will be used to pay, or reimburse the Corporation for paying, all or a portion of the cost of acquiring, constructing, improving, renovating, expanding and equipping the health care facilities of the Hospital, including the construction of a two-story addition to the Hospital consisting of an approximately 36,084 square-foot upper level Outpatient Center and an approximately 37,505 square-foot lower level Cancer Center and to pay, or reimburse the Corporation for paying, certain expenses incurred in connection with the issuance of the Series 2007 Bonds by the Commission.

The Swap Agreement

The Corporation plans to enter into a floating to fixed interest rate swap agreement (the “2007 Swap”) for the purpose of hedging the variable interest rate on a portion of the Series 2007 Bonds. The swap counterparty (the “Counterparty”) is expected to pay floating rate payments based on the Security Industry and Financial Markets Association Municipal Swap Index and the Corporation will pay a fixed rate per annum, in each case on the notional amount of the 2007 Swap. The notional amount is expected to reduce in the same amount and at the same time as the principal of the applicable portion of the Series 2007 Bonds is scheduled to be paid upon redemption or at maturity. The agreement by the Counterparty to pay certain amounts to the Corporation pursuant to the 2007 Swap will not alter or affect the Corporation’s obligation to pay the principal of, purchase price of, interest on, or the redemption price of any of the Series 2007 Bonds. Neither the Holders of the Series 2007 Bonds nor any other person will have any rights under the 2007 Swap or against the Counterparty.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Series 2007 Bonds:

Sources of Funds	
Principal Amount of the Series 2007 Bonds	\$49,230,000
Equity Contribution	<u>1,000,000</u>
Total Sources	<u><u>\$50,230,000</u></u>
Uses of Funds	
Project Costs	\$27,564,815
Redemption of 1999 Bonds	20,670,000
Capitalized Interest	1,666,463
Costs of Issuance ¹	<u>328,722</u>
Total Uses	<u><u>\$50,230,000</u></u>

¹ Includes legal fees, underwriter’s discount, printing costs, rating agency fee, fees and expenses of the Bond Trustee and the Master Trustee, initial Credit Facility fees and other expenses and rounding contingency.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each Bond Year ending October 1, the amounts required to be paid by the Corporation to the Bond Trustee in such Bond Year for the payment of principal of (whether at maturity or pursuant to mandatory redemption) and interest on the Series 2007 Bonds.

Bond Year Ending October 1,	<u>Principal</u>	<u>Interest</u> ¹	<u>Total</u>
2007		\$ 588,063	\$ 588,063
2008	\$ 1,050,000	1,971,013	3,021,013
2009	1,050,000	1,925,426	2,975,426
2010	1,050,000	1,885,200	2,935,200
2011	1,150,000	1,843,200	2,993,200
2012	1,150,000	1,798,855	2,948,855
2013	1,250,000	1,749,588	2,999,588
2014	1,250,000	1,701,200	2,951,200
2015	1,350,000	1,651,200	3,001,200
2016	1,400,000	1,598,671	2,998,671
2017	1,400,000	1,539,781	2,939,781
2018	1,500,000	1,485,200	2,985,200
2019	1,500,000	1,425,200	2,925,200
2020	1,600,000	1,366,457	2,966,457
2021	1,700,000	1,300,002	3,000,002
2022	1,700,000	1,233,200	2,933,200
2023	1,910,000	1,165,200	3,075,200
2024	1,500,000	1,089,802	2,589,802
2025	1,500,000	1,027,853	2,527,853
2026	1,600,000	968,800	2,568,800
2027	1,700,000	904,800	2,604,800
2028	1,700,000	837,571	2,537,571
2029	1,800,000	768,092	2,568,092
2030	1,900,000	696,800	2,596,800
2031	2,000,000	620,800	2,620,800
2032	2,000,000	541,298	2,541,298
2033	2,100,000	460,376	2,560,376
2034	2,200,000	376,800	2,576,800
2035	2,300,000	288,800	2,588,800
2036	2,400,000	196,981	2,596,981
2037	2,520,000	100,707	3,021,013

¹ This assumes an interest rate on the Series 2007 Bonds of 4.00%.

LITIGATION

There is no litigation pending or, to the knowledge of the Commission, threatened against the Commission seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2007 Bonds, or in any way questioning or affecting the validity of the Series 2007 Bonds or any proceedings of the Commission taken with respect to the issuance or sale thereof, or in any way questioning or affecting the validity of the pledge or application of any money, revenues or security provided for the payment of

the Series 2007 Bonds, the use of the Bond proceeds or the existence or powers of the Commission. There is no litigation pending or, to the knowledge of the Corporation, threatened against the Corporation which could have a material adverse effect upon the validity of the Agreement or the performance by the Corporation of its obligations thereunder of business, operations or properties of the Corporation, and there is no litigation pending or, to the knowledge of the Credit Facility Provider, threatened against the Credit Facility Provider, which could have a material adverse effect upon the business, operations or properties of the Credit Facility Provider.

LEGAL MATTERS

Certain legal matters incident to the authorization and validity of the Series 2007 Bonds are subject to the approving opinion of Robinson, Bradshaw & Hinson, P.A., Charlotte, North Carolina, Bond Counsel. Bond Counsel's approving opinion will be substantially in the form included in Appendix D hereto.

Certain legal matters will be passed on for the Corporation by Kennedy Covington Lobdell & Hickman, L.L.P., Research Triangle Park, North Carolina, for the Credit Facility Provider by Helms Mullis & Wicker, PLLC, Charlotte, North Carolina, and for the Underwriter by Womble Carlyle Sandridge & Rice, PLLC, Raleigh, North Carolina, none of whom is passing on the validity of the Series 2007 Bonds.

TAX EXEMPTION

The opinion of Bond Counsel will state that under existing law (a) interest on the Series 2007 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (however, for purposes of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining adjusted current earnings), and (b) interest on the Series 2007 Bonds is exempt from State income taxes. In rendering the foregoing opinion, Bond Counsel will rely on the opinion of Kennedy Covington Lobdell & Hickman, L.L.P., Research Triangle Park, North Carolina, with respect to the Corporation's status under Section 501(c)(3) of the Code.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Series 2007 Bonds in order for interest on the Series 2007 Bonds to be and remain excludable from gross income for purposes of federal income taxation. Examples include: the requirement that the Corporation maintain its status as an organization exempt from federal income taxation by reason of being described in Section 501(c)(3) of the Code; the requirement that the Commission rebate certain excess earnings on proceeds and amounts treated as proceeds of the Series 2007 Bonds to the United States Treasury; restrictions on investment of such proceeds and other amounts; and restrictions on the ownership and use of the facilities financed with proceeds of the Series 2007 Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied by the Commission and the Corporation subsequent to the issuance of the Series 2007 Bonds to maintain the exclusion of interest on the Series 2007 Bonds from income for federal income taxation purposes. Failure to comply with certain of such requirements may cause interest on the Series 2007 Bonds to be included in gross income retroactively to the date of issuance of the Series 2007 Bonds. The Commission and the Corporation have covenanted to comply with these requirements. The opinion of Bond Counsel delivered on the date of issuance of the Series 2007 Bonds will be conditioned on the compliance by the Commission and the Corporation with such requirements, and Bond Counsel has not

been retained to monitor compliance with requirements such as described above subsequent to the issuance of the Series 2007 Bonds.

Prospective purchasers of the Series 2007 Bonds should be aware that ownership of the Series 2007 Bonds may result in collateral federal, state or local tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2007 Bonds. Bond Counsel expresses no opinion regarding any such collateral tax consequences. Prospective purchasers of the Series 2007 Bonds should consult their tax advisors regarding collateral tax consequences.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to revise or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Bond Counsel’s professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions.

RATINGS

Moody’s Investors Service, Inc. has assigned ratings of “Aaa/VMIG 1” to the Series 2007 Bonds, based upon the delivery of the Credit Facility in connection with the issuance of the Series 2007 Bonds. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. Certain information and materials not included in this Official Statement were furnished to the rating agency. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely, if in the judgment of the rating agency originally establishing the rating, circumstances so warrant. Any such change in or withdrawal of such rating could have an adverse effect on the market price of the Series 2007 Bonds.

CERTAIN RELATIONSHIPS

Michael W. Hubbard, a member of the Commission, is an attorney with Womble Carlyle Sandridge & Rice, PLLC, counsel to the Underwriter.

CONTINUING DISCLOSURE

The Corporation has undertaken in the Agreement to comply with the applicable provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (“Rule 15c2-12”), including, without limitation, those provisions respecting continuing disclosure. Such requirements would apply only when the Series 2007 Bonds bear interest at a Long-Term Interest Rate for a Long-Term Interest Rate Period.

THE REMARKETING AGENT AND TENDER AGENT

A.G. Edwards & Sons, Inc., St. Louis, Missouri, has been appointed to serve as the initial Remarketing Agent for the Series 2007 Bonds. The Remarketing Agent will carry out the duties and obligations provided for the Remarketing Agent in accordance with the provisions of the Trust Agreement, the Tender Agreement and the Remarketing Agreement. The Remarketing Agent's principal office for purposes of carrying out the responsibilities of Remarketing Agent for the Series 2007 Bonds is One North Jefferson, St. Louis, Missouri 63103.

On May 31, 2007, Wachovia Corporation offered to purchase A.G. Edwards & Sons, Inc. No representation is made herein regarding such offer or the prospects of any such purchase.

First-Citizens Bank & Trust Company, Raleigh, North Carolina, has been appointed as the Tender Agent for the Series 2007 Bonds and has arranged for the tender of the Series 2007 Bonds at its corporate trust office at 100 East Tryon Road, DAC61, Raleigh, North Carolina 27603, Attention: Institutional Trust Services Division.

UNDERWRITING

The Underwriter will agree to purchase all of the Series 2007 Bonds at a purchase price of \$49,104,908.85 (100% of the principal amount of the Series 2007 Bonds less an underwriter's discount of \$125,091.15) pursuant to a Contract of Purchase to be entered between the Underwriter and the LGC and approved by the Corporation and the Commission on or about June 13, 2007. The Contract of Purchase provides that the Underwriter will purchase all of the Series 2007 Bonds, if any are purchased, and requires the Corporation to indemnify the Underwriter, the Commission and the LGC against losses, claims, damages and liabilities to third parties arising out of any materially incorrect or incomplete statements or information contained in this Official Statement pertaining to the Corporation and the description of all agreements to which the Corporation is a party.

OTHER MATTERS

The Corporation has furnished all information herein relating to the Corporation. Any statements herein involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any of such statements will be realized. The Commission and its staff assume no responsibility for the accuracy or completeness of any representation or statement in this Official Statement except for material with respect to the Commission contained under the captions "THE COMMISSION" and "LITIGATION" herein. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the Holder of any Series 2007 Bonds.

The Commission has duly authorized the execution and delivery of, and the Corporation has approved, this Official Statement.

**NORTH CAROLINA MEDICAL CARE
COMMISSION**

By: /s/ Mary L. Piepenbring
Designated Member

Approved:

RANDOLPH HOSPITAL, INC.

By: /s/ Lynwood R. White
Chief Financial Officer

APPENDIX A
CERTAIN INFORMATION CONCERNING THE BANK

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APPENDIX A

CERTAIN INFORMATION CONCERNING THE BANK

Bank of America, N.A. (the “*Bank*”) is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Bank is a wholly-owned indirect subsidiary of Bank of America Corporation (the “*Corporation*”) and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of March 31, 2007, the Bank had consolidated assets of \$1,204 billion, consolidated deposits of \$761 billion and stockholder’s equity of \$109 billion based on regulatory accounting principles.

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2006, together with any subsequent documents it filed with the Securities and Exchange Commission (the “*SEC*”) pursuant to the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”).

Recent Developments: In April 2007, the Corporation announced an agreement to purchase ABN AMRO North America Holding Company, parent company of LaSalle Bank Corporation, from ABN AMRO Bank N.V (collectively, ABN AMRO) for \$21 billion in cash. The transaction has been approved by both company’s boards of directors. On May 3, 2007, a court in the Netherlands ruled that ABN AMRO is enjoined from consummating the transaction until ABN AMRO’s public shareholders vote on the proposed transaction. The Corporation has filed a lawsuit against ABN AMRO in a federal district court located in New York to enforce its legal rights.

Additional information regarding the foregoing is available from the filings made by the Corporation with the SEC, which filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, United States, at prescribed rates. In addition, the SEC maintains a website at <http://www.sec.gov>, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning the Corporation, the Bank and the foregoing mergers contained herein is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The Letter of Credit has been issued by the Bank. Moody’s Investors Service, Inc. (“*Moody’s*”) currently rates the Bank’s long-term debt as “Aaa” and short-term debt as “P-1.” The outlook is stable. Standard & Poor’s rates the Bank’s long-term debt as “AA+” and its short-term debt as “A-1+.” The outlook is stable. Fitch Ratings, Inc. (“*Fitch*”) rates long-term debt of the Bank as “AA” and short-term debt as “F1+.” The outlook is stable. Further information with respect to such ratings may be obtained from Moody’s, Standard & Poor’s and Fitch, respectively. No assurances can be given that the current ratings of the Bank’s instruments will be maintained.

The Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form

10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the Commission pursuant to the Exchange Act), and the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without

charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications
100 North Tryon Street, 18th Floor
Charlotte, North Carolina 28255
Attention: Corporate Communications

PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT. PAYMENTS OF THE PURCHASE PRICE OF THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE LETTER OF CREDIT IS A BINDING OBLIGATION OF THE BANK, THE BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery hereof shall not create any implication that there has been no change in the affairs of the Corporation or the Bank since the date hereof, or that the information contained or referred to in this Appendix A is correct as of any time subsequent to its date.

APPENDIX B
FORM OF THE CREDIT FACILITY

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IRREVOCABLE LETTER OF CREDIT

BANK OF AMERICA, N.A.

<u>Letter of Credit No.</u>	<u>Issue Date</u>	<u>Stated Expiration Date</u>	<u>Initial Stated Amount</u>
3087648	June 14, 2007	June 15, 2010	\$49,877,409

First-Citizens Bank & Trust Company, as Trustee
 100 East Tryon Road, DAC61
 Raleigh, North Carolina 27603
 Attn: Institutional Trust Services Division

Ladies and Gentlemen:

At the request and on the instructions of our customer, **RANDOLPH HOSPITAL, INC.**, a nonprofit corporation duly organized and validly existing under the laws of the State of North Carolina (the “**Borrower**”), we hereby establish this Irrevocable Letter of Credit (the “**Letter of Credit**”) in the amount of \$49,877,409 (the “**Initial Stated Amount**,” and, as the same may from time to time be reduced and thereafter reinstated as hereinafter provided, the “**Stated Amount**”), consisting of (i) the amount of \$49,230,000 (as reduced and thereafter reinstated from time to time as hereinafter provided, the “**Principal Component**”), which may be drawn upon with respect to payment of the unpaid principal amount of, or portion of, the purchase price corresponding to the principal of the Bonds (as hereinafter defined), as certified to us and (ii) the amount of \$647,409 (as reduced and thereafter reinstated from time to time as hereinafter provided, the “**Interest Component**”), which may be drawn upon with respect to the payment of up to 40 days’ accrued interest on the Bonds or portion of the purchase price representing accrued interest on the Bonds, in each case assuming a maximum interest rate of 12% per annum and computed on the basis of the actual number of days elapsed over a year of 365 days (the “**Maximum Rate**”), as certified to us, in your favor, as Bond Trustee under that certain Trust Agreement, dated as of June 1, 2007 (the “**Trust Agreement**”), by and between you, as Bond Trustee, and the North Carolina Medical Care Commission (the “**Issuer**”), pursuant to which the Issuer will issue \$49,230,000 in aggregate principal amount of its Variable Rate Demand Hospital Revenue Bonds (Randolph Hospital) Series 2007 (the “**Bonds**”). This Letter of Credit is effective immediately and expires on the expiration date described below.

Subject to the other provisions of this Letter of Credit, you or your transferee may obtain the funds available under this Letter of Credit by presentment to us of your sight draft or drafts drawn on Bank of America, N.A., Los Angeles, California. Each draft presented to us must be accompanied by your certification substantially in the form of one or more of the Annexes described below, as may be applicable to the type of drawing you are making (each such demand and presentation, a “**Drawing**”). You must comply with all of the instructions in brackets in preparing each such certification.

1. Annex A (Periodic Interest Demand With Reinstatement Request). If you are demanding funds with respect to a scheduled interest payment on the Bonds in accordance with the Trust Agreement, and such amount is to be reinstated immediately following the Drawing, your draft or drafts should be accompanied by your Annex A certification.

2. Annex B (Principal and Interest Demand Without Reinstatement Request). If you are demanding funds with respect to the payment of principal and interest on the Bonds in connection with a partial redemption of Bonds in accordance with the Trust Agreement, which amount is not to be reinstated following the Drawing, your draft or drafts should be accompanied by your Annex B certification.

3. Annex C (Principal and Interest Demand). If you are demanding funds with respect to the payment of principal and interest on the Bonds in connection with a purchase of the Bonds in accordance with the Trust Agreement, your draft or drafts should be accompanied by your Annex C certification and on the date payment is to be made (a “**Liquidity Drawing**”).

4. Annex D (Final Drawing). Any draft constituting your final Drawing under this Letter of Credit must be accompanied by your Annex D certification. Only one draft accompanied by an Annex D certification may be presented for payment against this Letter of Credit; upon any such presentation, no further draft may be drawn and presented hereunder.

In each case other than a Liquidity Drawing where we have received a draft as described above, your remittance instructions and one or more of the certificates described above at or before 5:00 p.m., New York City time (hereinafter referred to as “**Local Time**”), on a Business Day (as defined below), we will make payment by 1:00 p.m., Local Time, on the following Business Day. In each case other than a Liquidity Drawing where we have received a draft as described above, your remittance instructions and one or more of the certificates described above after 5:00 p.m., Local Time, on a Business Day, we will make payment by 1:00 p.m., Local Time, on the second succeeding Business Day. In the case of a Liquidity Drawing, where we have received a draft as described above, your remittance instructions and the Annex C certification at or before 12:30 p.m., Local Time, on a Business Day, we will make payment by 2:30 p.m., Local Time, on the same Business Day. In the case of a Liquidity Drawing, where we have received a draft as described above, your remittance instructions and the Annex C certification after 12:30 p.m., Local Time, on a Business Day, we will make payment by 2:30 p.m., Local Time, on the following Business Day.

Demands for payment hereunder honored by the Bank shall not, in the aggregate, exceed the Stated Amount, as the Stated Amount may have been reinstated by us as provided herein. Subject to the preceding sentence, each Drawing honored by the Bank hereunder shall pro tanto reduce the Stated Amount hereof, it being understood that after the effectiveness of any such reduction you shall no longer have any right to make a Drawing hereunder in respect of the amount of such principal and/or interest on the Bonds causing or corresponding to such reduction.

Upon receipt by the Bank of a certificate substantially in the form of Annex G attached hereto from you, the principal and/or interest components of the Stated Amount shall be

automatically reinstated in the amounts shown on such Annex G which have been paid to the Bank.

Drafts honored by us under this Letter of Credit shall not exceed the Stated Amount available to you under this Letter of Credit, as such amount may vary from time to time. Each draft honored by us will reduce the Stated Amount available under this Letter of Credit. However, in the case of a draft or drafts accompanied by your certification substantially in the form of Annex A and presented in full compliance with the terms and conditions of this Letter of Credit, the Stated Amount of this Letter of Credit shall, on the date each draft is honored by us, automatically be reinstated by us, by an amount equal to the amount of that Drawing; after such reinstatement, the Stated Amount of this Letter of Credit shall be the same as it was immediately prior to such Drawing.

Notwithstanding anything contained herein to the contrary, this Letter of Credit shall not apply to the payment of principal and interest payable with respect to any Bonds which are held in the name of the Borrower or held by you for the account of the Borrower or to the payment of principal with respect to any Bonds which are held in the name of the Bank.

Each draft presented for payment against this Letter of Credit and each accompanying certification must be dated the date of its presentation to us, and may be presented only on a Business Day. As used in this Letter of Credit, "Business Day" shall mean any day other than a Saturday, Sunday, legal holiday or a day on which banking institutions in California are authorized or required to close. Drafts must be marked conspicuously "Drawn under Bank of America, N.A. Irrevocable Direct Draw Letter of Credit No. 3087648. The certifications you are required to submit to us along with your draft or drafts should be prepared either (i) in the form of a letter on your letterhead signed by your officer or (ii) in the form of a facsimile copy of such a letter sent by one of your officers to: (213) 240-6989.

Other than the foregoing provisions for communication by facsimile copy, communications with respect to this Letter of Credit shall be in writing and shall be addressed to us at Bank of America, N.A., Trade Operation Center, Mail Code CA9 705-07-05, 1000 West Temple Street, 7th Floor, Standby Letter of Credit Department, Los Angeles, California 90012-1514, specifically referring to the number and date of this Letter of Credit.

If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice that the purported demand was not effected in accordance with this Letter of Credit, stating the reasons therefor and that we are holding any documents at your disposal or are returning them to you, as we may elect. Upon being notified that the purported demand was not effected in conformity with this Letter of Credit, you may attempt to correct any such nonconforming demand for payment if, and to the extent that, you as Trustee are entitled (without regard to the provisions of this sentence) and able to do so.

By paying you an amount demanded in accordance with this Letter of Credit, we make no representation as to the correctness of the amount demanded or your calculations and representations on the certificates required of you by this Letter of Credit.

This Letter of Credit shall expire on the earliest of (i) June 15, 2010, (ii) when any draft accompanied by your certification substantially in the form of Annex D to this Letter of Credit is honored and paid by us, (iii) the day on which this Letter of Credit is surrendered by the Trustee to the Bank, accompanied by a certificate substantially in the form of Annex F to this Letter of Credit, (iv) two (2) Business Days following the first day after a conversion under the Trust Agreement of the interest rate on the Bonds to other than the Daily Interest Rate or the Weekly Interest Rate (the “**Conversion Date**”), as certified by you in substantially the form of Annex I to this Letter of Credit, or (v) thirty (30) days after you receive our Annex H certification or, if such day is not a Business Day, on the next succeeding Business Day. Any Annex H certification will be delivered to you at the address indicated above or, if we have received a Transfer Demand in the form of Annex E, to your transferee at the address set forth in such Annex E.

This Letter of Credit is transferable only in its entirety to any transferee whom you certify to us has succeeded you as Bond Trustee under the Trust Agreement, and may be successively transferred. Transfer of the Stated Amount available under this Letter of Credit to such transferee shall be effected by the presentation to us of this Letter of Credit accompanied by a certificate in the form of Annex E attached hereto and payment of the transfer commission referred to therein. Upon such presentation we shall forthwith transfer the same to your transferee.

Payments of Drawings under this Letter of Credit shall be made from funds of the Bank and not from any moneys provided to the Bank by the Borrower, the Issuer or any party related to the Borrower or the Issuer.

This Letter of Credit shall be subject to the International Standby Practices 1998, International Chamber of Commerce Publication No. 590 (the “ISP”), which is incorporated into the text of this Letter of Credit by this reference. This Letter of Credit shall be deemed to be issued under the laws of the State of North Carolina and shall be governed by and construed in accordance with the laws of the State of North Carolina with respect to matters not governed by the ISP and matters on which the ISP and the laws of the State of North Carolina are inconsistent.

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This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds), except only the Annexes and drafts referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such Annexes and drafts.

Very truly yours,

BANK OF AMERICA, N.A.

By: _____

Name: Sandra Leon

Title: Vice President

Annex A
(Periodic Interest Demand With Reinstatement Request)

Bank of America, N.A.

Irrevocable Letter of Credit No. 3087648

Bank of America, N.A.
Trade Operation Center
Mail Code CA9 705-07-05
1000 West Temple Street, 7th Floor
Standby Letter of Credit Department
Los Angeles, California 90017-1514

Re: Drawing for Interest Due on
Scheduled Interest Payment Date

Ladies and Gentlemen:

We refer to your Letter of Credit No. 3087648 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of _____ [Insert name of Trustee] (the "Trustee" or "we"), hereby certifies to you that:

1. We are the Trustee or a successor Trustee under the Trust Agreement for the holders of Variable Rate Demand Hospital Revenue Bonds (Randolph Hospital) Series 2007 (the "Bonds"), issued by the North Carolina Medical Care Commission.

2. We hereby make demand under the Letter of Credit, by our presentment of the sight draft accompanying this Certificate, for payment of \$_____ representing accrued and unpaid interest on the Bonds with respect to a scheduled interest payment.

3. The amount of the draft accompanying this Certificate does not exceed the amount available on the date hereof to be drawn under the Letter of Credit in respect of interest accrued on the Bonds. This amount was computed in accordance with the terms and conditions of the Bonds and the Trust Agreement. The date specified in paragraph 4 below is not earlier than the date upon which the payment hereby demanded is required to be made under the terms and conditions of the Bonds and the Trust Agreement. The Letter of Credit has not terminated prior to the time of the delivery of this Certificate and the accompanying draft.

4. We request that the payment hereby demanded be made no later than 1:00 p.m., New York City time ("Local Time"), on _____ [if this certificate and an accompanying draft are delivered at or before 5:00 p.m., Local Time, then insert a date which is the next Business Day; if this certificate and an accompanying draft are delivered after 5:00 p.m., Local Time, insert a date which is a Business Day and is no earlier than the second succeeding

Business Day following the date those documents are delivered]. Unless otherwise agreed to in a writing signed by you and us, please [deposit/wire transfer] the amount hereby demanded to our account number _____ with [insert account number] _____ [insert name and address of banking institution to receive funds].

5. Please reinstate the Letter of Credit by the amount specified in paragraph 2 of this Certificate in accordance with the terms set forth in the Letter of Credit; following such reinstatement, the Stated Amount shall be the same as it was immediately prior to this Drawing.

6. The amount demanded hereby is not being made in respect of any Bonds currently registered in the name of or held by the Tender Agent for the account of the Bank or held of record or, to the knowledge of the Trustee, beneficially by the Borrower or by the Tender Agent for the account of the Borrower.

IN WITNESS WHEREOF, we have executed and delivered this Certificate as Trustee as of the ____ day of _____, ____.

Very truly yours,

[Insert Name of Trustee]
as Trustee

By: _____
Name: _____
Title: _____

Annex B
(Principal and Interest Demand Without Reinstatement Request)

Bank of America, N.A.

Irrevocable Letter of Credit No. 3087648

Bank of America, N.A.
Trade Operation Center
Mail Code CA9 705-07-05
1000 West Temple Street, 7th Floor
Standby Letter of Credit Department
Los Angeles, California 90017-1514

Re: Drawing for Partial Redemption of the Bonds

Ladies and Gentlemen:

We refer to your Letter of Credit No. 3087648 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of _____ [insert name of Trustee] (the "Trustee" or "we"), hereby certifies to you that:

1. We are the Trustee or a successor Trustee under the Trust Agreement for the holders of Variable Rate Demand Hospital Revenue Bonds (Randolph Hospital) Series 2007 (the "Bonds"), issued by the North Carolina Medical Care Commission.

2. We hereby make demand under the Letter of Credit for payment of \$ _____, of which \$ _____ shall be with respect to the principal of certain of the Bonds, and \$ _____ shall be with respect to interest to be paid on the Bonds, which total amount is due with respect to a partial redemption of Bonds pursuant to the Trust Agreement.

3. The amount of the draft accompanying this Certificate does not exceed the amount available on the date hereof to be drawn under the Letter of Credit and was computed in accordance with the terms and conditions of the Bonds and the Trust Agreement. The date specified in paragraph 4 below is not earlier than the date upon which the payment hereby demanded is required to be made under the terms and conditions of the Bonds and the Trust Agreement. The Letter of Credit has not terminated prior to the time of the delivery of this Certificate and the accompanying draft.

4. We request that the payment hereby demanded be made no later than 1:00 p.m., New York City time ("Local Time"), on _____ [if this certificate and an accompanying draft are delivered at or before 5:00 p.m., Local Time, insert a date which is the next Business Day; if this certificate and an accompanying draft are delivered after 5:00 p.m.,

Local Time, insert a date which is a Business Day and is no earlier than the second succeeding Business Day following the date those documents are delivered]. Unless otherwise agreed to in a writing signed by you and us, please [deposit/wire transfer] the amount hereby demanded to our account number _____ [insert account number] with _____ [insert name and address of banking institution to receive funds].

5. Upon application of the amount with respect to principal of the Bonds set forth in paragraph 2 of this Certificate, there shall be outstanding \$ _____ principal amount of the Bonds and the Stated Amount of the Letter of Credit shall be \$ _____.

6. The amount demanded hereby is not being made in respect of any Bonds currently registered in the name of or held by the Tender Agent for the account of the Bank or held of record or, to the knowledge of the Trustee, beneficially by the Borrower or by the Tender Agent for the account of the Borrower.

IN WITNESS WHEREOF, we have executed and delivered this Certificate as Trustee as of the _____ day of _____, _____.

Very truly yours,

[Insert Name of Trustee]
as Trustee

By: _____
Name: _____
Title: _____

Annex C
(Principal and Interest Demand)

Bank of America, N.A.

Irrevocable Letter of Credit No. 3087648

Bank of America, N.A.
Trade Operation Center
Mail Code CA9 705-07-05
1000 West Temple Street, 7th Floor
Standby Letter of Credit Department
Los Angeles, California 90017-1514

Re: Drawing for Purchase of Bonds

Ladies and Gentlemen:

We refer to your Letter of Credit No. 3087648 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of _____ [Insert name of Trustee] (the "Trustee" or "we"), hereby certifies to you that:

1. We are the Trustee or a successor Trustee under the Trust Agreement for the holders of Variable Rate Demand Hospital Revenue Bonds (Randolph Hospital) Series 2007 (the "Bonds"), issued by the North Carolina Medical Care Commission.

2. We hereby make demand under the Letter of Credit for payment of \$ _____, of which \$ _____ shall be with respect to the principal component of the purchase price of certain of the Bonds, and \$ _____ shall be with respect to the interest component of the purchase price to be paid on the Bonds, which total amount is due with respect to the payment of all or a portion of the purchase price of Bonds pursuant to the Trust Agreement.

3. The amount of the draft accompanying this Certificate does not exceed the amount available on the date hereof to be drawn under the Letter of Credit and was computed in accordance with the terms and conditions of the Bonds and the Trust Agreement. The date specified in paragraph 4 below is not earlier than the date upon which the payment hereby demanded is required to be made under the terms and conditions of the Bonds and the Trust Agreement. The Letter of Credit has not terminated prior to the time of the delivery of this Certificate and the accompanying draft.

4. The executed original of this certificate and the accompanying draft is delivered to you on or before 12:30 p.m., New York City time ("Local Time") of a Business Day and we

request that the payment hereby demanded be made no later than 2:30 p.m., Local Time, on the same Business Day. Unless otherwise agreed to in a writing signed by you and us, please [deposit/wire transfer] the amount hereby demanded to our account number _____ [insert account number] with _____ [insert name and address of banking institution to receive funds].

5. The amount demanded hereby is not being made in respect of any Bonds currently registered in the name of or held by the Tender Agent for the account of the Bank or held of record or, to the knowledge of the Trustee, beneficially by the Borrower or by the Tender Agent for the account of the Borrower.

IN WITNESS WHEREOF, we have executed and delivered this Certificate as Trustee as of the _____ day of _____, ____.

Very truly yours,

[Insert Name of Trustee]
as Trustee

By: _____
Name: _____
Title: _____

Annex D
(Final Drawing)

Bank of America, N.A.

Irrevocable Letter of Credit No. 3087648

Bank of America, N.A.
Trade Operation Center
Mail Code CA9 705-07-05
1000 West Temple Street, 7th Floor
Standby Letter of Credit Department
Los Angeles, California 90017-1514

Re: Final Drawing and Termination

Ladies and Gentlemen:

We refer to your Letter of Credit No. 3087648 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of _____ [Insert name of Trustee] (the "Trustee" or "we"), hereby certifies to you that:

1. We are the Trustee or a successor Trustee under the Trust Agreement for the holders of Variable Rate Demand Hospital Revenue Bonds (Randolph Hospital) Series 2007 (the "Bonds"), issued by the North Carolina Medical Care Commission.

2. We hereby make demand for payment of \$_____ of which \$_____ shall be with respect to the principal of the Bonds, and \$_____ shall be with respect to interest, if any, on the Bonds.

3. This Drawing is being made as a result of the maturity, acceleration, or redemption of all outstanding Bonds in accordance with the terms and conditions of the Bonds and the Trust Agreement.

4. The amount of the draft accompanying this Certificate does not exceed the amount available on the date hereof to be drawn under the Letter of Credit. This amount was computed in accordance with the terms and conditions of the Bonds and the Trust Agreement. The date specified in paragraph 5 below is not earlier than the date upon which the payment hereby demanded is required to be made under the terms and conditions of the Bonds and the Trust Agreement. The Letter of Credit has not terminated prior to the delivery of this Certificate and the accompanying draft.

5. The sight draft accompanying this Certificate constitutes the final Drawing under the Letter of Credit and upon payment of such draft, the Letter of Credit is canceled. We request

that the payment hereby demanded be made no later than 1:00 p.m., New York City time (“Local Time”), on _____ [if this certificate and an accompanying draft are delivered at or before 5:00 p.m., Local Time, insert a date which is a Business Day and which is the next Business Day; if this certificate and an accompanying draft are delivered after 5:00 p.m., Local Time, insert a date which is a Business Day and is no earlier than the second succeeding Business Day following the date these documents are delivered]. Please [deposit/wire transfer] the amount hereby demanded to our account _____ number [insert account number] with _____ [insert name and address of banking institution to receive funds].

6. The amount demanded hereby is not being made in respect of any Bonds currently registered in the name of or held by the Tender Agent for the account of the Bank or held of record or, to the knowledge of the Trustee, beneficially by the Borrower or by the Tender Agent for the account of the Borrower.

IN WITNESS WHEREOF, we have executed and delivered this Certificate as Trustee as of the _____ day of _____, ____.

Very truly yours,

[Insert Name of Trustee]
as Trustee

By: _____
Name: _____
Title: _____

Annex E
(Transfer Demand)

Bank of America, N.A.

Irrevocable Letter of Credit No. 3087648

Bank of America, N.A.
Trade Operation Center
Mail Code CA9 705-07-05
1000 West Temple Street, 7th Floor
Standby Letter of Credit Department
Los Angeles, California 90017-1514

Re: Instruction to Transfer
Letter of Credit No. 3087648

Ladies and Gentlemen:

For value received, the undersigned beneficiary (the "Transferor") hereby irrevocably transfers to:

(Name of Transferee and Address)

(the "Transferee") all rights of the Transferor with respect to the above-referenced Letter of Credit, including the right to draw under said Letter of Credit in the amount of the full unutilized balance thereof. Said Transferee has succeeded the Transferor as Trustee under that certain Trust Agreement dated as of June 1, 2007 by and between the North Carolina Medical Care Commission and First-Citizens Bank & Trust Company, as Trustee (the "Trust Agreement") with respect to the Variable Rate Demand Hospital Revenue Bonds (Randolph Hospital) Series 2007 issued by the North Carolina Medical Care Commission.

By virtue of this transfer, the Transferee shall have the sole rights as beneficiary of said Letter of Credit, including sole rights relating to any past or future amendments thereof, whether increases or extensions or otherwise. All amendments are to be advised directly to the Transferee without necessity of any consent of or notice to the Transferor.

By its signature below, the Transferee acknowledges that it has duly succeeded the Transferor as Trustee under the Trust Agreement, and agrees to be bound by the terms of the Trust Agreement as if it were the original Trustee thereunder.

The Letter of Credit is returned herewith, and we ask you to endorse the transfer on the reverse thereof and to forward it directly to the Transferee with your customary notice of

transfer. Also, please find enclosed our payment of \$1,000 paid by the Borrower as a transfer fee in accordance with the Letter of Credit.

Very truly yours,

[Insert Name of Trustee]
as Trustee

By: _____
[Insert name and title of authorized officer]

SIGNATURE OF THE ABOVE PARTY,
DULY AUTHORIZED TO ACT ON
BEHALF OF [insert name of
Trustee], AUTHENTICATED BY:

By: _____
Name: _____
Title: _____

Acknowledged by
[insert name of Transferee]
as Transferee and successor Trustee

By: _____
Name: _____
Title: _____

Annex F
(Surrender Certificate)

Bank of America, N.A.

Irrevocable Letter of Credit No. 3087648

Bank of America, N.A.
Trade Operation Center
Mail Code CA9 705-07-05
1000 West Temple Street, 7th Floor
Standby Letter of Credit Department
Los Angeles, California 90017-1514

Ladies and Gentlemen:

We refer to your Letter of Credit No. 3087648 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of _____ [insert name of Trustee] (the "Trustee" of "we"), hereby certifies to you that:

1. We are the Trustee or a successor Trustee under the Trust Agreement for the holders of Variable Rate Demand Hospital Revenue Bonds (Randolph Hospital) Series 2007 (the "Bonds"), issued by the North Carolina Medical Care Commission.
2. We hereby surrender the attached Letter of Credit to you.
3. The Letter of Credit is hereby terminated in accordance with its terms.
4. No payment is demanded of you in connection with this surrender of the Letter of Credit.

IN WITNESS WHEREOF, we have executed and delivered this certificate as Trustee as of the ____ day of _____, ____.

Very truly yours,

[Insert Name of Trustee]
as Trustee

By: _____
Name: _____
Title: _____

Annex G
(Trustee Certificate)

Bank of America, N.A.

Irrevocable Letter of Credit No. 3087648

Bank of America, N.A.
Trade Operation Center
Mail Code CA9 705-07-05
1000 West Temple Street, 7th Floor
Standby Letter of Credit Department
Los Angeles, California 90017-1514

Re: Irrevocable Letter of Credit No. 3087648

Ladies and Gentlemen:

The undersigned, a duly authorized officer of _____ [insert name of Trustee] (the "Trustee"), hereby notifies Bank of America, N.A. (the "Bank"), with reference to Irrevocable Direct Draw Letter of Credit No. 3087648 (the "Letter of Credit", the terms defined therein and not otherwise defined herein shall have the meanings set forth in the Letter of Credit) issued by the Bank in favor of the Trustee as follows:

(1) _____ is the Remarketing Agent under the Trust Agreement for the holders of the Bonds.

(2) The Trustee has been advised by the Borrower or Remarketing Agent that the amount of \$ _____ paid to the Bank today by the Borrower or the Remarketing Agent on behalf of the Borrower is a payment made to reimburse the Bank, pursuant to the Letter of Credit and Reimbursement Agreement dated as of June 1, 2007 (the "Reimbursement Agreement"), by and between the Borrower and the Bank, for amounts drawn under the Letter of Credit pursuant to a Liquidity Drawing.

(3) Of the amount referred to in paragraph (2), \$ _____ represents the aggregate principal amount of Pledged Bonds resold or to be resold on behalf of the Borrower.

(4) Of the amount referred to in paragraph (2), \$ _____ represents accrued and unpaid interest on such Pledged Bonds.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of this _____ day of _____, _____.

As Trustee

By: _____

Title: _____

Annex H
(Notice of Event of Default under Reimbursement Agreement)

Bank of America, N. A.

Irrevocable Letter of Credit No. 3087648

To: Beneficiary under our Letter of Credit No. 3087648
(the "Letter of Credit")

Re: Event of Default under Reimbursement Agreement

Ladies and Gentlemen:

We hereby certify to you that:

1. An Event of Default has occurred under the Letter of Credit and Reimbursement Agreement dated as of June 1, 2007, between Bank of America, N. A. and Randolph Hospital, Inc. (the "Reimbursement Agreement"), and has not been remedied or waived.

2. Pursuant to Section 802 of the Trust Agreement (as such term and all other capitalized terms are used in the Reimbursement Agreement), the Bonds are to be accelerated upon receipt of notice from the Bank of the occurrence of an Event of Default under the Reimbursement Agreement that has not been remedied or waived.

3. The Bank hereby requests you accelerate payment of the Bonds immediately and, in connection therewith, to draw on the Letter of Credit to pay for such acceleration.

4. Unless it expires earlier in accordance with its terms, the Letter of Credit will expire on _____, ____ [insert date that is 30 days from beneficiary's receipt of this notice or, if such day is not a Business Day, the next succeeding Business Day].

IN WITNESS WHEREOF, we have executed and delivered this certificate as of this _____ day of _____, ____.

Very truly yours,

BANK OF AMERICA, N. A.

By: _____
Name: _____
Title: _____

Annex I
Notice of Conversion Date

Bank of America, N.A.
Trade Operation Center
Mail Code CA9 705-07-05
1000 West Temple Street, 7th Floor
Standby Letter of Credit Department
Los Angeles, California 90017-1514

Re: Conversion of Bonds to Other Than a Daily Interest Rate or a Weekly Interest Rate

Ladies and Gentlemen:

We refer to your Letter of Credit No. 3087648 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of _____ [Insert name of Trustee] (the "Trustee" or "we"), hereby certifies to you that:

1. We are the Trustee or a successor Trustee under the Trust Agreement for the holders of Variable Rate Demand Hospital Revenue Bonds (Randolph Hospital) Series 2007 (the "Bonds"), issued by the North Carolina Medical Care Commission.

2. The Letter of Credit will expire on _____, _____, which is two (2) Business Days following the date of conversion of the interest rate for the Bonds to other than the Daily Interest Rate or the Weekly Interest Rate.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of this _____ day of _____, _____.

As Trustee

By: _____
Name: _____
Title: _____

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APPENDIX C
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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APPENDIX C

DEFINITIONS OF CERTAIN TERMS

The following is a summary of the definitions of certain terms contained in the Agreement, the Trust Agreement or the Master Indenture and used in this Appendix C:

“Account Lien Amount” means the product of (x) the Coverage Factor multiplied by (y) an amount equal to the Obligated Group’s net patient accounts (as shown in its Financial Statements for the most recent Fiscal Year for which Financial Statements are available).

“Accountant” means a firm of independent certified public accountants that is a member of the American Institute of Certified Public Accountants (or its successor organization) and is licensed to practice in the State of North Carolina.

“Accounts” means any right to payment of a monetary obligation, whether or not earned by performance, (i) for property that has been or is to be sold, leased, licensed, assigned or otherwise disposed of, (ii) for services rendered or to be rendered, or (iii) for a secondary obligation incurred or to be incurred. The term “Accounts” shall include healthcare insurance receivables. The term “Accounts” shall not include (i) rights to payment evidenced by chattel paper or an instrument, (ii) commercial tort claims, (iii) deposit accounts, (iv) investment property, (v) letter-of-credit rights or letters of credit, or (vi) rights to payment for money or funds advanced or sold. Any terms used in this definition (other than the term “Accounts”) shall have the meanings given such terms, if any, in the UCC.

“Act” means the Health Care Facilities Finance Act, Chapter 131A of the General Statutes of North Carolina, as amended, or any successor statute.

“Additional Indebtedness” means any Indebtedness incurred by the Corporation or any other Member of the Obligated Group subsequent to the issuance of the Initial Obligations or incurred by any other Member of the Obligated Group contemporaneously with or subsequent to its becoming a Member of the Obligated Group.

“Affiliate” means a corporation, limited liability company, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof which (i) is directly or indirectly controlled by any Member of the Obligated Group or by any Person which directly or indirectly controls any Member of the Obligated Group or (ii) directly or indirectly controls any Member of the Obligated Group. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of not less than a majority of its voting securities or the right to designate or elect not less than a majority of the members of its board of directors or other governing board or body by contract or otherwise. “Affiliate” includes each Person who is an “affiliate” of a Member of the Obligated Group under generally accepted accounting principles.

“Agreement” means the Loan Agreement, dated as of June 1, 2007, by and between the Commission and the Corporation, including all amendments or supplements thereto as therein permitted.

“Alternate Credit Facility” means a replacement irrevocable direct-pay letter of credit containing administrative provisions reasonably satisfactory to the Bond Trustee, issued and delivered to the Bond Trustee in accordance with the Trust Agreement; provided, however, that any amendment, extension, renewal or substitution of the Credit Facility then in effect for the purpose of extending the Expiration

Date of such Credit Facility or modifying such Credit Facility pursuant to its terms shall not be deemed to be an Alternate Credit Facility for purposes of the Trust Agreement.

“Alternate Liquidity Facility” means a Liquidity Facility that meets the requirements set forth in the Trust Agreement.

“Authorized Denominations” means (a) with respect to Bonds which are subject to a Long-Term Interest Rate Period, \$5,000 or any integral multiple thereof, and (b) with respect to Bonds which are not described in the preceding clause (a), \$100,000 or any integral multiple of \$5,000 in excess of \$100,000.

“Authorized Liquidity Termination” means a termination or suspension of the Liquidity Facility before its Expiration Date pursuant to provisions in the Liquidity Facility that allow the Liquidity Facility Provider to terminate or suspend its obligation to purchase tendered Bonds immediately upon the occurrence of certain events set forth therein without giving any advance notice to the Commission, the Corporation, the Bond Trustee or Holders.

“Available Moneys” means, if a Credit Facility is in effect, (i) moneys drawn under the Credit Facility which at all times since their receipt by the Bond Trustee or the Tender Agent were held in a separate segregated account or accounts or subaccount or subaccounts in which no moneys (other than those drawn under the Credit Facility) were at any time held, (ii) moneys which have been paid to the Bond Trustee or the Tender Agent by the Corporation and have been on deposit with the Bond Trustee or the Tender Agent for at least 124 days (or, if paid to the Bond Trustee or the Tender Agent by an “affiliate,” as defined in Bankruptcy Code §101(2), of the Corporation, 366 days) during and prior to which no Event of Bankruptcy shall have occurred, (iii) any other moneys, if, in the opinion of nationally recognized counsel experienced in bankruptcy matters (which opinion shall be acceptable to each Rating Agency then rating the Bonds), the application of such moneys will not constitute a voidable preference in the event of the occurrence of an Event of Bankruptcy, and (iv) investment earnings on any of the moneys described in clauses (i), (ii) and (iii) of this definition; otherwise, “Available Moneys” means any moneys deposited with the Bond Trustee or the Tender Agent.

“Balloon Long-Term Indebtedness” means Long-Term Indebtedness twenty-five percent (25%) or more of the principal payments of which are due in a single year, which portion of the principal is not required by the documents pursuant to which such Indebtedness is incurred to be amortized by payment or redemption prior to such year.

“Bank Bond Interest Differential Amount” means, as to any Bank Bond for any period for which interest on such Bank Bond has not been paid, the difference between the amount of accrued interest on such Bank Bond at the Bank Bond Rate during such period and the amount of accrued interest on such Bond included in the sales price therefor.

“Bank Bond Rate” means the interest rate, if any, specified in the Liquidity Facility or Credit Facility Provider Agreement then in effect as the rate at which Bank Bonds shall bear interest, such rate not to exceed the Maximum Bank Bond Interest Rate; provided, however, that if no such rate is specified in the Liquidity Facility or Credit Facility Provider Agreement then in effect, then Bank Bonds shall continue to bear interest and such interest shall accrue and be payable as specified in the Trust Agreement as if such Bank Bonds were not Bank Bonds.

“Bank Bonds” means Bonds purchased by the Liquidity Facility Provider or Credit Facility Provider pursuant to a Liquidity Facility or Credit Facility during the period beginning on the date such Bonds are purchased until the earlier of (i) the date on which such Bonds are remarketed to a purchaser identified by the Remarketing Agent, or (ii) the date on which the Liquidity Facility Provider or the Credit

Facility Provider elects pursuant to the Trust Agreement not to sell such Bonds to a purchaser identified by the Remarketing Agent.

“Beneficial Owner” means the Person in whose name a Bond is recorded as beneficial owner of such Bond by the Securities Depository or a Participant or an Indirect Participant on the records of such Securities Depository, Participant or Indirect Participant, as the case may be, or such Person’s subrogee.

“Bond Counsel” means Robinson, Bradshaw & Hinson, P.A. or any other attorney or firm of attorneys knowledgeable and experienced in the law relating to municipal securities and the law relating to federal and State taxation of interest thereon and approved by the Commission.

“Bond Fund” means the North Carolina Medical Care Commission Variable Rate Demand Hospital Revenue Bonds (Randolph Hospital) Series 2007 Bond Fund created and so designated by the Trust Agreement and consisting of the Interest Account and the Sinking Fund Account.

“Bond Index” means the Bond Buyer thirty (30) year “Revenue Bond Index”, as then published most recently by The Bond Buyer, New York, New York, or, if such index is no longer available, such index for comparable thirty (30) year maturity tax-exempt revenue bonds as may be certified to the Master Trustee by a firm of investment bankers or a financial advisory firm.

“Bond Interest Term” means, with respect to any Bond, each period established in accordance with the Trust Agreement during which such Bond shall bear interest at a Bond Interest Term Rate.

“Bond Interest Term Rate” means, with respect to each Bond, a non-variable interest rate on such Bond established periodically in accordance with the Trust Agreement.

“Bond Purchase Fund” means the trust fund so designated which is established with the Tender Agent pursuant to the Trust Agreement and the Tender Agreement.

“Bonds” means the North Carolina Medical Care Commission Variable Rate Demand Hospital Revenue Bonds (Randolph Hospital) Series 2007, issued under the Trust Agreement.

“Bond Trustee” means the Bond Trustee at the time serving as such under the Trust Agreement, whether the original or a successor trustee.

“Bond Year” means the period commencing on October 1 of any year and ending on September 30 of the following year; provided, however that the initial Bond Year shall commence on the Closing Date and end on September 30, 2007.

“Book-Entry Bonds” means Bonds for which a Securities Depository or its nominee is the Holder.

“Book-Entry System” means a book-entry system established and operated for the recordation of Beneficial Owners of the Bonds pursuant to the Trust Agreement.

“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 Office and Designated Corporate Trust Office of the Bond Trustee are located, the principal offices of the Tender Agent (if any), the Remarketing Agent (if any), the Corporation, the Liquidity Facility Provider (if any) or the Credit Facility Provider (if any) are located, or the office of the Liquidity Facility Provider (if any) or the Credit Facility Provider (if any) from which payments are made pursuant to the Liquidity Facility or Credit 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.

“Capitalization” means the sum of the aggregate principal amount of Long-Term Indebtedness of the Members of the Obligated Group, plus (i) aggregate unrestricted fund balance or unrestricted net assets of the nonprofit Members of the Obligated Group and (ii) the aggregate excess of assets over liabilities of the proprietary Members of the Obligated Group, if any, all as calculated in accordance with generally accepted accounting principles.

“Closing Date” means the date of delivery of the Bonds to the Underwriter against payment therefor.

“Code” means the Internal Revenue Code of 1986, as amended, and all regulations promulgated thereunder.

“Commission” means the North Carolina Medical Care Commission of the Department of Health and Human Services of the State of North Carolina and any successor thereto.

“Commission Bonds” means any Related Bonds issued by the Commission or the issuance of which was subject to the approval of the Local Government Commission.

“Commission Representative” means each of the persons at the time designated to act on behalf of the Commission in the Series Resolution or in a written certificate furnished to the Corporation and the Bond Trustee, which certificate shall contain the specimen signature(s) of such person(s) and shall be signed on behalf of the Commission by its Chairman or Vice Chairman.

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

“Construction Account” means the account in the Construction Fund created and so designated by the Trust Agreement.

“Construction Fund” means the North Carolina Medical Care Commission Variable Rate Demand Hospital Revenue Bonds (Randolph Hospital) Series 2007 Construction Fund created and so designated by the Trust Agreement and consisting of the Issuance Account, the Construction Account and the Revolving Fund Account.

“Consultant” means a Person which is not, and no member, stockholder, director, officer or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or any Affiliate, and which is a professional consultant of favorable repute for having the skill and experience necessary to render the particular report required by the provision of the Master Indenture in which such requirement appears.

“Conversion” means a conversion of the Bonds from one Interest Rate Period to another Interest Rate Period (including the establishment of a new interest period within the Long-Term Interest Rate Period) as provided in the Trust Agreement.

“Conversion Date” means the effective date of a Conversion of the Bonds.

“Corporation” means Randolph Hospital, Inc., a nonprofit corporation duly organized and validly existing under the laws of the State and constituting a “non-profit agency” within the meaning of the Act, with its principal place of business in Randolph County, North Carolina and its permitted successors.

“Corporation Bonds” means the Bonds held by the Tender Agent for and on behalf of the Corporation, any Affiliate or any nominee for (or any Person who owns such Bonds for the sole benefit of) the Corporation or any Affiliate pursuant to the Trust Agreement and the Tender Agreement.

“Corporation Purchase Account” means the account with that name established within the Bond Purchase Fund pursuant to the Trust Agreement.

“Corporation Representative” means each of the persons at the time designated to act on behalf of the Corporation in a written certificate furnished to the Commission and the Bond Trustee, which certificate will contain the specimen signature(s) of such person(s) and will be signed on behalf of the Corporation by the President or the chief financial officer of the Corporation.

“Coverage Factor” means an amount determined in accordance with the following schedule:

<u>Long-Term Debt Service Coverage Ratio for Preceding Fiscal Year</u>	<u>Coverage Factor</u>
greater than or equal to 4.0	100%
less than 4.0 but greater than or equal to 3.0	75%
less than 3.0 but greater than or equal to 2.0	50%
less than 2.0 but greater than or equal to 1.5	25%
less than 1.5	0%

“Credit Facility” means, with respect to the Master Indenture, a bond or financial guaranty insurance policy, letter of credit, standby bond purchase agreement, a line of credit or similar credit enhancement or liquidity facility established to provide credit or liquidity support for Indebtedness.

“Credit Facility” means, with respect to the Trust Agreement, initially, the Letter of Credit and all amendments, extensions, renewals or substitutions thereof pursuant to its terms, and upon the effectiveness of any Alternate Credit Facility, such Alternate Credit Facility.

“Credit Facility Purchase Account” means the account with that name established within the Bond Purchase Fund pursuant to the Trust Agreement.

“Credit Facility Provider” means, with respect to the Master Indenture, the issuer of a Credit Facility.

“Credit Facility Provider” means, with respect to the Trust Agreement, the issuer of the Credit Facility, initially Bank of America, N.A., and upon the effectiveness of an Alternate Credit Facility, the issuer of such Alternate Credit Facility.

“Credit Facility Provider Agreement” means initially the Letter of Credit and Reimbursement Agreement dated as of June 1, 2007 between the Corporation and Bank of America, N.A., pursuant to which the Letter of Credit is issued, as the same may be amended or supplemented, and any such other similar agreement or agreements as may be entered into from time to time between the Corporation (or any other Member of the Obligated Group) and the provider of any Alternate Credit Facility.

“Cross-over Date” means, with respect to Cross-over Refunding Indebtedness, the date on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or redeemed from the proceeds of such Cross-over Refunding Indebtedness.

“Cross-over Refunded Indebtedness” means Indebtedness refunded by Cross-over Refunding Indebtedness.

“Cross-over Refunding Indebtedness” means Indebtedness issued for the purpose of refunding other Indebtedness if the proceeds of such refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable redemption date or maturity date of the refunded Indebtedness, and the earnings on such escrow deposit (i) are required to be applied to pay interest on such refunding Indebtedness until the Cross-over Date and (ii) shall not be used directly or indirectly to pay interest on the Cross-over Refunded Indebtedness.

“Daily Interest Rate” means a variable interest rate on the Bonds established in accordance with the Trust Agreement.

“Daily Interest Rate Period” means each period during which a Daily Interest Rate is in effect for the Bonds.

“Defeasance Obligations” means (i) noncallable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified noncallable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, (iii) Defeased Municipal Obligations and (iv) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian.

“Defeased Municipal Obligations” means, with respect to the Master Indenture and the Obligations, obligations of state or local government municipal bond issuers which are not callable at the option of the obligor prior to maturity or for which irrevocable instructions have been given by the obligor to pay such obligations on the date fixed for redemption and which are rated, based on an irrevocable escrow account or fund, in the highest rating category by Fitch, if rated by Fitch, Moody’s, if rated by Moody’s, and S&P, if rated by S&P, respectively, provision for the payment of the principal of, redemption premium, if any, and interest on which shall have been made by deposit in an escrow fund or account with a trustee or escrow agent of Defeasance Obligations or cash, which escrow fund or account shall be applied only to the payment of the principal of, redemption premium, if any, and interest on such obligations of state or local government municipal bond issuers, when due and payable, and shall be sufficient, as verified by a nationally recognized Accountant, to pay the principal of, redemption premium, if any, and interest on such obligations of state or local government municipal bond issuers. An obligation need not be rated by each of Fitch, Moody’s and S&P to qualify as a Defeased Municipal Obligation, but such obligation must be rated by at least one of Fitch, Moody’s or S&P to so qualify.

“Defeased Municipal Obligations” means, with respect to the Trust Agreement and the Bonds, obligations of state or local government municipal bond issuers which are rated in the highest rating

category by S&P and Moody's, respectively, provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of (i) noncallable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified noncallable Government Obligations, (iii) cash or (iv) any combination of such noncallable Government Obligations, evidences of ownership and cash, which Government Obligations or evidences of ownership, together with any cash, are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, the maturing principal of and interest on such Government Obligations or evidences of ownership, when due and payable, being sufficient, together with any cash, to provide money to pay the principal of, premium, if any, and interest on such obligations of such state or local government municipal bond issuers.

"Defeased Obligations" means Obligations issued under Supplements that have been discharged, or provision for the discharge of which has been made, pursuant to their terms and the terms of such Supplements.

"Derivative Agreement" means, without limitation, (i) 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; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) 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.; and (v) any other type of contract or arrangement that the Member of the Obligated Group entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

"Derivative Indebtedness" means Indebtedness or the portion of any Indebtedness with respect to which a Member of the Obligated Group shall have entered into a Derivative Agreement.

"Derivative Obligations" means the payment obligations of a Member of the Obligated Group under a Derivative Agreement that hedges Indebtedness, including but not limited to regularly scheduled payments and termination payments.

"Derivative Period" means the period during which a Derivative Agreement is in effect.

"Designated Corporate Trust Office" means, initially, the corporate trust office of the Bond Trustee located at 100 East Tryon Road, Raleigh, North Carolina 27603, and thereafter any office designated by the Bond Trustee by notice to the Commission, the LGC, the Corporation, the Tender Agent (if any), the Remarketing Agent (if any), the Liquidity Facility Provider (if any) and the Credit Facility Provider (if any) given pursuant to the Trust Agreement.

"DTC" means The Depository Trust Company, New York, New York.

"Electronic Means" means telephone, telecopy, telegraph, telex, internet, facsimile transmission or any other similar means of electronic communication. Any communication by telephone as an

Electronic Means shall be promptly confirmed in writing or by one of the other means of electronic communication authorized in this definition.

“Eminent Domain” means the eminent domain or condemnation power by which all or any part of the Operating Assets may be taken for public use or any agreement that is reached in lieu of proceedings to exercise such power.

“Equipment” means equipment as defined in the UCC.

“Event of Bankruptcy” means any of the following events:

(i) the Corporation (or any other Person obligated, as guarantor or otherwise, to make payments on the Bonds or under the Agreement, Obligation No. 1, the Master Indenture or a Credit Facility Provider Agreement, or an “affiliate” of the Corporation as defined in Bankruptcy Code § 101(2)) or the Commission shall (a) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the Corporation (or such other Person) or the Commission or of all or any substantial part of their respective property, (b) commence a voluntary case under the Bankruptcy Code, or (c) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(ii) a proceeding or case shall be commenced, without the application or consent of the Corporation (or any other Person obligated, as guarantor or otherwise, to make payments on the Bonds or under the Agreement, Obligation No. 1, the Master Indenture or a Credit Facility Provider Agreement, or an “affiliate” of the Corporation as defined in Bankruptcy Code § 101(2)) or the Commission in any court of competent jurisdiction, seeking (a) the liquidation, reorganization, dissolution, winding-up, or composition or adjustment of debts, of the Corporation (or any such other Person) or the Commission, (b) the appointment of a trustee, receiver, custodian, liquidator or the like of the Corporation (or any such other Person) or the Commission or of all or any substantial part of their respective property, or (c) similar relief in respect of the Corporation (or any such other Person) or the Commission under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts.

“Event of Default” means, with respect to the Agreement, each of those events set forth under the caption “SUMMARY OF THE AGREEMENT—Defaults and Remedies” herein, with respect to the Trust Agreement, each of those events set forth under the caption “SUMMARY OF THE TRUST AGREEMENT—Events of Default” herein, and, with respect to the Master Indenture, each of those events set forth under the caption “SUMMARY OF THE MASTER INDENTURE—Defaults and Remedies--Events of Default” herein.

“Expiration Date” means the stated termination date of the Liquidity Facility or the Credit Facility then in effect, as extended from time to time.

“Favorable Opinion of Bond Counsel” means an opinion of Bond Counsel, addressed to the Commission, the Corporation, the Bond Trustee, the Tender Agent (if any), the Remarketing Agent (if any), the Liquidity Facility Provider (if any) and the Credit Facility Provider (if any) to the effect that the action proposed to be taken is authorized or permitted by the Act and the Trust Agreement and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Bonds.

“Financial Statements” means consolidated or combined financial statements of the Corporation and its Affiliates, if any, for a Fiscal Year, or for such other period for which an audit has been performed, prepared in accordance with generally accepted accounting principles consistently applied and including such statements as are necessary for a fair presentation of financial position, results of operations and changes in unrestricted net assets and cash flows as of the end of such period, which have been audited and reported upon by an Accountant. If any Member of the Obligated Group is not an Affiliate of the Corporation, “Financial Statements” shall also mean consolidated or combined financial statements of such Member of the Obligated Group and its Affiliates, if any, for the same Fiscal Year (or other period) as the Financial Statements of the Corporation, prepared in accordance with generally accepted accounting principles consistently applied, which have been audited and reported upon by an Accountant. If any Affiliate of the Corporation is not a Member of the Obligated Group or if any Member of the Obligated Group is not an Affiliate of the Corporation, Financial Statements of the Corporation shall also include, in an additional information section, unaudited consolidating or combining financial statements for the same Fiscal Year (or other period) from which the accounts of any Affiliate of the Corporation which is not a Member of the Obligated Group have been eliminated and to which the accounts of any Member of the Obligated Group which is not an Affiliate have been added by extracting the balances of such accounts from audited consolidated or combined financial statements of such Member of the Obligated Group and its Affiliates, if any.

“Fiscal Year” means the fiscal year of each Member of the Obligated Group, which shall be the period commencing on the first day of October of each calendar year and ending on the last day of September of the following calendar year unless the Master Trustee, the Commission and each Related Bond Trustee is notified in writing by an Obligated Group Representative of a change in such period for all of the Members of the Obligated Group, in which case the Fiscal Year shall be the period set forth in such notice.

“Fitch” means Fitch, Inc., d/b/a Fitch Ratings, a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation and the Commission, with the consent of the Remarketing Agent, by notice to the Bond Trustee and the Master Trustee.

“Foundation” means The Randolph Hospital Community Health Foundation, a nonprofit corporation duly organized and validly existing under the laws of the State, and its permitted successors.

“Governing Body” means, when used with respect to any Member of the Obligated Group, its board of directors, board of trustees or other board or group of individuals in which the powers of such Member of the Obligated Group are vested.

“Government Obligations” means direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

“Governmental Restrictions” means federal, state or other applicable governmental laws or regulations affecting any Member of the Obligated Group and its health care facilities that place restrictions and limitations on the (i) fees and charges to be fixed, charged and collected by any Member of the Obligated Group or (ii) the amount or timing of the receipt of such revenues.

“Gross Receipts” means all revenues, income, receipts and money (other than proceeds of borrowing) received in any period by or on behalf of any Member of the Obligated Group, including, but without limiting the generality of the foregoing, (a) revenues derived from its operations, (b) gifts, grants,

bequests, donations and contributions and the income therefrom, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Obligations, (c) proceeds derived from (i) insurance, except to the extent otherwise required by the Master Indenture to be applied in a manner inconsistent with their use for the payment of Obligations, (ii) Accounts, (iii) securities and other investments, (iv) inventory and other tangible and intangible Property, (v) medical or hospital insurance, indemnity or reimbursement programs or agreements and (vi) contract rights and other rights and assets now or hereafter owned, held, or possessed by each Member of the Obligated Group, and (d) rentals received from the leasing of real or tangible personal Property.

“Guaranty” means any obligation of any Member of the Obligated Group guaranteeing in any manner, directly or indirectly, any obligation of any Person that is not a Member of the Obligated Group which obligation of such other Person would, if such obligation were the obligation of a Member of the Obligated Group, constitute Indebtedness under the Master Indenture.

“Holder” means, with respect to the Master Indenture, the owner of any Obligation issued under the Master Indenture and, with respect to the Trust Agreement, means the Person who shall be the registered owner of any Bond.

“Income Available for Debt Service” means, with respect to the Obligated Group, as to any Fiscal Year, its excess of revenues over expenses, plus depreciation, amortization and interest expense on Long-Term Indebtedness and other non-cash expenses deducted in computing excess of revenues over expenses, all as determined in accordance with generally accepted accounting principles consistently applied; provided, however, that (1) no determination thereof shall take into account (a) any unrealized gain or loss, including any unrealized gain or loss resulting from the periodic valuation of investments or Derivative Agreements that do not involve the sale, transfer or other disposition of any such investment or Derivative Agreement or the termination of any Derivative Agreement, (b) any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets constituting Property, Plant and Equipment not made in the ordinary course of business, or (c) any impairment losses on any assets, including but not limited to debt and equity securities, long-lived assets and goodwill and other intangible assets (provided, however, that realized gains and losses on assets that suffer an impairment loss shall be determined without giving effect to any reduction in basis resulting from such impairment loss), (2) revenues shall not include income from the investment of Qualified Escrow Funds to the extent that such income is applied to the payment of principal or interest on Long-Term Indebtedness which is excluded from the determination of Long-Term Debt Service Requirement or Related Bonds secured by such Long-Term Indebtedness, (3) any payment made by a Member of the Obligated Group under a Guaranty or any payment on guaranteed indebtedness included in the Long-Term Debt Service Requirement shall be treated as an interest expense, and (4) with respect to Derivative Indebtedness, any amount of regularly scheduled payments made by a Member of the Obligated Group to a counterparty to a Derivative Agreement that is included in the Long-Term Debt Service Requirement shall be treated as an interest expense and any amount of regularly scheduled payments made by a counterparty to a Derivative Agreement to a Member of the Obligated Group that is included in the Long-Term Debt Service Requirement shall offset interest expense and shall not be included in revenue.

“Indebtedness” means (i) all indebtedness of Members of the Obligated Group for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations, incurred or assumed by any Member of the Obligated Group, and (iii) all Guaranties, whether constituting Long-Term Indebtedness or Short-Term Indebtedness. Indebtedness shall not include obligations of any Member of the Obligated Group to another Member of the Obligated Group.

“Indirect Participant” means a broker-dealer, bank or other financial institution for which the Securities Depository holds Bonds as a securities depository through a Participant.

“Initial Obligations” means the Obligations issued on and Outstanding as of the effective date of the Master Indenture, namely Obligation No. 1 and Obligation No. 2.

“Insurance Consultant” means a Person which is not, and no member, stockholder, director, trustee, officer or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or an Affiliate, which is qualified to survey risks and to recommend insurance coverage for hospitals, health-related facilities and services and organizations engaged in such operations.

“Interest Account” means the account in the Bond Fund created and so designated by the Trust Agreement.

“Interest Accrual Date” means:

(a) for any Weekly Interest Rate Period, the first day thereof and, thereafter, the first Business Day of each calendar month during such Weekly Interest Rate Period;

(b) for any Daily Interest Rate Period, the first day thereof and, thereafter, the first day of each month;

(c) for any Long-Term Interest Rate Period, the first day thereof and, thereafter, each Interest Payment Date during that Long-Term Interest Rate Period, other than the last such Interest Payment Date; and

(d) for each Bond Interest Term within a Short-Term Interest Rate Period, the first day thereof.

“Interest Payment Date” means:

(a) for any Weekly Interest Rate Period, the first Business Day of each calendar month;

(b) for any Daily Interest Rate Period, the fifth Business Day of each calendar month;

(c) for any Long-Term Interest Rate Period, each April 1 and October 1;

(d) for any Bond Interest Term, the day next succeeding the last day of that Bond Interest Term;

(e) for each Interest Rate Period, the day next succeeding the last day thereof; and

(f) for Bank Bonds, the date on which interest is payable on Bank Bonds as set forth in the Liquidity Facility or the Credit Facility Provider Agreement then in effect.

“Interest Rate Period” means each Daily Interest Rate Period, Weekly Interest Rate Period, Short-Term Interest Rate Period or Long-Term Interest Rate Period.

“Issuance Account” means the account in the Construction Fund created and so designated by the Trust Agreement.

“Letter of Credit” means the irrevocable, direct-pay letter of credit originally issued in favor of the Bond Trustee by Bank of America, N.A. on the Closing Date, as the same may be amended, supplemented or extended.

“Lien” means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of such Property, whether such interest arises by contract, statute or common law, including, but not limited to any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property of any Member of the Obligated Group which secures any Indebtedness or any other obligation of any Member of the Obligated Group or which secures any obligation of any Person, other than an obligation to any Member of the Obligated Group. The term “Lien” shall include any easements, covenants, restrictions, conditions, encroachments, reservations, rights-of-way, leases and other title exceptions and encumbrances affecting real property.

“Liquidity Facility” means a letter of credit, standby bond purchase agreement, line of credit, loan, guaranty or similar agreement by a bank or other financial institution to purchase Bonds tendered for purchase in accordance with the provisions of the Trust Agreement. A Liquidity Facility shall be in an amount equal to the sum of outstanding principal amount of the Bonds plus interest at the Maximum Bond Interest Rate (or, during a Long-Term Interest Rate Period, the Long-Term Interest Rate) for (i) 35 days while the Bonds bear interest at a Weekly Interest Rate, (ii) 40 days while the Bonds bear interest at a Daily Interest Rate, (iii) 190 days while the Bonds bear interest at Bond Interest Term Rates or a Long-Term Interest Rate, or (iv) such other number of days that allows the Bonds to be rated in the highest short-term rating category (without giving effect to any gradations within such category) by at least one of S&P, Moody’s or Fitch and by all of them that are then rating the Bonds while the Bonds bear interest at a Daily Interest Rate, a Weekly Interest Rate or Bond Interest Term Rates. Upon acceptance of an Alternate Liquidity Facility in accordance with the requirements of the Trust Agreement, the term “Liquidity Facility” shall mean such Alternate Liquidity Facility.

“Liquidity Facility Provider” means the provider of a Liquidity Facility, its successors and assigns.

“Liquidity Facility Purchase Account” means the account with that name established within the Bond Purchase Fund pursuant to the Trust Agreement.

“Loan” means the loan of the proceeds of the Bonds made by the Commission to the Corporation pursuant to the Agreement.

“Loan Repayments” mean those payments so designated by and set forth in the Agreement.

“Local Government Commission” or “LGC” means the Local Government Commission of North Carolina, a division of the Department of the State Treasurer, and any successor or successors thereto.

“Lockbox Accounts” means all accounts established by the Master Trustee into which are deposited only the Gross Receipts received by the Master Trustee pursuant to the Master Indenture as described in paragraph (d) under the caption below entitled “SUMMARY OF THE MASTER INDENTURE—Particular Covenants--Nature of Obligations; Payment of Principal and Interest; Security; Further Assurances; Deposit of Gross Receipts”.

“Long-Term Debt Service Coverage Ratio” means, for each Fiscal Year, the ratio determined by dividing the Income Available for Debt Service for such Fiscal Year by Maximum Annual Debt Service. If any Fiscal Year consists of less than twelve (12) months as a result of a change in Fiscal Year or a merger or consolidation permitted under the Master Indenture as described under the caption below

entitled “SUMMARY OF THE MASTER INDENTURE—Particular Covenants--Consolidation, Merger, Sale of Conveyance”, (i) Income Available for Debt Service for such Fiscal Year shall be the lesser of (A) actual Income Available for Debt Service for such Fiscal Year converted to a 12-month figure by multiplying the dollar amount by the ratio of twelve (12) to the actual number of months in the Fiscal Year and (B) Income Available for Debt Service for the twelve (12) months ending at the end of such Fiscal Year, calculated on the basis of unaudited financial statements if audited financial statements are not available.

“Long-Term Debt Service Requirement” means, for each Fiscal Year, the aggregate of the payments made or to be made in respect of the principal of and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness of the Obligated Group during such period, as determined in accordance with generally accepted accounting principles consistently applied, also taking into account:

(i) with respect to Balloon Long-Term Indebtedness, the amount of principal which would be payable in such Fiscal Year if the original aggregate principal amount of such Balloon Long-Term Indebtedness were amortized from the date of incurrence thereof over a period of twenty-five (25) years (or, if the term thereof exceeds twenty-five (25) years, over a period equal to such term) on a level debt service basis at an interest rate equal to, at the option of the Obligated Group, either (a) the Bond Index (provided that this clause (a) shall be applicable only in the case of Indebtedness the interest on which is tax-exempt), (b) the interest rate set forth in an opinion of a banking institution or an investment banking institution knowledgeable in health care finance delivered to the Master Trustee as the interest rate at which the Obligated Group could reasonably expect to borrow the same by issuing an Obligation with the same term as assumed above; provided, however, that if the date of calculation is within twelve (12) calendar months of the actual maturity of such Balloon Long-Term Indebtedness, the full amount of principal payable at maturity shall be included in such calculation unless a Member of the Obligated Group has (1) designated prior to the due date of such principal available funds for the payment of such principal or (2) obtained a binding commitment from a bank, insurance company or other financial institution to refinance such Balloon Long-Term Indebtedness, in which case the amortization schedule established by such commitment shall apply, or (c) if such Balloon Long-Term Indebtedness is also Variable Rate Indebtedness, the interest rate computed as provided in clause (ii) below;

(ii) with respect to Variable Rate Indebtedness, interest shall be calculated at (a) in the case of Outstanding Variable Rate Indebtedness, the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period) and (b) in the case of Variable Rate Indebtedness proposed to be incurred, either (i) if the interest on such Variable Rate Indebtedness will be tax-exempt, the rate which is equal to the 52-week running average of the SIFMA Index for the most recent date available, or (ii) otherwise, the rate such proposed Variable Rate Indebtedness will bear (computed using a 52-week running average of any index or reference rate for the most recent date available);

(iii) with respect to any Guaranty, (a) if no payments are required to be made thereunder and such Guaranty constitutes a contingent liability under generally accepted accounting principles, the Long-Term Debt Service Requirement with respect to such Guaranty shall be deemed to be equal to zero, or (b) if any Member of the Obligated Group has made a payment under such Guaranty, then, during the period commencing on the date of such other payment and ending on the day which is one year after the Person whose obligation is the subject

of such Guaranty resumes making all payments on such guaranteed obligation, (i) with respect to a historical computation, 100% of the amount actually paid by a Member of the Obligated Group for principal and interest on such guaranteed indebtedness during the period for which the computation is being made shall be taken into account and (ii) with respect to a projected computation, either (A) 100% of the amount payable for principal and interest on such guaranteed indebtedness during the period for which the computation is being made shall be taken into account or (B) at the option of the Obligated Group, the amount indicated in a written report of a Consultant that is delivered to the Master Trustee to be the amount that such Consultant estimates that the Obligated Group will have to pay for principal and interest on such guaranteed indebtedness during the period for which the computation is being made shall be taken into account; and

(iv) with respect to Derivative Indebtedness, (a) if the provider of the Derivative Agreement has a long-term credit rating of at least “A” (without regard to any rating refinement or gradation by numerical modifier or otherwise) assigned to it by at least two of Fitch, Moody’s, and S&P and has not defaulted on its payment obligations thereunder, the interest on such Derivative Indebtedness during any Derivative Period shall be calculated by adding (x) the amount of interest payable by a Member of the Obligated Group on such Derivative Indebtedness pursuant to its terms and (y) the amount of interest payable by such Member of the Obligated Group under the Derivative Agreement and subtracting (z) the amount of interest payable by the provider of the Derivative Agreement at the rate specified in the Derivative Agreement, or (b) if the provider of the Derivative Agreement does not have a long-term rating of at least “A” (without regard to any rating refinement or gradation by numerical modifier or otherwise) assigned to it by at least two of Fitch, Moody’s and S&P or is in default thereunder, the interest on such Derivative Indebtedness shall be the interest calculated as if such Derivative Agreement had not been executed;

provided, however, that interest shall be excluded from the determination of Long-Term Debt Service Requirement to the extent the same is provided from the proceeds of Long-Term Indebtedness; provided further, notwithstanding the foregoing, the aggregate of the payments to be made with respect to principal of and interest on Outstanding Long-Term Indebtedness shall not include principal and interest payable from Qualified Escrow Funds (other than principal and interest so payable solely by reason of the Obligated Group’s failure to make payments from other sources).

“Long-Term Indebtedness” means all Indebtedness incurred or assumed by any Member of the Obligated Group, including (a) Guaranties, (b) Short-Term Indebtedness if a commitment by an institutional lender exists to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness, and (c) the current portion of Long-Term Indebtedness, for any of the following:

- (1) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one (1) year;
- (2) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one (1) year; and
- (3) installment sale or conditional sale contracts having an original term in excess of one (1) year;

provided, however, that any Guaranty by any Member of the Obligated Group of any obligation of any Person, which obligation would, if it were a direct obligation of such Member of the Obligated Group, constitute Short-Term Indebtedness, shall be excluded.

“Long-Term Interest Rate” means a term, non-variable interest rate established in accordance with the Trust Agreement.

“Long-Term Interest Rate Period” means each period during which a Long-Term Interest Rate is in effect.

“Mandatory Standby Tender” means the mandatory tender of the Bonds pursuant to the Trust Agreement described in the front part of this Official Statement under the caption “THE SERIES 2007 BONDS—Tender and Purchase of Series 2007 Bonds—*Mandatory Tender for Purchase upon Termination, Replacement or Expiration of Liquidity Facility or Credit Facility or upon Delivery of Alternate Liquidity Facility or Credit Facility while Self Liquidity Arrangement is in Effect; Mandatory Standby Tender,*” upon receipt by the Bond Trustee of written notice from the Liquidity Facility Provider that an event with respect to the Liquidity Facility has occurred which requires or gives the Liquidity Facility Provider the option to terminate such Liquidity Facility upon notice. Mandatory Standby Tender shall not include an Authorized Liquidity Termination, in which case there will be no mandatory tender.

“Master Indenture” means the Master Trust Indenture, dated as of June 1, 2007, by and between the Corporation, RMA, the Foundation and First-Citizens Bank & Trust Company, as master trustee, including any amendments and supplements thereto.

“Master Trustee” means First-Citizens Bank & Trust Company, Raleigh, North Carolina, and its successors in the trusts created under the Master Indenture.

“Maturity Date” means October 1, 2037.

“Maximum Annual Debt Service” means the highest Long-Term Debt Service Requirement for the current or any succeeding Fiscal Year.

“Maximum Bank Bond Interest Rate” means the lesser of (a) the rate of 25% per annum and (b) the Maximum Lawful Rate.

“Maximum Bond Interest Rate” means the lesser of 12% per annum and the Maximum Lawful Rate, calculated in the same manner as interest is calculated for the particular interest rate on the Bonds.

“Maximum Lawful Rate” means the maximum rate of interest on the relevant obligation permitted by applicable law.

“Member of the Obligated Group” means, initially, the Corporation, RMA and the Foundation, and, thereafter, any other Person which shall become a Member of the Obligated Group pursuant to the Master Indenture and excluding any Person which shall have withdrawn from the Obligated Group pursuant to the Master Indenture.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” will be deemed to refer to any other nationally recognized securities rating agency designated by the

Corporation and the Commission, with the consent of the Remarketing Agent, by notice to the Master Trustee and Bond Trustee.

“Net Book Value” means, when used in connection with Property, Plant and Equipment or other Property of any Person, the value of such Property, Plant and Equipment or other Property, net of accumulated depreciation, as it is carried on the books of such Person in conformity with generally accepted accounting principles consistently applied, and when used in connection with Property, Plant and Equipment or other Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property, Plant and Equipment or other Property of the Obligated Group determined in such a manner that no portion of such value of Property, Plant and Equipment or other Property is included more than once.

“Non-Recourse Indebtedness” means any Indebtedness incurred to finance the purchase, acquisition or improvement of Property that is secured by a Lien on such Property, if the holder of such Indebtedness has no recourse, directly or indirectly, to any Member of the Obligated Group or any other Property of any Member of the Obligated Group for any deficiency judgment resulting from a foreclosure of the collateral for such Indebtedness.

“Obligated Group” means, collectively, the Members of the Obligated Group.

“Obligated Group Representative” means each Person at the time designated to act on behalf of the Obligated Group in a written certificate furnished to the Master Trustee, which certificate shall contain the specimen signature of such Person and shall be signed on behalf of the Obligated Group by the President of the Corporation or by his designee.

“Obligation” means the evidence of particular Indebtedness issued under the Master Indenture.

“Obligation No. 1” means the Obligation dated as of the Closing Date issued by the Corporation to the Commission as evidence of the Corporation’s obligation to repay the Loan, and assigned to the Bond Trustee.

“Obligation No. 2” means the Obligation dated as of the Closing Date issued by the Corporation to Bank of America, N.A. as evidence of the Corporation’s obligation to reimburse drawings on the Letter of Credit.

“Officer’s Certificate” means, with respect to the Master Indenture, a certificate signed by (i) an Obligated Group Representative or (ii) the chairman of the Governing Body, or the president or chief executive officer, or the chief financial officer, or the chairman of the finance committee of the Governing Body of a Member of the Obligated Group, as the context requires.

“Officer’s Certificate” means, with respect to the Agreement and the Trust Agreement, a certificate signed by a Commission Representative or a Corporation Representative, as the case may be.

“Operating Assets” means any or all land, leasehold interests, buildings, machinery, equipment, hardware and inventory owned or operated by each Member of the Obligated Group and used in its respective trades or businesses, whether separately or together with other such assets, but not including cash, investment securities and other Property held for investment purposes.

“Opinion of Bond Counsel” means, with respect to the Master Indenture, an opinion in writing signed by an attorney or firm of attorneys acceptable to the Master Trustee and experienced in the field of municipal bonds, whose opinions are generally accepted by purchasers of municipal bonds.

“Opinion of Counsel” means, with respect to the Master Indenture, an opinion in writing signed by an attorney or firm of attorneys acceptable to the Master Trustee who may be counsel for any Member of the Obligated Group or other counsel acceptable to the Master Trustee.

“Opinion of Counsel” means, with respect to the Trust Agreement, an opinion in writing signed by an attorney or firm of attorneys acceptable to the Bond Trustee who may be counsel for the Commission or the Corporation or other counsel.

“Outstanding” means, when used with reference to the Bonds at any date as of which the amount of outstanding Bonds is to be determined, all Bonds that have been authenticated and delivered by the Bond Trustee under the Trust Agreement, except:

- (i) Bonds cancelled or delivered for cancellation at or prior to such date;
- (ii) Bonds deemed not to be Outstanding in accordance with the provisions of the Trust Agreement described in the front part of this Official Statement under the caption “THE SERIES 2007 BONDS—Redemption Provisions--*Effect of Calling for Redemption*;
- (iii) Bonds in exchange for or in lieu of which other Bonds have been issued;
- (iv) Bonds deemed to have been paid in accordance with the defeasance provisions of the Trust Agreement; and
- (v) Undelivered Bonds;

provided, however, that Bonds owned or held by or for the account of the Corporation, any other Member of the Obligated Group or any Affiliate will not be deemed Outstanding Bonds for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in those Articles of the Trust Agreement entitled “Default Provisions and Remedies,” “The Bond Trustee” and “Amendments and Supplements” or the Section of the Agreement entitled “Amendment of the Agreement,” and none of the Corporation, any other Member of the Obligated Group or any Affiliate as registered owners of such Bonds will be entitled to consent or take any other action provided for in the above-mentioned provisions of the Trust Agreement or the Loan Agreement; provided, further, that if all of the Bonds are at any time held by or for the account of the Corporation, any other Member of the Obligated Group or any Affiliate, then such Bonds will be deemed to be Outstanding at such times for purposes of the Trust Agreement.

“Outstanding” means, when used with reference to Indebtedness, as of any date of determination, all Indebtedness theretofore issued or incurred and not paid and discharged other than (i) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (ii) Indebtedness deemed paid and no longer Outstanding under the documents pursuant to which such Indebtedness was incurred, (iii) Defeased Obligations and (iv) Obligations in lieu of which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of the Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser; provided, however, that for purposes of determining whether the Holders of the requisite principal amount of Obligations have concurred in any direction, consent, waiver or other action under the Master Indenture, Obligations or Related Bonds that are owned by any Member of the Obligated Group or by any Affiliate shall be deemed not to be Outstanding; provided, further, that for purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent, waiver or other action, only such Obligations or Related Bonds which the Master Trustee has actual notice or knowledge are so owned shall be deemed not to be Outstanding.

“Participant” means a broker-dealer, bank or other financial institution for which the Securities Depository holds Bonds as a securities depository.

“Permitted Investments” means any investment to the extent from time to time permitted by applicable law, included but not limited to N.C.G.S. §§ 131A-14 and 159-30, as amended from time to time, or any successor statutes.

“Permitted Liens” means the Permitted Liens as described under the caption “SUMMARY OF THE MASTER INDENTURE—Particular Covenants--Limitations on Creation of Liens” herein.

“Person” includes an individual, association, unincorporated organization, corporation, limited liability company, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

“Pledged Assets” means all Accounts of each Member of the Obligated Group, now owned or hereafter acquired, and all proceeds thereof, and all Lockbox Accounts.

“Principal Office” means, initially, the corporate trust office of the Bond Trustee located at 100 East Tryon Road, Raleigh, North Carolina 27603 and thereafter any office designated by the Bond Trustee by notice to the Commission, the LGC, the Corporation, the Tender Agent (if any), the Remarketing Agent (if any), the Liquidity Facility Provider (if any) and the Credit Facility Provider (if any) given pursuant to the Trust Agreement.

“Property” means any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible and wherever situated.

“Property, Plant and Equipment” means all Property of the Members of the Obligated Group which is property, plant and equipment under generally accepted accounting principles.

“Put Indebtedness” means Long-Term Indebtedness twenty-five percent (25%) or more of the principal of which is required, at the option of the owner thereof, to be purchased or redeemed at one time.

“Qualified Escrow Funds” means amounts deposited in a segregated escrow fund or other similar fund or account in connection with the issuance of Long-Term Indebtedness or Related Bonds secured by such Long-Term Indebtedness which fund is required by the documents establishing such fund to be applied toward the Obligated Group’s payment obligations with respect to principal or interest on (a) such Long-Term Indebtedness or Related Bonds or (b) other Long-Term Indebtedness or Related Bonds issued prior to the establishment of such fund.

“Rating Agency” means each of Fitch when the Bonds are rated by Fitch, Moody’s when the Bonds are rated by Moody’s, and S&P when the Bonds are rated by S&P.

“Redemption Fund” means the North Carolina Medical Care Commission Variable Rate Demand Hospital Revenue Bonds (Randolph Hospital) Series 2007 Bond Redemption Fund created and so designated by the Trust Agreement.

“Redemption Price” means, with respect to any Bond or portion thereof, the principal amount of such Bond or portion thereof plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with the Trust Agreement and the applicable resolutions of the Commission.

“Register” means the register of the record owners of Bonds maintained by the Bond Trustee pursuant to the Trust Agreement.

“Regular Record Date” means (i) with respect to any Interest Payment Date in respect to any Daily Interest Rate Period, the last Business Day of each calendar month or, in the case of the last Interest Payment Date in respect to a Daily Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, (ii) with respect to any Interest Payment Date in respect to any Weekly Interest Rate Period or any Short-Term Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, and (iii) with respect to any Interest Payment Date in respect to any Long-Term Interest Rate Period, the fifteenth day immediately preceding that Interest Payment Date or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Interest Rate Period, that first day.

“Related Bond Indenture” means any indenture, trust agreement, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued.

“Related Bond Issuer” means the issuer of any issue of Related Bonds.

“Related Bond Trustee” means the trustee and its successors in the trusts created under any Related Bond Indenture.

“Related Bonds” means (a) revenue bonds or other obligations issued by any state, territory or possession of the United States or any municipal corporation or political subdivision formed under the laws thereof or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, and (b) any bonds issued by any other Person, in either case the proceeds of which are loaned or otherwise made available to a Member of the Obligated Group in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation to or for the order of such governmental issuer or Person or in consideration of the execution and delivery of a Guaranty issued by a Member of the Obligated Group which Guaranty is represented by an Obligation.

“Remarketing Account” means the account with that name established within the Bond Purchase Fund pursuant to the Trust Agreement.

“Remarketing Agent” means A.G. Edwards & Sons, Inc. and any successor remarketing agent appointed in accordance with the Trust Agreement.

“Remarketing Agreement” means the Remarketing Agreement, dated as of June 1, 2007, among the Corporation, the Commission and the Remarketing Agent, as the same may be amended or supplemented from time to time, or any remarketing agreement entered into with a successor Remarketing Agent.

“Replacement Master Indenture” means an existing or new indenture, bond order, bond resolution or similar instrument pursuant to which a Substitute Obligation is issued.

“Request” means a request by the Tender Agent under the Liquidity Facility for the payment of Tender Price of Bonds tendered in accordance with the terms of the Trust Agreement.

“Required Payments under the Agreement” means the payments so designated by and set forth in the Agreement.

“Revolving Fund Account” means the account in the Construction Fund created and so designated by the Trust Agreement.

“RMA” means Randolph Medical Associates, a nonprofit corporation duly organized and validly existing under the laws of the State, and its permitted successors.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation and the Commission, with the consent of the Remarketing Agent, by notice to the Bond Trustee and the Master Trustee.

“Securities Depository” means DTC, and any substitute for or successor to such securities depository that shall maintain a Book-Entry System with respect to the Bonds.

“Securities Depository Nominee” means the Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the Register the Bonds to be delivered to such Securities Depository while a Book-Entry System is maintained with such Securities Depository.

“Self Liquidity Arrangement” means a self liquidity arrangement meeting the requirements set forth in the Trust Agreement.

“Series Resolution” means the resolution of the Commission providing for the issuance of the Bonds that is required to be adopted prior to the issuance of the Bonds by the Trust Agreement.

“Short-Term Indebtedness” means all Indebtedness, other than the current portion of Long-Term Indebtedness, incurred or assumed by one or more Members of the Obligated Group, for any of the following:

- (i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one (1) year or less;
- (ii) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one (1) year or less; and
- (iii) installment sale or conditional sale contracts having an original term of one (1) year or less.

“Short-Term Interest Rate Period” means each period, consisting of Bond Interest Terms, during which the Bonds bear interest at one or more Bond Interest Term Rates.

“SIFMA Index” means, with respect to the Master Indenture, for the most recent date available, the Securities Industry and Financial Markets Association Municipal Swap Index as disseminated by Municipal Market Data, a Thomson Financial Services Company, or its successor, or if such index is not available, another index certified to the Master Trustee to be comparable by a commercial or investment banking institution knowledgeable in municipal finance.

“SIFMA Index” means, with respect to the Trust Agreement, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as

produced by Municipal Market Data and published or made available by the Securities Industry and Financial Markets Association (“SIFMA”) or any person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Remarketing Agent and effective from such date.

“Sinking Fund Account” means the account in the Bond Fund created and so designated by the Trust Agreement.

“Sinking Fund Requirement” means, with respect to the Bonds for any Bond Year, the principal amount fixed or computed as provided in the Trust Agreement for the retirement of such Bonds by purchase or redemption on October 1 of the following Bond Year. The aggregate amount of such Sinking Fund Requirements for the Bonds, together with the amount due upon the final maturity of the Bonds, shall be equal to the aggregate principal amount of the Bonds. Any principal amount of Bonds retired by operation of the Sinking Fund Account by purchase in excess of the total amount of the Sinking Fund Requirement for the Bonds to and including the applicable October 1, shall be credited against and reduce the future Sinking Fund Requirements for the Bonds in such manner as shall be specified in an Officer’s Certificate of the Corporation Representative filed with the Bond Trustee pursuant to the Trust Agreement.

“State” means the State of North Carolina.

“Substitute Obligation” means an original replacement note or other similar obligation, duly authorized and issued under and pursuant to a Replacement Master Indenture.

“Supplement” means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture.

“Supplement No. 1” means Supplemental Indenture for Obligation No. 1, dated as of June 1, 2007 by and between the Corporation and the Master Trustee.

“Tax Certificate” means the Tax Certificate and Agreement executed by the Commission and the Corporation in connection with the issuance of the Bonds.

“Tax-Exempt Organization” means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code and exempt from federal income taxes under Section 501(a) of the Code or corresponding provisions of federal income tax laws from time to time in effect.

“Tender Agent” means First-Citizens Bank & Trust Company and any successor tender agent appointed in accordance with the Trust Agreement.

“Tender Agreement” means the Tender Agent Agreement, dated as of June 1, 2007, among the Bond Trustee, the Tender Agent, the Corporation and the Remarketing Agent, whereby the Tender Agent undertakes to perform the duties of the Tender Agent under the Trust Agreement with respect to the Bonds, as the same may be amended or supplemented from time to time, or any tender agent agreement entered into with a successor Tender Agent.

“Tender Date” means the date on which Bonds are required to be purchased pursuant to the Trust Agreement.

“Tender Price” means the purchase price to be paid to the Holders of Bonds purchased pursuant to the Trust Agreement under the circumstance described in the front part of this Official Statement under

the caption “THE SERIES 2007 BONDS—Tender and Purchase of Series 2007 Bonds,” which purchase price will be equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest from the immediately preceding Interest Accrual Date to the Tender Date (if such Tender Date is not an Interest Payment Date); provided, however, that in the case of a Conversion or attempted Conversion from a Long-Term Interest Rate Period on a date on which the Bonds being converted would otherwise be subject to optional redemption pursuant to the Trust Agreement if such Conversion did not occur, the Tender Price will also include the optional redemption premium, if any, provided for such date under the Trust Agreement.

“Total Operating Revenues” means, with respect to the Obligated Group, as to any period of time, total operating revenues, as determined in accordance with generally accepted accounting principles consistently applied.

“Total Required Payments” means the sum of Loan Repayments and Required Payments under the Agreement.

“Transfer” means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, including specifically, but without limitation, the forgiveness of any debt.

“Trust Agreement” means the Trust Agreement securing the Bonds, dated as of June 1, 2007 by and between the Commission and the Bond Trustee, including any trust agreement amendatory thereof or supplemental thereto.

“UCC” means the North Carolina version of the Uniform Commercial Code, Chapter 25 of the General Statutes of North Carolina, as amended, or any successor statute.

“Undelivered Bonds” means any Bonds so designated in accordance with the Trust Agreement, as described in the front of this Official Statement under the caption “THE SERIES 2007 BONDS—Tender and Purchase of Series 2007 Bonds—*Irrevocable Notice Deemed to be Tender of Bonds.*”

“Underwriter” means A.G. Edwards & Sons, Inc.

“Variable Rate Indebtedness” means any portion of Indebtedness the interest rate on which is not established at the time of incurrence at a fixed or constant rate to its maturity.

“Weekly Interest Rate” means a variable interest rate on the Bonds established in accordance with the Trust Agreement.

“Weekly Interest Rate Period” means each period during which a Weekly Interest Rate is in effect for the Bonds.

SUMMARY OF THE MASTER INDENTURE

The following is a summary of certain provisions of the Master Indenture; however, it is not a comprehensive description and reference is made to the full text of the Master Indenture for a complete recital of its terms.

Indebtedness, Authorization, Issuance and Terms of Obligations

There is no limit on the principal amount or number of Obligations that may be issued under the Master Indenture to evidence and secure Indebtedness or Derivative Obligations, except as limited by the provisions of the Master Indenture or of any Supplement, but no Obligations may be issued unless the provisions of the Master Indenture are followed. Any Member of the Obligated Group proposing to incur Indebtedness or Derivative Obligations to be evidenced and secured by an Obligation issued under the Master Indenture shall, at least seven days prior to the date of the incurrence of such Indebtedness or Derivative Obligation, give written notice of its intention to incur such Indebtedness or Derivative Obligation and issue such Obligation, including in such notice the amount of Indebtedness or Derivative Obligations to be incurred, to the other Members of the Obligated Group and to the Master Trustee. Each Member of the Obligated Group is jointly and severally liable for each and every Obligation. (Sec. 2.01)

Any Member of the Obligated Group and the Master Trustee may from time to time enter into a Supplement in order to create an Obligation under the Master Indenture. Such Supplement shall set forth the date of such Obligation, the date or dates on which the principal of, redemption premium, if any, and interest or other payments on such Obligation shall be payable, the form of such Obligation and such other terms and provisions as shall conform to the provisions of the Master Indenture. (Sec. 2.04)

Particular Covenants

Nature of Obligations; Payment of Principal and Interest; Security; Further Assurances; Deposit of Gross Receipts

(a) Each Obligation issued pursuant to the Master Indenture shall be a joint and several general obligation of each Member of the Obligated Group. Each Member of the Obligated Group covenants to promptly pay or cause to be paid the principal of, redemption premium, if any, and interest on each Obligation issued under the Master Indenture, and any other payments, including the purchase or redemption price of Put Indebtedness, required to be made under the Supplement creating such Obligation and under such Obligation, at the place, on the dates and in the manner provided in the Master Indenture, in the Supplement creating such Obligation and in such Obligation according to the terms thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise.

(b) To secure (i) the prompt payment of the principal of, redemption premium, if any, and the interest on the Obligations and any other payments, including the purchase or redemption price of Put Indebtedness, required to be made under the Supplements creating the Obligations and under the Obligations, and (ii) the performance by each Member of the Obligated Group of its other obligations under the Master Indenture, each Member of the Obligated Group grants to the Master Trustee a security interest in its Pledged Assets. The Master Trustee shall, upon written request of a Member of the Obligated Group, execute any document, instrument or agreement necessary to cause the Lien on Pledged Assets and any other Property securing the Obligations issued under the Master Indenture to be *pari passu* with a Lien permitted under subparagraph (b)(xx) under the subcaption "Limitations on Indebtedness" below. Prior to its receipt of a request from the Master Trustee as described in subparagraph (d) below, any Member of the Obligated Group may transfer, or incur Indebtedness secured by, all or any part of its Pledged Assets free of such security interest, subject to the limitations described under the subcaptions "Limitations on Creation of Liens," "Limitations on Indebtedness," "Transfer of Operating Assets; Transfer of Cash and Investments; Sale of Accounts" and "Consolidation, Merger, Sale or Conveyance" of this caption "SUMMARY OF THE MASTER INDENTURE—Particular Covenants."

(c) At least one business day prior to the issuance and delivery of the Initial Obligations, each Member of the Obligated Group shall file or cause to be filed, in the office of the North Carolina

Secretary of State in Raleigh, North Carolina, a UCC financing statement evidencing the security interest of the Master Trustee in the Pledged Assets in the form and containing the information required by the UCC. Each Member of the Obligated Group shall also execute and deliver to the Master Trustee from time to time such Supplements as may be necessary or appropriate to include its Pledged Assets as security under the Master Indenture. In addition, each Member of the Obligated Group covenants that it will prepare and file such UCC financing statements or amendments to or terminations of existing UCC financing statements which shall be necessary to comply with applicable law or as required due to changes in the Obligated Group. Continuation statements as shall be necessary to continue the security interest created under the Master Indenture are required to be filed to maintain the perfection of such security interest.

(d) If an Event of Default has occurred and is continuing, the Master Trustee may require that each Member of the Obligated Group deliver all Gross Receipts to it for deposit into one or more Lockbox Accounts. Each Member of the Obligated Group covenants that, if an Event of Default under the Master Indenture shall have occurred and be continuing, it will, immediately upon receipt of a written request from the Master Trustee, deliver or direct to be delivered to the Master Trustee all Gross Receipts then on hand and as subsequently received until such Event of Default has been cured. (Sec. 3.01)

Status as Tax-Exempt Organization

So long as the Master Indenture remains in effect, each Member of the Obligated Group which is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group agrees that, so long as all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, it will not take any action or fail to take any action, or suffer any action to be taken by others, including any action or failure to act which would result in the alteration or loss of its status as a Tax-Exempt Organization, which would, in the Opinion of Bond Counsel, result in the interest on any Related Bond which is not includable in the gross income of the holder thereof for federal income tax purposes becoming includable in the gross income of the holder of any Related Bond for federal income tax purposes. (Sec. 3.02)

Insurance

Each Member of the Obligated Group agrees that it will maintain, or cause to be maintained, the following types of insurance (including one or more self-insurance programs considered to be adequate by an Insurance Consultant, other than a self-insurance program insuring against any casualty loss to its Property, Plant and Equipment) in such amounts as, in its judgment, are customarily maintained by health care facilities of like size and are adequate to protect it and its Property, Plant and Equipment and operations: (i) comprehensive general public liability insurance, including blanket contractual liability and automobile insurance including owned and hired automobiles (excluding collision and comprehensive coverage thereon), (ii) fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, damage from aircraft, smoke and uniform standard coverage and vandalism and malicious mischief endorsements and business interruption insurance, (iii) professional liability or medical malpractice insurance, (iv) workers' compensation insurance, and (v) boiler insurance.

The Obligated Group shall retain an Insurance Consultant to review the requirements of the immediately preceding paragraph and the insurance requirements of the Members of the Obligated Group from time to time (but not less frequently than biennially with respect to risks covered by insurance companies and not less frequently than annually with respect to risks for which the Members of the Obligated Group are self-insured). If the Insurance Consultant makes recommendations for the increase of any coverage required under the immediately preceding paragraph, the Obligated Group shall increase or cause to be increased, decrease or eliminate such coverage in accordance with such recommendations,

subject to a good faith determination of the Governing Body of the Corporation that such recommendations, in whole or in part, are in the best interests of the Obligated Group. Notwithstanding the foregoing, each Member of the Obligated Group shall have the right, without giving rise to an Event of Default solely on such account, (i) to maintain insurance coverage below that most recently recommended by the Insurance Consultant, if the Obligated Group furnishes the Master Trustee a report of the Insurance Consultant to the effect that the insurance so provided affords either the greatest amount of coverage available for the risk being insured against at rates which in the judgment of the Insurance Consultant are reasonable in connection with reasonable and appropriate risk management, or the greatest amount of coverage necessary by reason of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or (ii) to adopt alternative risk management programs which the Insurance Consultant determines to be reasonable, including, without limitation, to self-insure in whole or in part individually or in connection with other institutions, to participate in programs of captive insurance companies, to participate with other health care institutions in mutual or other cooperative insurance or other risk management programs, to participate in state or federal insurance programs, to take advantage of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or to establish or participate in other alternative risk management programs; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the Obligated Group. If any Member of the Obligated Group shall be self-insured for any coverage required under the immediately preceding paragraph, the report of the Insurance Consultant mentioned above shall state whether the anticipated funding of any self-insurance fund is actuarially sound, and if not, the required funding to produce such result. If the Insurance Consultant determines that the anticipated funding of any self-insurance fund is not actuarially sound, the Obligated Group covenants that it will fund such self-insurance fund in the manner recommended by the Insurance Consultant. (Sec. 3.03)

Insurance and Condemnation Proceeds

Amounts that do not exceed 20% of the Net Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss or as condemnation awards may be used in such manner as the recipient may determine, including, without limitation, applying such moneys to the partial payment or prepayment of any Indebtedness in accordance with the terms thereof and of any pertinent Supplement.

Amounts that exceed 20% of the Net Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss or as condemnation awards shall be applied in such manner as the recipient may determine if the recipient notifies the Master Trustee and, within 12 months after the casualty loss or taking and prior to expending such proceeds, delivers to the Master Trustee:

(i) (A) an Officer's Certificate of an Obligated Group Representative certifying the forecasted Long-Term Debt Service Coverage Ratio for each of the two Fiscal Years following the date on which such proceeds or awards are forecasted to have been fully applied, which Long-Term Debt Service Coverage Ratio for each such period will be not less than 1.50, as shown by pro forma financial statements for each such period, accompanied by a statement of the relevant assumptions including assumptions as to the use of such proceeds or awards, upon which such pro forma statements are based and (B) a written report of a Consultant confirming such certification; or

(ii) a written report of a Consultant stating the Consultant's recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the periods described in clause (i) of this paragraph to be not less than 1.20, or, if in the opinion of the Consultant the attainment of such level is impracticable, at the highest practicable level. (Sec. 3.04)

Limitations on Creation of Liens

(a) Each Member of the Obligated Group agrees that it will not create or suffer to be created or permit the existence of any Lien upon Pledged Assets or any other Property now owned or hereafter acquired by it other than Permitted Liens.

(b) Permitted Liens shall consist of the following:

(i) Liens on Pledged Assets or any other Property created by the Master Indenture and any other Lien securing all Obligations on a parity basis;

(ii) Any Lien on the Property of the Corporation which existed on the date of authentication and delivery of the Initial Obligations and was disclosed in writing to the Master Trustee; provided, however, that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date or to secure Indebtedness not Outstanding as of the date hereof, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien;

(iii) Any Lien on the Property of a Person in existence as of the date such Person becomes a Member of the Obligated Group that is disclosed to the Master Trustee in an Officer's Certificate of such Person; provided, however, that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien;

(iv) Liens arising by reason of good faith deposits with any Member of the Obligated Group in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member of the Obligated Group to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(v) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member of the Obligated Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(vi) Any judgment Lien against any Member of the Obligated Group so long as such judgment is being contested in good faith and execution thereon is stayed;

(vii) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (B) any Liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any Liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to Liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 90 days; (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations

and other minor defects, encumbrances, and irregularities in the title to any Property which, if such Lien arises after a Member of the Obligated Group has acquired such Property, do not, in the Opinion of Counsel to the Obligated Group, materially impair the use of such Property or materially and adversely affect the value thereof; and (D) landlord's liens;

(viii) (A) Any Lien on Equipment securing Indebtedness incurred to purchase such Equipment, and (B) if no Event of Default has occurred and is continuing under the Master Indenture as of the date such Lien is incurred, any Lien on Property which is part of the Property, Plant and Equipment securing Long-Term Indebtedness, provided that the aggregate principal amount of all Indebtedness secured by Liens permitted under the Master Indenture as described in this subparagraph (b)(viii) shall not exceed 20% of the Net Book Value of the Property of the Obligated Group as shown on the Financial Statements for the most recent Fiscal Year for which Financial Statements are available;

(ix) Any Lien on inventory which does not exceed the greater of (A) 25% of the Net Book Value thereof or (B) \$1,000,000;

(x) Any Lien securing Non-Recourse Indebtedness permitted by the Master Indenture as described below in subparagraph (e) under the subcaption "--Limitations on Indebtedness";

(xi) Any Lien on Accounts that are sold pursuant to the Master Indenture as described below in subparagraph (c) under the subcaption "--Transfer of Operating Assets; Transfer of Cash and Investments; Sale of Accounts" or that are pledged to secure Indebtedness permitted by the Master Indenture described below in subparagraph (g) under the subcaption "--Limitations on Indebtedness";

(xii) Any Lien on Property acquired by a Member of the Obligated Group if (A) such Lien was originally created by a Person who is not a Member of the Obligated Group, (B) the Lien was not created for the purpose of enabling such Member of the Obligated Group to avoid the limitations hereof on creation of Liens on Property of the Obligated Group and (C), if requested by the Master Trustee, such Member of the Obligated Group delivers an Officer's Certificate to that effect;

(xiii) Any Liens on Property subordinate to a Lien described in subparagraph (i) of this paragraph (b) required by a statute under which a Related Bond is issued;

(xiv) Any Lien in favor of a creditor or a trustee on the proceeds of Indebtedness and any earnings thereon prior to the application of such proceeds and such earnings;

(xv) Liens on Property received by any Member of the Obligated Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(xvi) Any Lien on pledges, gifts or grants to be received in the future, including any income derived from the investment thereof;

(xvii) Liens on moneys deposited by patients or others with any Member of the Obligated Group as security for or as prepayment for the cost of patient care;

(xviii) Liens on Property due to rights of third party payors for recoupment of amounts paid to any Member of the Obligated Group;

(xix) Rights of the United States of America under 42 U.S.C. § 291;

(xx) Any Lien securing the obligations of a Member of the Obligated Group under a Derivative Agreement which, if required by the provider of such a Derivative Agreement, may be pari passu with the Lien on Pledged Assets and any other Property securing the Obligations issued under the Master Indenture; and

(xxi) Any Lien on Related Bonds and the earnings and proceeds therefrom in favor of the provider of a Credit Facility for such Related Bonds arising from such provider's purchase of any of the Related Bonds pursuant to the terms of such Credit Facility. (Sec. 3.05)

Limitations on Indebtedness

Each Member of the Obligated Group covenants and agrees that it will not incur any Additional Indebtedness if, after giving effect to all other Outstanding Indebtedness incurred by the Obligated Group, such Indebtedness could not be incurred pursuant to (a) through (j), inclusive, below. Any Additional Indebtedness may be incurred only in the manner and pursuant to the terms set forth in the Master Indenture in (a) through (j) below.

(a) Long-Term Indebtedness may be incurred if prior to incurrence of the Long-Term Indebtedness there is delivered to the Master Trustee:

(i) an Officer's Certificate of an Obligated Group Representative certifying that (A) immediately after the incurrence of the proposed Long-Term Indebtedness the aggregate principal amount of all Outstanding Long-Term Indebtedness will not exceed 65% of Capitalization; and (B) the forecasted Long-Term Debt Service Coverage Ratio, taking the proposed Long-Term Indebtedness into account, for (1) in the case of Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, the first complete Fiscal Year next succeeding the date on which such capital improvements are expected to be placed in operation or (2) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, the first complete Fiscal Year next succeeding the date on which the Indebtedness is incurred, is not less than 1.20; or

(ii) an Officer's Certificate of an Obligated Group Representative certifying that the Long-Term Debt Service Coverage Ratio for the most recent Fiscal Year preceding the date of delivery of such Officer's Certificate for which there are Financial Statements available, taking all Outstanding Long-Term Indebtedness incurred after such period and the proposed Long-Term Indebtedness into account as if such Long-Term Indebtedness had been incurred at the beginning of such period and excluding any Long-Term Indebtedness to be refunded with the proceeds of the proposed Long-Term Indebtedness, is not less than 1.35; or

(iii) (A) an Officer's Certificate of an Obligated Group Representative demonstrating that the Long-Term Debt Service Coverage Ratio for the period mentioned in clause (a) (ii) above, excluding the proposed Long-Term Indebtedness, was at least 1.20 and (B) a written report of a Consultant demonstrating that the forecasted Long-Term Debt Service Coverage Ratio is not less than 1.35 for (x) in the case of Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, each of the 2 full Fiscal Years succeeding the date on which such capital improvements are expected to be in operation or (y) in the case of Long-Term

Indebtedness not financing capital improvements or in the case of a Guaranty, each of the 2 full Fiscal Years succeeding the date on which the Indebtedness is incurred, as shown by pro forma financial statements for the Obligated Group for each such period, accompanied by a statement of the relevant assumptions upon which such pro forma financial statements for the Obligated Group are based; provided, however, that if the Long-Term Debt Service Coverage Ratio calculated pursuant to this clause (a) (iii) (B) is greater than 1.50, an Officer's Certificate of an Obligated Group Representative may be substituted for the required Consultant's report; provided, further, if the report of a Consultant states that Governmental Restrictions have been imposed which make it impossible for the coverage requirements of this subsection (a)(iii) to be met, then such coverage requirements shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00.

(b) In addition to Long-Term Indebtedness permitted to be incurred under clause (a) above, Long-Term Indebtedness may be incurred provided that there shall be delivered to the Master Trustee an Officer's Certificate of an Obligated Group Representative certifying that immediately after giving effect to any Long-Term Indebtedness incurred pursuant to this clause (b), the aggregate principal amount of Outstanding Long-Term Indebtedness incurred under this clause (b) shall not exceed 25% of Total Operating Revenues as reflected in the Financial Statements for the most recent Fiscal Year for which Financial Statements are available; provided, further, that immediately after giving effect to any Long-Term Indebtedness incurred pursuant to this clause (b), the aggregate principal amount of Indebtedness Outstanding under this clause (b), clause (d) below and clause (g) below shall not exceed 25% of Total Operating Revenues in the Financial Statements for the most recent Fiscal year for which Financial Statements are available.

(c) Long-Term Indebtedness may be incurred for the purpose of refunding any Outstanding Long-Term Indebtedness without limitation if, prior to the incurrence of such Long-Term Indebtedness, there is delivered to the Master Trustee (i) an Officer's Certificate of an Obligated Group Representative certifying that, taking into account the Long-Term Indebtedness proposed to be incurred and the existing Long-Term Indebtedness to remain Outstanding after giving effect to the refunding, Maximum Annual Debt Service will not increase by more than 10% and (ii) an Opinion of Counsel stating that upon the incurrence of such proposed Long-Term Indebtedness, and application of the proceeds thereof (on the Cross-over Date, in the case of Cross-over Refunding Indebtedness), the Outstanding Long-Term Indebtedness to be refunded thereby will no longer be Outstanding.

(d) Short-Term Indebtedness may be incurred subject to the limitation that immediately after giving effect to any Short-Term Indebtedness incurred pursuant to this clause (d), the aggregate principal amount of all Outstanding Short-Term Indebtedness shall not exceed 25% of Total Operating Revenues as reflected in the Financial Statements for the most recent Fiscal Year for which Financial Statements are available; provided, however, that there shall be a period of at least 20 consecutive calendar days during each such Fiscal Year for which Financial Statements are available during which Outstanding Short-Term Indebtedness (excluding Short-Term Indebtedness incurred pursuant to clause (g) below) shall not exceed 3% of Total Operating Revenues; provided, further, that immediately after giving effect to any Short-Term Indebtedness incurred pursuant to this clause (d), the aggregate principal amount of Indebtedness Outstanding under this clause (d), clause (b) above and clause (g) below shall not exceed 25% of Total Operating Revenues as reflected in the Financial Statements for the most recent Fiscal Year for which Financial Statements are available.

(e) Non-Recourse Indebtedness may be incurred without limit.

(f) Completion Indebtedness may be incurred without limit; provided, however, that prior to the incurrence of Completion Indebtedness, an Obligated Group Representative shall furnish to the

Master Trustee the following: (i) a certificate of an architect estimating the costs of completing the facilities for which Completion Indebtedness is to be incurred and (ii) an Officer's Certificate of the chief financial officer of the Member of the Obligated Group for which Completion Indebtedness is to be incurred certifying that the amount of Completion Indebtedness to be incurred will be sufficient, together with other funds, if applicable, to complete construction of the facilities in respect of which Completion Indebtedness is to be incurred.

(g) Indebtedness secured by Accounts may be incurred if prior to the incurrence of such Indebtedness there is delivered to the Master Trustee an Officer's Certificate of an Obligated Group Representative certifying that immediately after the incurrence of such Indebtedness, the amount of Accounts that have been pledged to secure Indebtedness that has been issued pursuant to this clause (g) and is then Outstanding will not exceed the difference between (i) the Account Lien Amount and (ii) an amount equal to the Net Book Value of any patient Accounts that have been sold pursuant to clause (c) of the section below subtitled "Sale, Lease or Other Disposition of Operating Assets; Disposition of Cash and Investments; Sale of Accounts" in the then current 12-month period described in said clause (c); provided, however, that (A) the determination of whether a disposition of Accounts is a sale or loan shall be made in accordance with generally accepted accounting principles and (B) any Indebtedness issued pursuant to this provision shall be considered to be Short-Term Indebtedness subject to the incurrence test set forth in clause (d) above.

(h) Put Indebtedness may be incurred, if prior to the incurrence of such Put Indebtedness (A) the conditions described in clauses (a)(i), (a)(ii) or (a)(iii) above under this caption are met and (B) a binding commitment from a bank or other financial institution exists to provide financing sufficient to pay the purchase price of such Put Indebtedness on any date on which the owner of such Put Indebtedness may demand payment thereof pursuant to the terms of such Put Indebtedness.

(i) A Guaranty may be incurred by a Member of the Obligated Group if the obligation that is the subject of such Guaranty could be incurred by such Member of the Obligated Group under the Master Indenture as described under this subheading "--Limitations on Indebtedness."

(j) Indebtedness may be incurred without limitation by any Member of the Obligated Group under a Credit Facility. (Sec. 3.06)

Long-Term Debt Service Coverage Ratio

(a) Each Member of the Obligated Group covenants to set and collect rates and charges for its facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated at the end of each Fiscal Year, will not be less than 1.20; provided, however, that in any case where Long-Term Indebtedness or any portion thereof has been incurred to acquire or construct capital improvements, the Long-Term Debt Service Requirement with respect thereto shall not be taken into account in making the foregoing calculation until the first Fiscal Year commencing after the occupation or utilization of such capital improvements unless the Long-Term Debt Service Requirement with respect thereto is required to be paid from sources other than the proceeds of such Long-Term Indebtedness prior to such Fiscal Year.

(b) If at any time the Long-Term Debt Service Coverage Ratio required by clause (a) above, as derived from the most recent Financial Statements for the most recent Fiscal Year, is not met, the Obligated Group covenants to retain a Consultant within 30 days after its receipt of Financial Statements to make recommendations to increase such Long-Term Debt Service Coverage Ratio in the following Fiscal Year to the level required or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest level attainable. Any Consultant so retained shall be required to submit such recommendations within 45 days after being so retained. Each Member of the Obligated Group agrees

that it will, to the extent permitted by law, follow the recommendations of the Consultant. So long as a Consultant shall be retained and each Member of the Obligated Group shall follow such Consultant's recommendations to the extent permitted by law, these provisions shall be deemed to have been complied with even if the Long-Term Debt Service Coverage Ratio for the following Fiscal Year is below the required level; provided, however, that the revenues of the Obligated Group shall not be less than the amount required to pay when due the total operating expenses of the Obligated Group and to pay when due the debt service on all Indebtedness of the Obligated Group for such Fiscal Year and further provided, however, that the Corporation shall not be required to retain a Consultant to make recommendations pursuant to this clause (b) more frequently than biennially.

(c) If a report of a Consultant is delivered to the Master Trustee, which report shall state that Governmental Restrictions have been imposed which make it impossible for the coverage requirement in clause (a) above to be met, then such coverage requirement shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00 and thereafter, for so long as such Governmental Restrictions are in effect, a report of a Consultant stating that Governmental Restrictions which make it impossible for the coverage requirement in clause (a) above to be met are still in effect shall be delivered to the Master Trustee biennially. (Sec. 3.07)

Transfer of Operating Assets; Transfer of Cash and Investments; Sale of Accounts

(a) Each Member of the Obligated Group agrees that it will not Transfer in any Fiscal Year Operating Assets except for Transfers:

(i) To any Person if (A) the disposition of which is permitted pursuant to the provisions of the Master Indenture relating to Property that is no longer useful and (B) the Net Book Value of which does not exceed 5% of the unrestricted net assets (plus, in case of proprietary Members of the Obligated Group, the excess of assets over liabilities, if applicable) of the Obligated Group, as shown on the Financial Statements for the most recent Fiscal Year for which such Financial Statements are available;

(ii) To any Person if, prior to the sale, lease or other disposition, there is delivered to the Master Trustee an Officer's Certificate of an Obligated Group Representative stating that such Operating Assets have become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other disposition thereof will not (A) impair the structural soundness, efficiency or economic value of the remaining Operating Assets or (B) adversely affect the amount of Total Operating Revenues of the Obligated Group; provided, however, that an Officer's Certificate of an Obligated Group Representative shall not be required to be delivered to the Master Trustee with respect to the Transfer of any such Operating Assets having an aggregate Net Book Value of less than the greater of (A) \$1,000,000 per year or (B) 2.5% of all Property of the Obligated Group, as shown on the Financial Statements for the most recent Fiscal Year for which such Financial Statements are available;

(iii) To another Member of the Obligated Group without limit;

(iv) To any Person provided that there shall be delivered to the Master Trustee prior to such Transfer either:

(A) an Officer's Certificate of an Obligated Group Representative certifying the Long-Term Debt Service Coverage Ratio, adjusted to exclude the revenues and expenses derived from the Operating Assets proposed to be disposed of, for the most recent Fiscal Year preceding the date of delivery of such Officer's Certificate for which

Financial Statements are available and such Long-Term Debt Service Coverage Ratio is not less than 1.30 and not less than 65% of what it would have been were such Transfer not to take place; or

(B) the report of a Consultant to the effect that the forecasted Long-Term Debt Service Coverage Ratio, taking such Transfer into account, for each of the two Fiscal Years succeeding the date on which such Transfer is expected to occur, is not less than 1.30 and not less than 65% of what it would have been were such Transfer not to take place, accompanied by a statement of the relevant assumptions upon which such forecasts are based; or

(v) To any Person provided that (A) the Member of the Obligated Group proposing to make such Transfer shall receive, as consideration for such Transfer, cash, services or Property equal to the fair market value of the asset so transferred (fair market value of real property shall be evidenced by a written report of an independent appraiser who is a Member of the Appraisal Institute (MAI) which report shall state the fair market value of a date not more than one year prior to the date as of which such fair market value is being determined), and (B) if the fair market value of the asset to be transferred exceeds 5% of the unrestricted net assets (plus, in the case of proprietary Members of the Obligated Group, the excess of assets over liabilities, if applicable) of the Obligated Group as shown on the Financial Statements for the most recent Fiscal Year for which such Financial Statements are available, then there shall be delivered to the Master Trustee prior to such Transfer either:

(1) an Officer's Certificate of an Obligated Group Representative certifying the Long-Term Debt Service Coverage Ratio, adjusted to exclude the revenues and expenses derived from the Operating Assets proposed to be disposed of, for the most recent Fiscal Year preceding the date of delivery of such Officer's Certificate for which Financial Statements are available and such Long-Term Debt Service Coverage Ratio is not less than 1.30 and not less than 65% of what it would have been were such Transfer not to take place; or

(2) the report of a Consultant to the effect that the forecasted Long-Term Debt Service Coverage Ratio, taking such Transfer into account, for each of the two Fiscal Years succeeding the date on which such Transfer is expected to occur is not less than 1.30 and not less than 65% of what it would have been were such Transfer not to take place, accompanied by a statement of the relevant assumptions upon which such forecasts are based.

Each Member of the Obligated Group covenants to maintain records adequate to enable the Master Trustee to ascertain that the provisions of paragraph (v) above have been complied with and to make such records available to the Master Trustee upon written request.

(b) Each Member of the Obligated Group agrees that it will not Transfer in any Fiscal Year cash or investments except for Transfers:

(i) To another Member of the Obligated Group without limit.

(ii) To any Person if the Long-Term Debt Service Coverage Ratio for the most recent Fiscal Year for which Financial Statements are available would not be reduced below 1.75 if the fair market value of the cash or investments that are the subject of the proposed Transfer was deducted from Income Available for Debt Service for such period; provided however, that

there shall be filed with the Master Trustee an Officer's Certificate of an Obligated Group Representative, accompanied by and based upon such Financial Statements, demonstrating compliance with the foregoing limitation prior to making any Transfer otherwise permitted by this paragraph (ii) in any given Fiscal Year which would, in the aggregate, exceed 0.5% of Total Operating Revenues as shown on such Financial Statements.

(iii) To any Person provided that the Member of the Obligated Group proposing to make such Transfer shall receive as consideration for such Transfer Property, cash, securities or services the fair market value of which is at least equal to the amount of the cash or investments so transferred and further provided that, if the Master Trustee so requests, the Member of the Obligated Group proposing to make such Transfer can demonstrate the foregoing in an Officer's Certificate filed with the Master Trustee.

(c) Each Member of the Obligated Group agrees that it will not Transfer Accounts, provided, however, that prior to its receipt of a request from the Master Trustee pursuant to paragraph (d) of the subcaption above entitled "--Nature of Obligations; Payment of Principal and Interest; Security; Further Assurances; Deposit of Gross Receipts," any Member of the Obligated Group will have the right to sell, in any 12-month period beginning on the latest date the Financial Statements for the preceding Fiscal Year may be delivered pursuant to clause (a) of the section below entitled "--Filing of Financial Statements, Certificate of No Default and Other Information," its Accounts in an amount not to exceed the difference between (i) the Account Lien Amount and (ii) the amount of Accounts that have been pledged to secure Outstanding Indebtedness incurred by any Member of the Obligated Group pursuant to clause (g) under the subcaption above entitled "--Limitations on Indebtedness" during such 12-month period, if such Member of the Obligated Group shall (i) receive as consideration for such sale cash, services or Property equal to the fair market value of the accounts receivable so sold, with the fair market value thereof to be determined in the following manner: (1) as certified to the Master Trustee in an Officer's Certificate of such Member of the Obligated Group that the cash, services or Property received in exchange for the accounts receivable had a value at least equal to 80% of the net book value of such accounts receivable as reflected on the balance sheet of such Member of the Obligated Group or (2) if the value of the cash, services or Property to be received in exchange for the accounts receivable has a value less than 80% of the net book value of such accounts receivable, then as certified in a report by a Consultant chosen by the Members of the Obligated Group that the value of the cash, services or Property to be received in exchange for the accounts receivable is the reasonable fair market value of such accounts receivable based on standards applicable to the health care industry and (ii) deliver to the Master Trustee an Officer's Certificate of such Member of the Obligated Group stating that such sale of accounts receivable constitutes a "sale" under generally accepted accounting principles.

(d) Notwithstanding the foregoing provisions under this heading, nothing in the foregoing provisions shall be construed as limiting the ability of any Member of the Obligated Group to purchase or sell Property (other than Operating Assets, but including inventory) in the ordinary course of business or to transfer cash, securities and other investment properties in connection with ordinary investment transactions where such purchases, sales and transfers are for substantially equivalent value. Furthermore, nothing in the foregoing provisions will be construed as limiting the ability of any Member of the Obligated Group to expend funds in the ordinary course of business for operations, maintenance or management fees. (Sec. 3.08)

Consolidation, Merger, Sale or Conveyance

(a) Each Member of the Obligated Group covenants that it will not merge or consolidate with, or sell or convey all or substantially all of its assets to any Person that is not a Member of the Obligated Group, unless:

(i) Either a Member of the Obligated Group will be the successor Person, or if the successor Person is not a Member of the Obligated Group, such successor Person shall execute and deliver to the Master Trustee an instrument, accompanied by an Opinion of Counsel that the instrument is enforceable, containing the agreement of such successor Person to assume the due and punctual payment of the principal of, redemption premium, if any, and interest or other payments on all Outstanding Obligations issued under the Master Indenture according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture and any Supplement to the Master Indenture and granting to the Master Trustee a security interest in the Pledged Assets of such successor Person; and

(ii) No Member of the Obligated Group immediately after such merger or consolidation, or such sale or conveyance would be in default in the performance or observance of any covenant or condition of the Master Indenture; and

(iii) If all amounts due or to become due on any Related Bond, the interest on which is not includable in the gross income of the holder thereof for purposes of federal income taxation under the Code, have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger or consolidation or sale or conveyance, whether or not contemplated on any date of the delivery of such Related Bond, would not adversely affect the exclusion of interest payable on such Related Bond from the gross income of the holder thereof for purposes of federal income taxation; and

(iv) There is delivered to the Master Trustee an Officer's Certificate of an Obligated Group Representative demonstrating that the conditions described in clause (a) under the subcaption above entitled "--Limitations on Indebtedness" above have been satisfied for the issuance of an additional one dollar (\$1.00) of Additional Indebtedness, assuming such merger, consolidation or sale of assets had occurred at the beginning of the most recent Fiscal Year for which Financial Statements are available, and there is also delivered to the Master Trustee either (A) an Officer's Certificate of an Obligated Group Representative stating and demonstrating that if such merger, consolidation, sale or conveyance of assets had occurred at the beginning of the most recent Fiscal Year for which Financial Statements are available, the Long-Term Debt Service Coverage Ratio for such period would not have been reduced by more than 35%; provided, however, that in no event shall such Long-Term Debt Service Coverage Ratio be reduced to less than 1.20, or (B) (1) a written report of a Consultant indicating that the forecasted average Long-Term Debt Service Coverage Ratio for the two Fiscal Years succeeding the proposed date of such merger, or consolidation, or sale or conveyance of assets is greater than 1.35; provided, however, that compliance with the test set forth in this clause (B)(1) may be evidenced by an Officer's Certificate of an Obligated Group Representative in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio for each of the two most recent Fiscal Years for which Financial Statements are available preceding the proposed date of such merger or consolidation, or sale or conveyance of assets is greater than 2.00 and that for the most recent Fiscal Year for which Financial Statements are available it would not have been reduced by more than 35% if such merger or consolidation, or sale or conveyance of assets had occurred at the beginning of such period and (2) an Officer's Certificate of an Obligated Group Representative demonstrating that the unrestricted fund balance or unrestricted net assets (or excess of assets over liabilities, as the case may be) of the successor, resulting or acquiring corporation, as the case may be, after giving effect to said merger or consolidation, or sale or conveyance of assets is not less than 90% of the unrestricted fund balance or unrestricted net assets (or excess of assets over liabilities, as the case may be) of the Member of the Obligated

Group which was merged into, consolidated with or whose assets were acquired by, such successor Person as reflected in the most recent Financial Statements; provided, however, that the requirements in clause (B)(2) need not be met if there is delivered to the Master Trustee an Officer's Certificate of an Obligated Group Representative stating and demonstrating that the Long-Term Debt Service Coverage Ratio, assuming such merger or consolidation, or sale or conveyance of assets had occurred at the beginning of the most recent Fiscal Year for which Financial Statements are available would have been greater than the Long-Term Debt Service Coverage Ratio for such period as reflected in the Financial Statements of the Obligated Group for such period.

(b) In case of any such consolidation or merger or sale or conveyance and upon any such assumption by the successor Person, such successor Person shall succeed to and be substituted for its predecessor, with the same effect as if it had been named in the Master Indenture as such predecessor or had become a Member of the Obligated Group pursuant to the Master Indenture, as the case may be. Such successor Person thereupon may cause to be signed, and may issue in its own name Obligations issuable under the Master Indenture; and upon the order of such successor Person and subject to all the terms, conditions and limitations in the Master Indenture prescribed, the Master Trustee shall authenticate and shall deliver Obligations that such successor Person shall have caused to be signed and delivered to the Master Trustee. All Outstanding Obligations so issued by such successor Person under the Master Indenture shall in all respects have the same security position and benefit under the Master Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of the Master Indenture as though all of such Obligations had been issued under the Master Indenture without any such consolidation or merger, or sale or conveyance having occurred.

(c) In case of any such consolidation or merger or sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued under the Master Indenture as may be appropriate.

(d) The Master Trustee may accept an Opinion of Counsel as conclusive evidence that any such consolidation or merger or sale or conveyance, and any such assumption, complies with the provisions of the Master Indenture and that it is proper for the Master Trustee, under the provisions of the Master Indenture, to join in the execution of any instrument required to be executed and delivered by the Master Indenture. (Sec. 3.09)

Filing of Financial Statements, Certificate of No Default and Other Information

The Obligated Group covenants that it will:

(a) Within 30 days after receipt of the audit report mentioned below but in no event later than 120 days after the end of each Fiscal Year for which Financial Statements are reported upon by an Accountant, file with the Master Trustee and with each Holder who may have so requested in writing or on whose behalf the Master Trustee may have so requested, a copy of the Financial Statements as of the end of such Fiscal Year accompanied by the report of such Accountant.

(b) Within 30 days after the receipt of the audit report mentioned above, but in no event later than 120 days after the end of each Fiscal Year, file with the Master Trustee and with each Holder who may have so requested or in whose behalf the Master Trustee may have so requested, an Officer's Certificate of an Obligated Group Representative and a report of an Accountant stating the Long-Term Debt Service Coverage Ratio for such Fiscal Year and stating, to the best knowledge of the signers of such Officer's Certificate and Accountant's report, whether any Member of the Obligated Group is not in compliance with any covenant contained in the Master Indenture and, if so, specifying each such failure

to comply with which the signers of such Officer's Certificate and Accountant's report may have knowledge and whether such failure to comply has been cured. If any Event of Default has not been cured, then the signers of such Officer's Certificate and Accountant's report shall identify, to the best of their knowledge, what, if any, action will be taken to cure such noncompliance.

(c) If an Event of Default shall have occurred and be continuing, to the extent permitted by law, (i) file with the Master Trustee such other financial statements and information concerning its operations and financial affairs (or of any consolidated or combined group of companies, including its consolidated or combined Affiliates, including any Member of the Obligated Group) as the Master Trustee may from time to time reasonably request, excluding specifically donor records, patient records and personnel records and (ii) provide access to its facilities for the purpose of inspection by the Master Trustee during regular business hours or at such other times as the Master Trustee may reasonably request.

(d) Within 30 days after its receipt thereof, file with the Master Trustee a copy of each report which any provision of the Master Indenture requires to be prepared by a Consultant or an Insurance Consultant. (Sec. 3.10)

Parties Becoming Members of the Obligated Group

Persons which are not Members of the Obligated Group may, with the prior written consent of the Corporation, become Members of the Obligated Group, if:

(a) The Person which is becoming a Member of the Obligated Group shall execute and deliver to the Master Trustee an instrument containing the agreement of such Person (i) to become a Member of the Obligated Group under the Master Indenture and any Supplements and thereby become subject to compliance with all provisions of the Master Indenture and any Supplements pertaining to a Member of the Obligated Group, including the pledge and security interest provided for in the Master Indenture and the performance and observance of all covenants and obligations of a Member of the Obligated Group under the Master Indenture, (ii) to adopt the same Fiscal Year as that of the Corporation; and (iii) unconditionally and irrevocably guaranteeing to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding or to be issued and Outstanding under the Master Indenture will be paid in accordance with the terms thereof and of the Master Indenture when due; and

(b) Each instrument executed and delivered to the Master Trustee in accordance with subsection (a) above shall be accompanied by an Opinion of Counsel, addressed to and satisfactory to the Master Trustee, to the effect that such instrument has been duly authorized, executed and delivered by such Person and constitutes a valid and binding obligation enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy laws, insolvency laws, other laws affecting creditors' rights generally, equity principles and laws dealing with fraudulent conveyances; and

(c) There shall be filed with the Master Trustee an Officer's Certificate of an Obligated Group Representative demonstrating that the conditions described in clause (a)(ii) under the subcaption above entitled "--Limitations on Indebtedness" have been satisfied for the incurrence of an additional \$1.00 of Additional Indebtedness, assuming such admission actually occurred at the beginning of the most recent Fiscal Year for which Financial Statements are available, and there is also delivered to the Master Trustee either (i) an Officer's Certificate of an Obligated Group Representative demonstrating that the Long-Term Debt Service Coverage Ratio for the most recent Fiscal Year for which Financial Statements are available (A) would not have been reduced by more than 35% and would not have been reduced to less than 1.20 or (B) would be greater than in the absence of such Person becoming a Member

of the Obligated Group; or (ii) the written report of a Consultant demonstrating that the forecasted average Long-Term Debt Service Coverage Ratio for the two Fiscal Years succeeding the proposed date of such admission is not less than 1.35; provided, however, that compliance with the tests set forth in clause (ii) may be evidenced by an Officer's Certificate of an Obligated Group Representative in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio for each of the two most recent Fiscal Years for which Financial Statements are available preceding the proposed date of such admission is not less than 2.00 and that for the most recent Fiscal Year for which Financial Statements are available it would not have been reduced by more than 35% if such admission had occurred at the beginning of such period; and

(d) All amounts due or to become due on any Related Bond, the interest on which is not includable in the gross income of the holders thereof for purposes of federal income taxation, have not been paid to the holders thereof, there shall be filed with the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the admission of such Person to the Obligated Group would not adversely affect the exclusion of the interest on any such Related Bond from the gross income of the holder thereof for purposes of federal income taxation; and

(e) After giving effect to the admission of such Person as a Member of the Obligated Group, the combined unrestricted fund balance or unrestricted net assets of such Person (or the excess of such Person's assets over its liabilities as the case may be) and the unrestricted fund balance or unrestricted net assets (plus the excess of assets over liabilities, if applicable) of the Obligated Group is not less than 90% of the unrestricted fund balance or unrestricted net assets (plus the excess of assets over liabilities, if applicable) of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Person shall become a Member of the Obligated Group; provided, however, that the requirements of this clause (e) will be deemed satisfied if there is delivered to the Master Trustee an Officer's Certificate of an Obligated Group Representative stating and demonstrating that the Long-Term Debt Service Coverage Ratio, assuming such addition to the Obligated Group had occurred at the beginning of the most recent Fiscal Year for which Financial Statements are available would have been greater than the Long-Term Debt Service Coverage Ratio for such period as reflected in the Financial Statements for such period; and

(f) The Person which is becoming a Member of the Obligated Group is not a Tax-Exempt Organization, there shall be filed with the Master Trustee, an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the addition of such Person the Obligated Group will not result in the registration of any Obligations under the Securities Act of 1933, as amended, or the qualification of this Indenture or any Supplement under the Trust Indenture Act of 1939, as amended, or if such registration or qualification is required, that all applicable registration and qualification provisions of said acts have been complied with. (Sec. 3.11)

Withdrawal from the Obligated Group

(a) No Member of the Obligated Group may withdraw from the Obligated Group without the prior written consent of the Corporation and unless, prior to the taking of such action, there is delivered to the Master Trustee:

(i) An Officer's Certificate of an Obligated Group Representative demonstrating that (A) all Obligations issued by such Member of the Obligated Group are no longer Outstanding, or (B) an amount of cash or Defeasance Obligations sufficient to accomplish the requirement of clause (A) of this paragraph has been paid by such Member of the Obligated Group to the Master Trustee; provided, however, that if all amounts due or to become due on any Related Bonds which bear interest which is not includable in the gross income of the holder

thereof under the Code have not been fully paid to the holders thereof, there shall be delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law such Member's withdrawal from the Obligated Group, whether or not contemplated on the date of delivery of any Related Bond, would not cause the interest payable on such Related Bond to become includable in the gross income of the holder thereof under the Code; and

(ii) An Officer's Certificate of an Obligated Group Representative demonstrating that the conditions described in clause (a)(ii) under the subcaption above entitled "--Limitations on Indebtedness" have been satisfied for the incurrence of an additional one dollar (\$1.00) of Additional Indebtedness, assuming such withdrawal to have occurred at the beginning of the most recent Fiscal Year for which Financial Statements are available, and either (A) an Officer's Certificate of an Obligated Group Representative demonstrating that the Long-Term Debt Service Coverage Ratio for the most recent Fiscal Year for which Financial Statements are available (1) would not, if such withdrawal had occurred at the beginning of such period, be reduced by more than 35% and would not be reduced to less than 1.20 or (2) would be greater than in the absence of such withdrawal; or (B) a written report of a Consultant demonstrating that the forecasted average Long-Term Debt Service Coverage Ratio for the two Fiscal Years succeeding the proposed date of such withdrawal is greater than 1.35; provided, however, that compliance with the test set forth in clause (B) above may be evidenced by an Officer's Certificate of an Obligated Group Representative in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio for each of the two Fiscal Years succeeding the proposed date of such withdrawal is greater than 2.00 and not less than 65% of what it would have been were such withdrawal not to take place, assuming such withdrawal had occurred on the first day of the most recent Fiscal Year for which Financial Statements are available.

(b) Upon the withdrawal of any Member from the Obligated Group pursuant to clause (a) above, all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under the Master Indenture shall cease, any guaranty by such Member of the Obligated Group pursuant to the Master Indenture shall be released and discharged in full, and the Master Trustee shall execute and deliver to such Member of the Obligated Group all UCC termination statements necessary to terminate the security interest in the Pledged Assets of such Member of the Obligated Group pursuant to the Master Indenture. (Sec. 3.12)

Replacement Master Indenture

Each Holder of an Obligation evidencing and securing Indebtedness other than Related Bonds shall surrender such Obligation to the Master Trustee and each Related Bond Trustee for Related Bonds shall surrender any Obligation issued to secure such Related Bonds to the Master Trustee, upon presentation to the Holder or the Related Bond Trustee, as the case may be, of the following:

(a) an original replacement note or similar obligation (the "Substitute Obligation") duly authenticated and issued under and pursuant to an existing or new indenture, bond resolution, bond order or other instrument pursuant to which indebtedness is incurred or issued (the "Replacement Master Indenture") by which the party or parties purported to be obligated thereby (collectively the "New Group") have agreed to be bound; provided, however, that:

(i) the trustee under such Replacement Master Indenture (the "New Trustee") shall be an independent corporate trustee (which may be the Master Trustee or a Related Bond Trustee)

meeting the eligibility requirements of the Master Trustee as set forth in the Master Indenture;
and

(ii) so long as any Commission Bonds are outstanding, the Replacement Master Indenture shall have been approved by the Local Government Commission and the Commission, unless the Replacement Master Indenture is an existing indenture, bond resolution, bond order or other instrument pursuant to which indebtedness is incurred or issued to which any member of the New Group is already a party and the issuance of bonds secured thereby has already been authorized or approved, as the case may be, by the Commission and the Local Government Commission, in which case the consent of the Commission and the Local Government Commission shall not be required;

(b) an original executed counterpart or certified copy of the Replacement Master Indenture pursuant to which each member of the New Group has agreed (i) to become a member of the New Group and thereby to become subject to compliance with all provisions of the Replacement Master Indenture and (ii) unconditionally and irrevocably (subject to the right of such Person to cease its status as a member of the New Group pursuant to the terms and conditions of the Replacement Master Indenture) to jointly and severally make payments upon each note and obligation, including the Substitute Obligation, issued under the Replacement Master Indenture at the times and in the amounts provided in each such note or obligation;

(c) an Opinion of Counsel addressed to the Holder of an Obligation evidencing and securing Indebtedness other than Related Bonds or to the Related Bond Trustee, as the case may be, and the Obligated Group to the effect that: (i) the Replacement Master Indenture has been duly authorized, executed and delivered or has been duly adopted by the New Group, the Substitute Obligation has been duly authorized, executed and delivered by the New Group, and the Replacement Master Indenture and the Substitute Obligation are each a legal, valid and binding obligation of the New Group, enforceable in accordance with their terms, subject in each case to exceptions for bankruptcy, insolvency, fraudulent conveyance and other laws generally affecting enforcement of creditors' rights and application of general principles of equity and any other customary exceptions; (ii) all requirements and conditions to the issuance of the Substitute Obligation set forth in the Replacement Master Indenture have been complied with and satisfied; and (iii) the registration of the Substitute Obligation under the Securities Act of 1933, as amended, and qualification of the Replacement Master Indenture under the Trust Indenture Act of 1939, as amended, is not required, or, if such registration or qualification is required, that all applicable registration and qualification provisions of said Acts have been complied with;

(d) an Officer's Certificate of an Obligated Group Representative to the effect that (i) the New Group could, after giving effect to the Substitute Obligation, meet the conditions of the Master Indenture for the incurrence of one dollar (\$1.00) of additional Long-Term Indebtedness as described under clause (a) of the subcaption above entitled "--Limitations on Indebtedness", as demonstrated in such certificate, (ii) the unrestricted fund balance, unrestricted net assets or, with respect to proprietary members of the New Group, excess of assets over liabilities of the New Group, is not less than ninety percent (90%) of the unrestricted fund balance, unrestricted net assets or, with respect to proprietary members of the New Group, excess of assets over liabilities, of the Obligated Group and (iii) the New Group would not be in default under the provisions of the Master Indenture described under the subcaption above entitled "--Limitations on Creation of Liens";

(e) an Opinion of Bond Counsel to the effect that the surrender by the Related Bond Trustee of the Obligation and the acceptance by the Related Bond Trustee of the Substitute Obligation will not adversely affect the validity of the Related Bonds or any exemption for the purposes of federal or state income taxation to which interest on the Related Bonds would otherwise be entitled;

(f) evidence that (i) written notice of such substitution, together with a copy of such Replacement Master Indenture, has been given by the New Group to each rating agency then rating any Obligation or Related Bonds and (ii) the then current rating, if any, on such Obligation or Related Bonds will not be withdrawn or reduced by any such rating agency as a result of such substitution;

(g) evidence that written notice of such substitution and rating confirmation, together with a copy of such Replacement Master Indenture, has been given by the New Group to each Holder of an Obligation evidencing and securing Indebtedness other than Related Bonds or to the Related Bond Trustee under each Related Bond Indenture as the case may be, not less than thirty (30) days prior to the execution and delivery of the Replacement Master Indenture;

(h) such forecasts and other opinions and certificates as the Commission or the Local Government Commission may require and such other opinions and certificates as the Holder of an Obligation evidencing and securing Indebtedness other than Related Bonds or the Related Bond Trustee, as the case may be, or the Credit Facility Provider, if any, may reasonably require, together with such reasonable indemnities as the Holder of an Obligation evidencing and securing Indebtedness other than Related Bonds or the Related Bond Trustee, as the case may be, the Commission, the Local Government Commission or the Credit Facility Provider, if any, may request; and

(i) so long as there has been no suspension of the right of a Credit Facility Provider for Related Bonds to give its direction or consent in the event that any direction or consent is requested or permitted by the Master Indenture and such Credit Facility Provider has been deemed to be the registered owner of the Obligation to be surrendered for the purpose of any such direction or consent, the prior written consent of such Credit Facility Provider to the terms and provisions of the Replacement Master Indenture.

Notwithstanding such provisions of the Master Indenture, no Substitute Obligation may extend the stated maturity of or time for paying interest or other payments on any Obligation surrendered to the Master Trustee or reduce the principal amount of or the redemption premium or rate of interest or other payments payable on such Obligation without the consent of each Holder of such Obligation evidencing and securing Indebtedness other than Related Bonds affected thereby or the registered owners of all Related Bonds then Outstanding affected thereby, as the case may be. (Sec. 3.13)

Default and Remedies

Events of Default

An Event of Default under the Master Indenture is any of the following events: (a) the failure by the Members of the Obligated Group to make any payment of the principal of, the redemption premium, if any, or interest on any Obligation issued and Outstanding under the Master Indenture, and any other payments, including the purchase or redemption price of Put Indebtedness, required to be made under the Supplement creating such Obligation and under such Obligation, when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof, of the Master Indenture or of any Supplement; (b) the failure by any Member of the Obligated Group to perform, observe or comply with any covenant or agreement under the Master Indenture, other than as described in the immediately preceding clause (a), and such failure continues for a period of 30 days after written notice of such failure, requiring the same to be remedied, shall have been given to the Members of the Obligated Group by the Master Trustee, or to the Members of the Obligated Group and the Master Trustee by the Holders of at least 25% in aggregate principal amount of Obligations then Outstanding, provided, however, that if said failure is such that it cannot be

corrected within such 30-day period after the receipt of such notice, no Event of Default will exist if corrective action is instituted within such 30-day period and diligently pursued until the Event of Default is corrected; (c) an Event of Default shall occur under a Related Bond Indenture or upon a Related Bond; (d) failure by any Member of the Obligated Group to make any required payment with respect to any Indebtedness in an aggregate outstanding principal amount equal to or greater than one-half of one percent (0.5%) of Income Available for Debt Service for the most recent Fiscal Year for which Financial Statements are available, except Non-Recourse Indebtedness, Obligations issued and Outstanding under the Master Indenture and Related Bonds, whether such Indebtedness now exists or shall hereafter be created, when and as the same shall become due and payable and any period of grace with respect thereto shall have expired, or another event of default as defined in any instrument, indenture or mortgage evidencing or securing such Indebtedness shall have occurred and be continuing, and as a result of such failure to pay or other event of default such Indebtedness shall have been accelerated; provided, however, that acceleration of such Indebtedness shall not constitute an Event of Default if such Member of the Obligated Group in good faith is contesting the validity, amount or collectability of such Indebtedness and maintains reserves satisfactory to the Master Trustee for the payment of such Indebtedness pending the resolution of such contest; (e) the entry of a decree or order by a court having jurisdiction in the premises for an order for relief against any Member of the Obligated Group, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Member of the Obligated Group under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, custodian, assignee or sequestrator (or other similar official) of such Member of the Obligated Group or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days; and (f) the institution by any Member of the Obligated Group of proceedings for an order for relief, or the consent by it to an order for relief against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement, adjustment, composition or relief under the United States Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, custodian, assignee, trustee or sequestrator (or other similar official) of such Member of the Obligated Group or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by any member of the Obligated Group in furtherance of any such action. (Sec. 4.01)

Acceleration; Annulment of Acceleration

Upon the occurrence and during the continuation of any Event of Default under the Master Indenture, the Master Trustee may and, upon the written request of (i) the Holders of not less than 25% in aggregate principal amount of Obligations Outstanding or (ii) any Person properly exercising the right given to such Person under any Supplement to require acceleration of all or a portion of the Obligations issued pursuant to such Supplement, shall, by notice to the Members of the Obligated Group and each Related Bond Trustee, declare all Obligations Outstanding immediately due and payable, whereupon such Obligations shall become and be immediately due and payable, anything in the Obligations or in the Master Indenture to the contrary notwithstanding; provided, however, that if the terms of any Supplement give a Person the right to consent to acceleration of all or a portion of the Obligations issued pursuant to said Supplement, such Obligations issued pursuant to such Supplement may not be accelerated by the Master Trustee unless such consent is properly obtained pursuant to the terms of such Supplement. In the event Obligations are accelerated there shall be due and payable on such Obligations an amount equal to the total principal amount of all such Obligations, plus all interest accrued thereon to the date of acceleration and, to the extent permitted by applicable law, interest which accrues thereon to the date of payment.

If, at any time after the Obligations has been so declared to be immediately due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such Event of Default, (i) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay all matured installments of interest or other payments and all principal or redemption prices then due (other than the principal then due only because of such declaration) of all Obligations Outstanding; (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay the charges, compensation, expenses, disbursements, advances, fees and liabilities of the Master Trustee; (iii) all other amounts then payable by the Obligated Group under the Master Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee; and (iv) every Event of Default (other than a default in the payment of the principal of such Obligations then due only because of such declaration) shall have been remedied, then the Master Trustee may, and upon the written request of Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding shall, annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon. (Sec. 4.02)

Additional Remedies and Enforcement of Remedies

Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding, together with indemnification of the Master Trustee to its satisfaction, shall, proceed forthwith to protect and enforce its rights and the rights of the Holders by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including, but not limited to, such proceedings set forth in the Master Indenture.

Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the Holders of not less than 25% in aggregate principal amount of the Obligations then Outstanding, shall, upon being indemnified to its satisfaction, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Master Indenture by any acts which may be unlawful or in violation of the Master Indenture, or (ii) to preserve or protect the interests of the Holders, provided that such request and action are not in conflict with any applicable law or the Master Indenture and, in the Master Trustee's sole judgment, are not unduly prejudicial to the interest of the Holders not making such request. (Sec. 4.03)

Application of Gross Receipts and Other Moneys After Default

During the continuance of an Event of Default all Gross Receipts and other moneys received by the Master Trustee pursuant to any right given or action taken under the Master Indenture, after payment of (i) the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses and advances incurred or made by the Master Trustee with respect thereto and all other fees and expenses of the Master Trustee under the Master Indenture and (ii) in the sole discretion of the Master Trustee (provided, however, that in exercising such discretion the Master Trustee may take action, or refrain from taking action, consistent with the report of a Consultant), the payment of the expenses of operating any Member of the Obligated Group, shall be applied as follows:

(a) Unless the principal of all Outstanding Obligations shall have become or have been declared due and payable: First: to the payment to the Persons entitled thereto of all installments of interest then due on Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full all installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without discrimination or preference; Second: to the payment to the Persons entitled thereto of the unpaid

principal installments of any Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto without discrimination or preference, except Derivative Obligations evidenced and secured by an Obligation that are subordinate to other Obligations; and Third: to the payment to the Persons entitled thereto of any unpaid Derivative Obligations evidenced and secured by an Obligation that are subordinate to other Obligations which shall have become due, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all such unpaid Derivative Obligations due on any date, then to the payment thereof ratably, according to the amounts of unpaid Derivative Obligations due on such date, to the Persons entitled thereto, without any discrimination or preference.

(b) If the principal of all Outstanding Obligations shall have become or have been declared to be due and payable: First: to the payment of the principal and interest then due and unpaid upon Obligations 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 Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto, without discrimination or preference, except Derivative Obligations evidenced and secured by an Obligation that are subordinate to other Obligations; and Second: to the payment of Derivative Obligations evidenced and secured by an Obligation that are subordinate to other Obligations.

(c) If the principal of all Outstanding Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Master Indenture, then, subject to the provisions of paragraph (b) above in the event that the principal of all Outstanding Obligations shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) above.

Moneys to be applied by the Master Trustee during a continuance of an Event of Default shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount available and the likelihood of additional moneys becoming available in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation shall be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Obligations and interest thereon have been paid under the provisions of the Master Indenture and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the Persons entitled to receive the same; if no other Person is entitled thereto, then the balance shall be paid to the Members of the Obligated Group, their respective successors, or as a court of competent jurisdiction may direct.

Notwithstanding any provision of the Master Indenture as described under this caption to the contrary, for purposes of the information described under this caption, “interest” on Obligations that evidence and secure Derivative Obligations shall mean regularly scheduled payments under the applicable Derivative Agreement and “principal” of such Obligations shall mean termination payments under the applicable Derivative Agreement and any other payments except regularly scheduled payments under the applicable Derivative Agreement. Unless otherwise provided in the Supplement creating an Obligation that evidences and secures Derivative Obligations, payment of the portion of such Obligation that evidences and secures termination payments and any other payments except regularly scheduled

payments under a Derivative Agreement shall be subordinate to payment of other Obligations. (Sec. 4.04)

Holders' Control of Proceedings

If an Event of Default shall have occurred and be continuing, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right, subject to the terms of the Master Indenture, to direct the method and place of conducting any enforcement proceedings. (Sec. 4.07)

Waiver of Event of Default

No delay or omission of the Master Trustee or of any Holder 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 such Event of Default or an acquiescence therein. Every power and remedy given under the Master Indenture to the Master Trustee and the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them. The Master Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Master Indenture or before the completion of the enforcement of any other remedy under the Master Indenture. The Master Trustee, upon the written request of the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding, shall waive any Event of Default under the Master Indenture and its consequences, except payment defaults which have not been cured, which may be waived only by written consent of the Holders of all the Obligations (with respect to which such payment default exists) then Outstanding. In case of a waiver of an Event of Default under the Master Indenture, the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights under the Master Indenture, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. (Sec. 4.09)

Appointment of Receiver

Upon the occurrence of any Event of Default unless the same shall have been waived, the Master Trustee shall be entitled, if it shall so elect, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group with such powers as the court making such appointment shall confer. (Sec. 4.10)

Notice of Default

The Master Trustee shall, within ten days after it has knowledge of the occurrence of an Event of Default, mail to all Holders as the names and addresses of such Holders appear upon the books of the Master Trustee, notice of such Event of Default known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice; provided that, except in the case of default in the payment of the principal of, redemption premium, if any, or interest or other payment on any of the Obligations and the Events of Default specified in clauses (e) and (f) under the caption above entitled "Defaults and Remedies--Events of Default", the Master Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or a responsible officer of the Master Trustee in good faith determines that the withholding of such notice is in the interests of the Holders. (Sec. 4.12)

Resignation and Removal of the Master Trustee

The Master Trustee may resign on its own motion or may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Obligations then Outstanding, or if no Event of Default shall have occurred and be continuing, by an instrument in writing signed by an Obligated Group Representative. (Sec. 5.04)

Supplements and Amendments

Supplements Not Requiring Consent of Holders

The Master Indenture may be supplemented or amended without the consent of or notice to any of the Holders for one or more of the following purposes: (a) to cure an ambiguity or formal defect or omission which shall not materially and adversely affect the interests of the Holders; (b) to correct or supplement any provision which may be inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under the Master Indenture and which shall not materially and adversely affect the interests of the Holders; (c) to grant or confer ratably upon all Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them; (d) to qualify the Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect; (e) to create and provide for the issuance of Obligations as permitted under the Master Indenture; (f) to obligate a successor to any Member of the Obligated Group; and (g) to comply with any state or federal securities law. (Sec. 6.01)

Supplements Requiring Consent of Holders

Other than supplements referred to in the preceding paragraph and, if any Commission bonds are outstanding, to the consent of the Commission, and not otherwise, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right to consent to and approve the execution of Supplements modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture and becoming a part of the Master Indenture, except a Supplement which would:

- (i) Effect a change in the times, amounts or currency of payment of the principal of, redemption premium, if any, and interest or other payment on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of such Obligation;
- (ii) Permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding; or
- (iii) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Obligations then Outstanding.

All Supplements executed pursuant to the Master Indenture shall be binding on all Holders and subsequent Holders of Obligations. (Sec. 6.02)

Satisfaction and Discharge of Indenture

If (i) an Obligated Group Representative shall deliver to the Master Trustee for cancellation all Obligations theretofore authenticated and not theretofore cancelled, or (ii) all Obligations not theretofore

canceled or delivered to the Master Trustee for cancellation have become due and payable and money sufficient to pay the same shall have been deposited with the Master Trustee, or (iii) all Obligations that have not become due and payable and have not been canceled or delivered to the Master Trustee for cancellation shall be Defeased Obligations, and if in all cases the Members of the Obligated Group shall also pay or cause to be paid all other sums payable under the Master Indenture by the Members of the Obligated Group, then the Master Indenture shall cease to be of further effect, and the Master Trustee, on demand of the Members of the Obligated Group, and at the cost and expense of the Members of the Obligated Group, shall execute proper instruments acknowledging satisfaction of and discharging the Master Indenture. (Sec. 7.01).

SUMMARY OF THE AGREEMENT

The following is a summary of certain provisions of the Agreement; however, it is not a comprehensive summary and reference is made to the full text of the Agreement for a complete recital of its terms.

Security for the Loan

As collateral security for repayment of the Loan and the performance by the Corporation of its obligations under the Agreement, the Corporation will execute and deliver to the Commission Obligation No. 1. Obligation No. 1 is issued under and secured by the Master Indenture and Supplement No. 1. The Master Indenture provides that any Member of the Obligated Group may issue additional indebtedness secured by the security for Obligation No. 1 on a pari passu basis for the purposes, under the terms and conditions and to the extent described in the Master Indenture. (Sec. 3.1)

Total Required Payments

The Corporation is required to make Total Required Payments when due. Loan Repayments under the Agreement are to be paid, when due and payable, to the Bond Trustee for deposit in the Bond Fund or the Redemption Fund, as the case may be. Required Payments under the Agreement are to be paid by the Corporation directly, when due and payable, to the Persons entitled thereto, including the United States of America as provided in the Tax Certificate, as the case may be. (Sec. 3.2)

Loan Repayments

Loan Repayments are required to be sufficient in the aggregate to repay the Loan, together with interest thereon and to pay in full, when due (whether by maturity, redemption, acceleration or otherwise), all Bonds issued under the Trust Agreement, together with the total interest and redemption premium, if any, thereon. The Corporation is required to repay the Loan in monthly interest installments for so long as the Bonds bear interest at the Daily Interest Rate or the Weekly Interest Rate and, beginning in 2008, annual principal installments or as otherwise provided in the Agreement, each installment being deemed a Loan Repayment. The Corporation may prepay all or any part of the Loan as provided in the Agreement. (Sec. 3.3)

Required Payments Under the Agreement

(a) The Corporation will pay, when due and payable, as Required Payments under the Agreement, the following costs and expenses, exclusive of costs and expenses payable from the proceeds of the Bonds:

(i) the fees and other costs payable to the Master Trustee, the Bond Trustee, the Tender Agent and the Remarketing Agent;

(ii) all costs incurred in connection with the purchase or redemption of Bonds to the extent money is not otherwise available therefor;

(iii) the fees and other costs incurred for services of such attorneys, Consultants and accountants as are employed to make examinations, provide services, render opinions or prepare reports required under the Agreement, the Master Indenture, Supplemental No. 1, the Remarketing Agreement, the Tender Agreement, the Liquidity Facility, the Credit Facility Provider Agreement, or the Trust Agreement;

(iv) all costs incurred by the Commission or the Bond Trustee in connection with the discontinuation of or withdrawal from any book-entry system for the Bonds or any transfer from one book-entry system to another including, without limitation, the printing and issuance of additional or substitute Bonds in connection with such withdrawal, discontinuance or transfer;

(v) reasonable fees and other costs that the Corporation is obligated to pay, not otherwise paid under the Agreement or the Trust Agreement, incurred by the Commission in connection with its administration and enforcement of, and compliance with, the Agreement, the Remarketing Agreement, the Tender Agreement or the Trust Agreement, including, but not limited to, the administration fee presently imposed by the Commission, which the Corporation acknowledges may be increased from time to time, in an annual amount equal to .02% of the Bonds Outstanding on June 30 of each calendar year, which annual amount shall currently be a minimum of \$500 per annum, but shall not exceed \$10,000 per annum and is payable July 15 of each calendar year commencing July 15, 2007, and reasonable attorneys' fees; provided, however that the current formula and current minimum and maximum amounts stated above are subject to change at any time by the Commission; and

(vi) fees and other costs incurred in connection with the issuance of the Bonds, including those of the LGC, to the extent such fees and other costs are not paid from the proceeds of the Bonds.

(b) The Corporation shall also cause to be paid, at the times described in the Tax Certificate, the Rebate Requirement (as defined in the Tax Certificate), if any, to the United States of America. The Corporation has also agreed to pay all costs incurred by the Commission in connection with the filing of Internal Revenue Service Form 8038-T with respect to the Bonds.

(c) The Corporation shall pay to the Tender Agent for deposit into the Corporation Purchase Account the Tender Price of Bonds tendered or deemed tendered when due. (Sec. 3.4)

No Set-Off

The obligation of the Corporation to make the Loan Repayments and all other Required Payments under the Agreement and Obligation No. 1 and to perform and observe the other agreements contained in the Agreement is absolute and unconditional and will not be abated or diminished, regardless of any rights of defense, set-off, recoupment or counterclaim that the Corporation may have against the Commission or the Bond Trustee or any other person. (Sec. 3.6)

Amendment of Master Indenture

So long as any Bonds are Outstanding, the Master Indenture will not be amended without the prior written consent of the Commission if such amendment would require the consent of all or a portion of the Holders of the Obligations Outstanding. (Sec. 5.10)

Special Covenants

The Agreement provides that the Corporation will comply with each covenant, condition and agreement in the Master Indenture and in the Agreement. The Agreement also sets forth certain other agreements of the Corporation with respect to: merger, sale and transfer of assets; examination of books and records of the Members of the Obligated Group by the Bond Trustee, the Commission and the Local Government Commission; furnishing to the Commission, the Local Government Commission, the Bond Trustee and, upon written request, any Holders of the Bonds, the financial statements and certain other information required to be furnished under the Master Indenture to the Master Trustee; the execution and delivery of supplements, amendments and other corrective instruments as may reasonably be required with respect to the performance of the Agreement; inspection of the Operating Assets by the Commission, the Bond Trustee, and the Holders of not less than 25% in aggregate principal amount of the Outstanding Bonds; the investment of funds under the Trust Agreement; withdrawal from the Obligated Group; removal of the Master Trustee and secondary market disclosure. (Art. V)

Maintenance of Liquidity Facility, Credit Facility or Self Liquidity Arrangement

So long as the Bonds bear interest at the Weekly Interest Rate, the Daily Interest Rate or Bond Interest Term Rates, the Corporation shall cause a Liquidity Facility, a Credit Facility or a Self-Liquidity Arrangement to be in effect. On the date of issuance of the Bonds, a Credit Facility will be in effect. (Sec. 5.12)

Defaults and Remedies

Events of Default are defined in the Agreement to include: (a) failure of the Corporation to pay, or cause to be paid, any payments under the Agreement or Obligation No. 1 when due, whether at maturity, redemption, acceleration or otherwise, (b) failure of the Corporation to perform, observe or comply with any covenant, condition or agreement on its part under the Agreement (other than a failure to make any Loan Repayment or Required Payment under the Agreement), including any covenant, condition or agreement in the Master Indenture applicable to the Corporation and incorporated by reference in the Agreement, and such failure continues for a period of 30 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Corporation by the Bond Trustee or to the Corporation and the Bond Trustee by the Holders of at least 25% in aggregate principal amount of the Bonds then Outstanding; provided, however, that if such performance, observation or compliance requires work to be done, action to be taken or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such 30-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the Corporation shall commence such performance, observation or compliance within such period and shall diligently and continuously prosecute the same to completion, or (c) the Master Trustee shall have declared the aggregate principal amount of Obligation No. 1 and all interest due thereon immediately due and payable in accordance with the Master Indenture. (Sec. 6.1)

Upon the happening of an Event of Default under the Agreement, the Commission may take whatever action at law or in equity is necessary or desirable, including: (i) in the case of an Event of Default described in (a) in the preceding paragraph, to collect the payments then due; (ii) in the case of an

Event of Default described in (b) in the preceding paragraph, to enforce the performance, observance or compliance by the Corporation with any covenant, condition or agreement by the Corporation under the Agreement or under the Master Indenture; and (iii) in the case of an Event of Default described in (c) in the preceding paragraph, take such action or cease such action as the Master Trustee shall direct but only to the extent such directions are consistent with the provisions of the Master Indenture.

In the event the principal of the Bonds has been accelerated pursuant to the Trust Agreement, the Commission shall declare the entire unpaid aggregate amount of the Loan to be immediately due and payable, together with all interest accrued and all premiums due thereon to the date of such acceleration. (Sec. 6.2)

Prepayment of Loan

Optional Prepayment. The Corporation has the option to prepay, together with accrued interest to the date of prepayment, all or any portion of the unpaid aggregate principal amount of the Loan by redeeming Bonds in accordance with the terms and provisions of the Trust Agreement. Such prepayment shall be made by the Corporation taking, or causing the Commission to take, the actions required (i) for payment of the Bonds, whether by redemption or purchase prior to maturity or by payment at maturity, or (ii) to effect the purchase, redemption or payment at maturity of less than all of the Outstanding principal amount of the Bonds according to their terms. (Sec. 7.1)

Extraordinary Prepayment. The Corporation has the option to prepay all or a portion of the unpaid aggregate principal amount of the Loan, together with accrued interest to the date of prepayment, from amounts received by the Corporation as insurance proceeds with respect to any casualty loss or failure of title or as condemnation awards, upon the occurrence of the damage or destruction of all or any part of the Operating Assets by fire or casualty, or loss of title to or use of all or any part of the Operating Assets as a result of the failure of title or as a result of Eminent Domain proceedings or proceedings in lieu thereof (if damage, destruction or loss of such part causes the Operating Assets in the aggregate to be impracticable to operate, as evidenced by an Officer's Certificate filed with the Commission and the Bond Trustee).

The Corporation has the option to prepay all of the unpaid aggregate principal amount of the Loan, together with accrued interest to the date of prepayment, upon the occurrence of changes in the Constitution of the United States of America or of the State or of legislative or administrative action, or failure of administrative action by the United States or the State or any agency or political subdivision of either thereof, or by reason of any judicial decision to such extent that, in the opinion of the Board of Directors of the Corporation (expressed in a resolution) and in the opinion of an independent architect, engineer or management consultant (as may be appropriate for the particular event), both filed with the Commission and the Bond Trustee, (i) the Agreement is impossible to perform without unreasonable delay or (ii) unreasonable burdens or excessive liabilities not being imposed on the date of the Agreement are imposed on the Corporation.

Subject to the provisions of the Master Indenture, the preceding paragraphs shall not be construed to prohibit the Corporation from applying insurance proceeds with respect to any casualty loss or condemnation awards or payments in lieu thereof to the optional prepayment of the Loan in accordance with the first paragraph under this caption. (Sec. 7.2)

Notices. To make a prepayment as described under this caption, the Corporation Representative shall give written notice to the Commission and the Bond Trustee which shall specify therein (i) the date of the intended prepayment of the Loan, which shall not be less than 45 nor more than 75 days from the date the notice is mailed, (ii) the aggregate principal amount of the Bonds to be purchased, redeemed or

paid at maturity and the date or dates on which the purchase, redemption or payment is to occur, (iii) the source of the money that will be used by the Corporation to make such prepayment of the Loan, and (iv) subject to the requirements of the Trust Agreement, the maturity or maturities of the Bonds to be purchased, redeemed or paid. The Corporation shall deliver a copy of such notice to the Credit Facility Provider, if any.

The Corporation has the right to condition any notice of prepayment given under the Agreement in the same manner provided for redemption notices for Bonds under the Trust Agreement. If a conditional redemption of Bonds does not occur for the reasons permitted under the Trust Agreement, the corresponding notice of prepayment under the Agreement will be deemed revoked. (Sec. 7.3)

Members, Directors, Officers and Employees of the Commission, the Corporation and the Local Government Commission Not Liable

Neither the members, officers and employees of the Commission or the Local Government Commission nor the member trustees, members of the board of directors or the officers and employees of the Corporation shall be personally liable for any costs, losses, damages or liabilities caused or subsequently incurred by the Corporation or any officer, director or agent thereof in connection with or as a result of the Agreement. (Sec. 10.1)

Amendments to the Agreement

The Agreement may be amended with the consent of the Credit Facility Provider, if any, but without the consent of or notice to any of the Holders to (i) cure any ambiguity or formal defect or omission therein or in any supplement thereto; (ii) to correct or supplement any provisions therein which may be inconsistent with any other provisions therein or make any other provisions with respect to matters which do not materially or adversely affect the interest of the Holders; (iii) to grant or confer upon the Bond Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Bond Trustee; (iv) to add conditions, limitations and restrictions on the Corporation to be observed thereafter; (v) to make any conforming changes necessitated by the delivery of a Substitute Obligation in accordance with the provisions of the Master Indenture; (vi) to make any change to the administrative provisions of the Agreement to accommodate the provisions of an Alternate Liquidity Facility, Credit Facility, Alternate Credit Facility, Liquidity Facility, Self Liquidity Arrangement or bond insurance policy; or (vii) while the Bonds bear interest at the Weekly Interest Rate or the Daily Interest Rate, to modify the provisions of the Agreement to reflect any change to the Sinking Fund Requirements made pursuant to the Trust Agreement. Any other amendments to the Agreement require approval of the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding; provided, however, that certain amendments require the consent of the Holders of all Bonds then Outstanding. (Sec. 10.2)

Exclusion From Gross Income Covenant

The Corporation covenants that it will not take any action which will, or fail to take any action which failure will, cause interest on the Bonds to become includable in the gross income of the Holders for federal income tax purposes pursuant to the provisions of the Code and regulations promulgated thereunder; provided, however, that the Commission shall have no obligation to pay any amounts necessary to comply with this covenant other than from money received by the Commission from the Corporation for such purposes. The Corporation agrees to perform, or cause to be performed, the covenants set forth in the Tax Certificate, which covenants are incorporated in the Agreement by reference. (Sec. 10.10)

Replacement Master Indenture

In the event that a Substitute Obligation under a Replacement Master Indenture (as described above under the caption “SUMMARY OF THE MASTER INDENTURE—Particular Covenants--Replacement Master Indenture”) is delivered to the Bond Trustee pursuant to the provisions of the Master Indenture, references to the Master Indenture and Obligation No. 1 in the Agreement will be deemed to be references to such Replacement Master Indenture and such Substitute Obligation, references to the Master Trustee shall be deemed to be references to the trustee under the Replacement Master Indenture and references to the Obligated Group shall be deemed to be references to the New Group (as defined in the Master Indenture). (Sec. 10.11)

SUMMARY OF THE TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement; however, it is not a comprehensive summary and reference is made to the full text of the Trust Agreement for a complete recital of its terms.

Various Funds and Accounts Created by the Trust Agreement

The Trust Agreement creates the following funds:

1. the Construction Fund,
2. the Bond Fund, in which there is established an Interest Account and a Sinking Fund Account, and
3. the Redemption Fund.

The money and the securities in each of the aforementioned funds and accounts (other than the Revolving Fund Account within the Construction Fund) shall be held in trust and shall be subject to a lien and charge in favor of the Holders of the Bonds until paid out or transferred as provided in the Trust Agreement. (Sec. 401 and Sec. 501)

Construction Fund

The Trust Agreement creates three separate accounts in the Construction Fund, which accounts are designated the “Construction Account,” the “Issuance Account” and the “Revolving Fund Account.” (Sec. 401)

Payments from the Construction Fund are to be made to pay the costs of the Project in accordance with the provisions of the Trust Agreement. (Sec. 402)

Requisitions signed by a Corporation Representative and, if so requested by a Commission Representative in writing to the Corporation and the Bond Trustee (or by telephone to the Corporation or the Bond Trustee, followed by delivery of such written request), approved by the Commission Representative, will be filed with the Bond Trustee before payments from the Construction Fund are made in accordance with the Trust Agreement. (Sec. 404)

After the Project has been completed, any balance remaining in the Construction Fund may be applied by the Bond Trustee, at the direction of the Corporation, for any purpose, including the payment

of principal of the Bonds, permitted by a Favorable Opinion of Bond Counsel. In the event the Corporation does not deliver such an opinion as required by the preceding sentence, the Bond Trustee shall transfer the balance in the Construction Fund to the Interest Account and apply such money to pay (or to reimburse the Credit Facility Provider for a draw on the Credit Facility to pay) the interest on the Bonds on each next succeeding Interest Payment Date until such money is exhausted. (Sec. 406)

Bond Purchase Fund

The Trust Agreement also obligates the Tender Agent to establish and maintain a separate segregated trust fund designated as the Bond Purchase Fund, within which there will be established four separate and segregated accounts designated the “Remarketing Account,” the “Liquidity Facility Purchase Account,” the “Credit Facility Purchase Account” and the “Corporation Purchase Account.” (Sec. 506)

Deposits to the Bond Fund

(a) The Bond Trustee will deposit all amounts received as Loan Repayments in the following order, subject to the credits provided in the Trust Agreement:

(i) to the credit of the Interest Account, during the Weekly Interest Rate Period, the Daily Interest Rate Period or the Short-Term Interest Rate Period, on the Business Day immediately preceding each Interest Payment Date, and, during the Long-Term Interest Rate Period, on the 25th day of the month preceding each Interest Payment Date, an amount equal to the interest payable on the Bonds on such Interest Payment Date, less any applicable credit under the Trust Agreement; provided, however, that if the interest rate on the Bonds is subject to adjustment pursuant to the Trust Agreement after the date of such required deposit, interest accruing on the Bonds from such adjustment date shall be assumed to accrue at the Maximum Bond Interest Rate; provided, further, that if a Credit Facility is in effect, no deposit shall be required to be made until such Interest Payment Date;

(ii) to the credit of the Sinking Fund Account, beginning on September 25, 2008, and continuing on each September 25 thereafter, the amount required to retire the Bonds to be called by mandatory redemption in accordance with the Sinking Fund Requirement therefor, or in the case of maturity of the Bonds, to be paid, on the next ensuing October 1; provided, however, that if a Credit Facility is in effect, no deposit shall be required to be made until such October 1; and

(iii) to the credit of the Interest Account or the Redemption Fund, as applicable, any amount that may from time to time be required to enable the Bond Trustee to pay the interest on and Redemption Price of Bonds as and when Bonds are called for redemption other than mandatory redemption in accordance with the Sinking Fund Requirement therefor.

If, after giving effect to the credits specified below, any installment of Loan Repayments is insufficient to enable the Bond Trustee to make the deposits required above, the Bond Trustee shall so notify the Corporation and request that each future installment of the Loan Repayments be increased as may be necessary to make up any previous deficiency in any of the required payments and to make up any deficiency or loss in any of the above-mentioned funds and accounts.

To the extent that principal of, redemption premium, if any, or interest on the Bonds is to be paid from amounts drawn under a Credit Facility and deposited in the Interest Account, the Sinking Fund Account or the Redemption Fund, as appropriate, deposits then due to be made into such funds and accounts and future deposits to such funds and accounts shall be reduced by the amount so deposited, and

the Loan Repayments due on or following the date such amounts are deposited will be reduced by the amounts so deposited.

To the extent that investment earnings are credited to the Interest Account or the Sinking Fund Account in accordance with the Trust Agreement as described below under “Investment of Money” or amounts are credited thereto as a result of a transfer of investment earnings on any other fund or account held by the Bond Trustee, or otherwise, future deposits to such accounts shall be reduced by the amount so credited, and the Loan Repayments due following the date upon which such amounts are credited shall be reduced by the amounts so credited.

All amounts received by the Bond Trustee as principal of or interest accruing on the Bonds to be redeemed as a result of a prepayment of Obligation No. 1 shall be deposited in the Redemption Fund and the Interest Account, respectively, when received. All amounts received by the Bond Trustee as redemption premiums shall be deposited in the Redemption Fund when received.

While a Credit Facility is in effect, each deposit into the Bond Fund or the Redemption Fund not constituting Available Moneys shall be placed in a separate subaccount within the Interest Account, the Sinking Fund Account or the Redemption Fund, as appropriate, and may not be commingled with other money in any such subaccount until such money becomes Available Moneys.

(b) The Commission hereby authorizes and directs the Bond Trustee, and the Bond Trustee hereby agrees, to withdraw from the Interest Account, the Sinking Fund Account or the Redemption Fund, as applicable, and make available at the Principal Office of the Bond Trustee sufficient funds (to the extent available) to pay the principal of, redemption premium, if any, and interest on the Bonds as the same become due and payable, whether due by maturity, acceleration, redemption or otherwise, only in the following order of priority:

FIRST: Amounts drawn by the Bond Trustee under a Credit Facility.

SECOND: Available Moneys on deposit in such funds or accounts, other than amounts received by the Bond Trustee in respect of drawings under a Credit Facility.

THIRD: Any other amounts in such funds or accounts, including but not limited to moneys obtained from the Corporation.

(c) After provision is made for the payment of the principal of, redemption premium, if any, or interest on any Bonds on a given payment date and to the extent that the Credit Facility Provider has not been reimbursed by the Corporation, the Bond Trustee shall pay the Credit Facility Provider, on its request (as specified in such request), the amount necessary to reimburse the Credit Facility Provider for money owed to it under the Credit Facility Provider Agreement from amounts on deposit in the Interest Account, the Sinking Fund Account or the Redemption Fund, as appropriate. (Sec. 502)

Bond Fund Accounts

Interest Account

At such time as to enable the Bond Trustee to make payments of interest on the Bonds in accordance with any existing agreement between the Bond Trustee and any Securities Depository, the Bond Trustee will withdraw from the Interest Account and remit by wire transfer, in Federal Reserve or other immediately available funds, the amounts required to pay to any Holder which is a Securities Depository Nominee interest on the Bonds on the next succeeding Interest Payment Date; provided,

however, that in no event will the Bond Trustee be required to make such wire transfer prior to the Business Day next preceding each Interest Payment Date, and provided further that such wire transfer will be made not later than 1:00 P.M. on each Interest Payment Date.

If a Credit Facility is in effect and the Credit Facility Provider fails to pay a conforming draw in immediately available funds by 1:00 p.m. on an Interest Payment Date, the Bond Trustee shall immediately notify the Corporation of the amount of the deficiency. Upon notification, the Corporation shall immediately deliver to the Bond Trustee an amount sufficient to cure the same.

If no Credit Facility is in effect, then in the event the balance in the Interest Account on (i) the Business Day next preceding an Interest Payment Date, or date on which Bonds are to be redeemed, during the Weekly Interest Rate Period, the Daily Interest Rate Period or the Short-Term Interest Rate Period, or (ii) on the 10th day of the month next preceding an Interest Payment Date or date upon which Bonds are to be redeemed, during the Long-Term Interest Rate Period, is insufficient for the payment of interest becoming due on the Bonds on such Interest Payment Date or date upon which Bonds are to be redeemed, the Bond Trustee will notify the Corporation of the amount of the deficiency. Upon notification, the Corporation will immediately deliver to the Bond Trustee an amount sufficient to cure the same.

Sinking Fund Account

The Bond Trustee will call for redemption on the October 1 immediately following the end of each Bond Year, as provided in the Trust Agreement, Bonds or portions thereof then subject to redemption in a principal amount equal to the aggregate Sinking Fund Requirement for the Bonds for such Bond Year, less the principal amount of any Bonds retired by purchase pursuant to the Trust Agreement. Such redemption will be made pursuant to the provisions of the Trust Agreement. If such October 1 is the Maturity Date, the Bond Trustee will not call such Bonds for redemption but, on the Maturity Date, will withdraw from the Sinking Fund Account and set aside the amount required for paying the principal of such Bonds when due and payable. On each such redemption date, the Bond Trustee will withdraw from the Sinking Fund Account and set aside the respective amounts required for paying the Redemption Price of the Bonds or portions thereof so called for redemption.

If a Credit Facility is in effect and the Credit Facility Provider fails to pay a conforming draw in immediately available funds by 1:00 p.m. on such October 1, the Bond Trustee shall immediately notify the Corporation of the amount of the deficiency. Upon notification, the Corporation shall immediately deliver to the Bond Trustee an amount sufficient to cure the same.

If no Credit Facility is in effect, then in the event the balance in the Sinking Fund Account on each September 25 in any year is insufficient for the payment of the Redemption Price of the Bonds or portions thereof so called for redemption on the next succeeding October 1, the Bond Trustee shall notify the Corporation of the amount of the deficiency. Upon notification, the Corporation shall immediately deliver to the Bond Trustee an amount sufficient to cure the same. (Sec. 503 and 504)

Redemption Fund

Money held for the credit of the Redemption Fund shall be applied to the purchase or redemption of Bonds (other than redemption by operation of the Sinking Fund Account) as provided in the Trust Agreement. The expenses in connection with the purchase or redemption of Bonds are required to be paid by the Corporation as part of the Required Payments under the Agreement. (Sec. 505)

Investment of Money

Money held for the credit of all funds and accounts created under the Trust Agreement and held by the Bond Trustee will be continuously invested and reinvested by the Bond Trustee in Permitted Investments to the extent practicable in accordance with the instructions of the Corporation. Money received from a drawing under a Credit Facility, held for the credit of the Bond Purchase Fund and held by the Tender Agent will not be invested. Any such Permitted Investments are required to mature not later than the respective dates when the money held for the credit of such funds or accounts will be required for the purposes intended.

Permitted Investments credited to any fund or account established under the Trust Agreement (other than the Revolving Fund Account) will be held by or under the control of the Bond Trustee and while so held will be deemed at all times to be part of such fund or account in which such money was originally held, and the interest accruing thereon and any profit or loss realized upon the disposition or maturity of such investment will be credited to or charged against such fund or account; provided, however, that the interest accruing on any Permitted Investments credited to the Bond Fund and any profit realized or any loss realized upon the maturity or disposition of such Permitted Investments prior to the completion of the Project, as evidenced in accordance with the provisions of the Trust Agreement, shall be credited to, or charged against, the Construction Account. Any interest accruing and any profit realized or loss resulting from such investment subsequent to such completion of the Project shall be credited to, or charged against, the fund or account of which it is a part. The Bond Trustee will sell at the market price available or reduce to cash a sufficient amount of such Permitted Investments whenever it is necessary so to do in order to provide moneys to make any payment or transfer of moneys from any such fund or account. Neither the Commission nor the Bond Trustee nor the Commission will be liable or responsible for any loss resulting from any investment or the sale of any investment made in accordance with the provisions of the Trust Agreement or for the tax consequences thereof. (Sec. 602)

Valuation

For the purpose of determining the amount on deposit in any fund or account, Permitted Investments in which money in such fund or account is invested will be valued at the market value thereof.

The Bond Trustee will value the Permitted Investments in the funds and accounts established under the Trust Agreement and held by the Bond Trustee on the last Business Day of each March, June, September and December, and at such other times, as specifically requested by the Corporation in writing, as shall be required in order for the Corporation to comply with the Tax Certificate. In addition, such Permitted Investments will be valued by the Bond Trustee at any time requested by the Commission Representative or the Corporation Representative on reasonable notice to the Bond Trustee (which period of notice may be waived or reduced by the Bond Trustee); provided, however, that the Bond Trustee will not be required to value such Permitted Investments more than once in any calendar month except as provided in the Trust Agreement. (Sec. 603)

Liquidity Facility; Self Liquidity Arrangement

While the Bonds bear interest at the Weekly Interest Rate, the Daily Interest Rate or Bond Interest Term Rates and, if and to the extent that the Corporation shall elect, the Long-Term Interest Rate, the Corporation may maintain a Liquidity Facility or Self Liquidity Arrangement in lieu of a Credit Facility. (Sec. 309)

If a Credit Facility or Self Liquidity Arrangement is in effect with respect to the Bonds, a Liquidity Facility covering the Bonds may be delivered to the Tender Agent if all of the conditions set forth in the immediately following paragraph regarding the delivery of an Alternate Liquidity Facility for the Bonds are satisfied.

The Corporation may provide for the delivery to the Tender Agent of an Alternate Liquidity Facility which has a term of at least 364 days. Any Alternate Liquidity Facility delivered to the Tender Agent pursuant to the Trust Agreement as described under this caption in connection with the expiration or termination of a Liquidity Facility or a Credit Facility shall be delivered and become effective not later than 10 days prior to the date on which the former Liquidity Facility or Credit Facility terminates or expires and shall contain administrative provisions reasonably acceptable to the Tender Agent and the Remarketing Agent. Any Alternate Liquidity Facility delivered to the Tender Agent while a Self Liquidity Arrangement, but no Liquidity Facility or Credit Facility, is in effect shall contain administrative provisions reasonably acceptable to the Tender Agent and the Remarketing Agent. On or prior to the date of the delivery of the Alternate Liquidity Facility to the Tender Agent, the Corporation shall furnish to the Tender Agent (A) if the Alternate Liquidity Facility is issued by a Liquidity Facility Provider other than a domestic commercial bank, an Opinion of Counsel addressed to the Commission, the Corporation, the Bond Trustee, the Tender Agent and the Remarketing Agent and satisfactory to the Bond Trustee and the Remarketing Agent that no registration of the Alternate Liquidity Facility is required under the Securities Act of 1933, and no qualification of the Trust Agreement is required under the Trust Indenture Act of 1939, or that all applicable registration or qualification requirements have been fulfilled and (B) an Opinion of Counsel addressed to the Commission, the Corporation, the Bond Trustee, the Tender Agent and the Remarketing Agent and satisfactory to the Bond Trustee to the effect that such Alternate Liquidity Facility is a valid and enforceable obligation of the issuer thereof.

Prior to the expiration or termination of a Liquidity Facility or a Credit Facility in accordance with the terms of that Liquidity Facility or Credit Facility, the Corporation may deliver to the Tender Agent any agreements supplemental to the Trust Agreement that allow the Bonds to be rated in the highest short-term rating category (without giving effect to any gradations within such category) by at least one of S&P, Moody's or Fitch and by all of them that are then rating the Bonds if no Credit Facility or Liquidity Facility will be in effect (a "Self Liquidity Arrangement"). Any Self Liquidity Arrangement implemented pursuant to the Trust Agreement shall be implemented and become effective not later than 10 days prior to the date on which the former Liquidity Facility or Credit Facility terminates or expires and shall contain administrative provisions reasonably acceptable to the Tender Agent and the Remarketing Agent. On or prior to the date of the implementation of the Self Liquidity Arrangement, the Corporation shall furnish to the Tender Agent (i) an Opinion of Counsel addressed to the Commission, the Corporation, the Bond Trustee, the Tender Agent and the Remarketing Agent and satisfactory to the Bond Trustee and the Tender Agent stating that the implementation of such Self Liquidity Arrangement is authorized under the Trust Agreement and complies with the terms hereof and (ii) a Favorable Opinion of Bond Counsel. (Sec. 310)

Events of Default

Each of the following events is an Event of Default under the Trust Agreement:

- (a) payment of any installment of interest on any Bond shall not be made when the same shall become due and payable;
- (b) payment of the principal or the redemption premium, if any, of any Bond shall not be made when the same shall become due and payable, whether at maturity or by proceedings for redemption or acceleration or otherwise;

(c) payment of the Tender Price of Bonds tendered or deemed tendered for purchase is not made when the same becomes due and payable;

(d) default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Trust Agreement or any agreement supplemental thereto and such default continues for 30 days or such further time as the Bond Trustee in its sole discretion deems to be in the best interests of the Holders of Bonds as may be granted in writing by the Bond Trustee after receipt by the Commission of a written notice from the Bond Trustee specifying such default and requiring the same to be remedied; provided, however, if prior to the expiration of such 30-day period the Commission institutes action reasonably designed to cure such default, no Event of Default will be deemed to have occurred upon the expiration of such 30-day period for so long as the Commission pursues such curative action with reasonable diligence and provided that such curative action can be completed within a reasonable time;

(e) an “Event of Default” occurs under the Master Indenture or the Agreement, and such “Event of Default” has not been remedied or waived;

(f) if a Credit Facility is in effect, the Bond Trustee receives written notice from the Credit Facility Provider that an “Event of Default” has occurred under the Credit Facility Provider Agreement, and such “Event of Default” has not been remedied or waived; or

(g) if a Credit Facility is in effect that does not provide for automatic reinstatement of drawings to pay interest on the Bonds, the Bond Trustee shall have received, within the period specified in the Credit Facility for delivery of a notice that the amount of an interest drawing will not be reinstated, written notice from the Credit Facility Provider that it has not been reimbursed for the amount of an interest drawing together with interest, if any, due pursuant to the Credit Facility Provider Agreement and that the amount of such drawing will not be reinstated as provided in the Credit Facility. (Sec. 801).

Remedies on Default and Enforcement of Remedies

Upon the happening and continuance of any Event of Default under the Trust Agreement, the Bond Trustee may, and upon (i) the direction of the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding or (ii) the occurrence of an Event of Default described in paragraphs (a), (b), (c), (f) or (g) above under the subcaption “Events of Default”, the Bond Trustee immediately shall, by notice in writing to the Commission, the LGC, the Corporation and the Credit Facility Provider, declare the principal of all Bonds then Outstanding to be immediately due and payable. Such declaration may be rescinded under circumstances specified in the Trust Agreement.

Notwithstanding the provisions of the Trust Agreement described in the foregoing paragraph, the prior written consent of the Credit Facility Provider to any declaration of acceleration must be obtained by the Bond Trustee in the case of any Event of Default described in paragraphs (d) or (e) above under the subcaption “Events of Default”. If a Credit Facility is in effect upon any declaration of acceleration under the Trust Agreement, the Bond Trustee shall immediately draw upon such Credit Facility as provided in the Trust Agreement. If the Credit Facility Provider honors the drawing under the Credit Facility upon a declaration of acceleration of the Bonds, interest on the Bonds shall accrue only to the date of such declaration and the Bond Trustee shall pay the principal of and interest on the Bonds to the Holders immediately following the receipt of funds from such drawing. If no Credit Facility is in effect or the Credit Facility Provider fails to honor the drawing under the Credit Facility upon a declaration of acceleration of the Bonds, interest on the Bonds shall cease to accrue as provided in the Trust Agreement and described below under the subcaption “Pro Rata Application of Funds.” (Sec. 802)

Upon the happening and continuance of any Event of Default under the Trust Agreement, then and in every such case the Bond Trustee may proceed and upon the written request of the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding, shall proceed, subject to the indemnification provisions of the Trust Agreement, to protect and enforce its rights and the rights of the Holders under the laws of the State or under the Trust Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Trust Agreement or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy, as the Bond Trustee, being advised by counsel chosen by the Bond Trustee, shall deem most effectual to protect and enforce such rights. (Sec. 803)

Control of Proceedings

The Holders of a majority in aggregate principal amount of Bonds then Outstanding have the right, subject, in certain circumstances to the right of the Bond Trustee to be indemnified to its satisfaction as provided in the Trust Agreement, by an instrument or concurrent instruments in writing executed and delivered to the Bond Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Bond Trustee, provided that such direction is in accordance with law and the provisions of the Trust Agreement. Notwithstanding the foregoing sentence, if a Credit Facility is in effect, the Credit Facility Provider, not the Holders, shall have the right, subject, in certain circumstances to the right of the Bond Trustee to be indemnified to its satisfaction as provided in the Trust Agreement, by an instrument in writing executed and delivered to the Bond Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Bond Trustee, provided that such direction shall be in accordance with law and the provisions of the Trust Agreement. (Sec. 806)

Restrictions upon Actions by Individual Holders

No Holder will have any right to institute any suit, action or proceeding in equity or at law on any Bond or for the execution of any trust under the Trust Agreement or for any other remedy under the Trust Agreement unless such Holder previously has given to the Bond Trustee written notice of the Event of Default under the Trust Agreement on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding have made a written request of the Bond Trustee after the right to exercise such powers or right of action, as the case may be, has accrued, and have afforded the Bond Trustee a reasonable opportunity either to proceed to exercise its powers granted in the Trust Agreement or to institute such action, suit or proceedings in its or their name, unless there have been offered to the Bond Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred in connection with such request, and the Bond Trustee has refused or neglected to comply with such request within a reasonable time. Notwithstanding the foregoing provisions described in this paragraph and without complying with those provisions, the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all Holders of Bonds. It is understood and intended that, except as otherwise described above, no one or more Holders of Bonds will have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security of the Trust Agreement, or to enforce any right under the Trust Agreement except in the manner provided, that all proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Trust Agreement and for the benefit of all Holders of Bonds and that any individual rights of action or other right given to one or more of such Holders by law are restricted by the Trust Agreement to the rights and remedies provided in the Trust Agreement. (Sec. 807)

Notwithstanding the immediately preceding paragraph, nothing in the Trust Agreement will affect or impair the right of any Holder of Bonds to enforce the payment of the principal of and interest on his

Bond or the obligation of the Commission to pay the principal of and interest on each Bond to the Holder thereof at the time and place in said Bond expressed. (Sec. 812)

Pro Rata Application of Funds

Anything in the Trust Agreement to the contrary notwithstanding, if at any time the money in the Bond Fund is not sufficient to pay the interest on or the principal of Bonds as the same become due and payable (either by their terms or by acceleration of maturities under the provisions of the Trust Agreement), such money, together with any money then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in the Trust Agreement or otherwise, will be applied as follows:

(a) to the payment of the cost and expenses of any proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Bond Trustee, including reasonable attorneys' fees, and all other outstanding fees and expenses of the Bond Trustee, and thereafter any fees, expenses, liabilities and advances due to, or incurred or made by, the Tender Agent, and the Remarketing Agent;

(b) to the payment of any sums due to the Commission under the Agreement (other than Loan Repayments);

(c) if the principal of all Bonds has not become or has not been declared due and payable, all such money in the Bond Fund will be applied:

first: to the payment to the persons entitled thereto of all installments of interest on Bonds then due and payable in the order in which such installments became due and payable and, if the amount available is not sufficient to pay in full any particular installment, then to the payment, ratably according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds;

second: to the payment to the persons entitled thereto of the unpaid principal of any Bonds that have become due and payable (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Trust Agreement), in the order of their due dates, and, if the amount available is not sufficient to pay in full the principal of Bonds due and payable on any particular date, then to the payment ratably according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference; and

third: to the payment of the interest on and the principal of Bonds, to the purchase and retirement of Bonds, and to the redemption of Bonds, all in accordance with the provisions of the Trust Agreement.

(d) If the principal of all Bonds has become or has been declared due and payable, all such money will be applied to the payment of principal and interest then due upon the Bonds without preference to the persons entitled thereto without preference or priority of principal over interest or interest over principal, or of any installment of interest over any other installment of interest or any Bond over any other Bond ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference.

(e) If the principal of all Bonds has been declared due and payable and if such declaration thereafter is rescinded and annulled under the provisions of the Trust Agreement, then, subject to the provisions of paragraph (b) above in the event that the principal of all Bonds later becomes due and payable or is declared due and payable, the money then remaining in and thereafter accruing to the Bond Fund will be applied in accordance with the provisions of paragraph (a) above.

Whenever money is to be applied by the Bond Trustee pursuant to the provisions described above, such money will be applied by the Bond Trustee at such times and from time to time, as the Bond Trustee in its sole discretion determines, having due regard for the amount of such money available for such application and the likelihood of additional money becoming available for such application in the future; the setting aside of such money, in trust for the proper purpose, will constitute proper application by the Bond Trustee, and the Bond Trustee will incur no liability whatsoever to the Commission, to any Holder or to any other person for any delay in applying any such money so long as the Bond Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Trust Agreement as may be applicable at the time of application by the Bond Trustee. Whenever the Bond Trustee exercises such discretion in applying such money, except in case of acceleration of the Bonds pursuant to the Trust Agreement following notice from the Credit Facility Provider that an Event of Default has occurred under the Credit Facility Provider Agreement or that the amount of an interest drawing will not be reinstated to the Credit Facility, it will fix the date (which will be an Interest Payment Date unless the Bond Trustee deems 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 will cease to accrue. The Bond Trustee will give notice by first class mail, postage prepaid, to all Holders of the fixing of any such date, and will not be required to make payment to the Holder of any Bonds until such Bonds are surrendered to the Bond Trustee for cancellation if fully paid.

Notwithstanding the provisions described about under this heading, if a Credit Facility is in effect, (i) no amounts shall be paid pursuant to paragraphs (a) and (b) above from money derived from a drawing under the Credit Facility, proceeds from remarketing of Bonds or money held for the payment of Undelivered Bonds, and (ii) unless the Credit Facility permits drawings to pay redemption premium with respect to the Bonds, no money derived from a drawing under the Credit Facility shall be used to pay redemption premium with respect to the Bonds. (Sec. 804)

Notice of Default

The Bond Trustee will, upon notice of an Event of Default, immediately notify the Commission, the LGC, the Liquidity Facility Provider (if any), the Credit Facility Provider (if any) and the Corporation of such Event of Default by Electronic Means. The Bond Trustee will mail to all Holders at their addresses as they appear on the Register written notice of the occurrence of any Event of Default within 30 days after the Bond Trustee has notice, as determined pursuant to the provisions of the Trust Agreement, that any such Event of Default has occurred. Except upon the happening of an Event of Default described in paragraph (a) or (c) under the caption “Events of Default” above, or the happening of an event of default under the Agreement described in paragraph (a) or (b) under the caption “SUMMARY OF THE AGREEMENT—Defaults and Remedies” above, the Bond Trustee may withhold such notice to the Holders if, in its opinion, such withholding is in the interest of such Holders. The Bond Trustee will not be subject to any liability to any Holder by reason of its failure to mail any such notice. (Sec. 811)

Indemnification of Bond Trustee as Condition for Remedial Action

Except for accelerating the Bonds as required under the Trust Agreement and described above under the caption “Remedies on Default,” taking action to draw on the Credit Facility as required under

the Trust Agreement and paying principal of, and premium, if any, and interest on, Bonds from money in its possession under the provisions of the Trust Agreement, the Bond Trustee will be under no obligation to institute any suit or to take any remedial proceeding (including, but not limited to, the appointment of a receiver) under the Trust Agreement or the Agreement or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of any of the trusts created by the Trust Agreement or in the enforcement of any rights and powers under the Trust Agreement, until it is indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability. The Bond Trustee nevertheless may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as the Bond Trustee, without indemnity, and in such case the Commission, at the request of the Bond Trustee, will reimburse the Bond Trustee from the revenues of the Commission derived from funds available under the Agreement for all costs, expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith. If the Commission fails to make such reimbursement, the Bond Trustee may reimburse itself from any money in its possession under the provisions of the Trust Agreement (other than money received from a drawing under the Credit Facility and money in the Bond Purchase Fund) and will be entitled to a preference therefor over any Bonds Outstanding under the Trust Agreement. (Sec. 902)

Removal and Resignation of Bond Trustee

No resignation or removal of the Bond Trustee and no appointment of a successor Bond Trustee will be effective until (1) the acceptance of appointment by the successor Bond Trustee as provided in the Trust Agreement and (2) the Credit Facility (if a Credit Facility is then in effect) is transferred to the successor Bond Trustee.

The Bond Trustee may resign and thereby become discharged from the trusts created by the Trust Agreement, by notice in writing given to the Commission, the Corporation and the Liquidity Facility Provider or the Credit Facility Provider, and mailed, postage prepaid, at the Bond Trustee's expense, to each Holder, not less than 60 days before such resignation is to take effect, but such resignation will take effect immediately upon the appointment of a new Bond Trustee under the Trust Agreement if such new Bond Trustee is appointed before the time set forth in such notice and then accepts the trusts under the Trust Agreement.

The Bond Trustee may be removed (a) at any time by an instrument or concurrent instruments in writing, executed by the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding and filed with the Commission, or (b) so long as no Event of Default has occurred and is continuing, by an instrument in writing executed by the Corporation Representative, subject to the prior written consent of the Commission, and filed with the Commission not less than 60 days before such removal is to take effect as stated in said instrument or instruments.

The Bond Trustee also may be removed at any time for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of the Trust Agreement with respect to the duties and obligations of the Bond Trustee thereunder by any court of competent jurisdiction upon the application of the Commission or the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding. (Sec. 912, Sec. 913 and Sec. 914)

Appointment of Successor Bond Trustee

If the Bond Trustee resigns, is removed, is dissolved or otherwise becomes incapable of acting, or the bank or trust company acting as Bond Trustee is taken over by any governmental official, agency, department or board, the position of Bond Trustee shall then become vacant. If the position of Bond

Trustee becomes vacant for any reason, the Corporation shall recommend, and the Commission shall appoint, a Bond Trustee to fill such vacancy. A successor Bond Trustee shall not be required if the Bond Trustee sells or assigns substantially all of its trust business and the vendee or assignee continues in the trust business, or if a transfer of the trust department of the Bond Trustee is required by operation of law, provided that such vendee, assignee or transferee (i) is a bank or trust company having the powers of a trust company as to trusts, qualified to do and doing trust business in one or more states of the United States of America, (ii) has good standing, (iii) has a combined capital, surplus and undivided profits aggregating not less than \$100,000,000 and (iv) is approved by the Commission and the Corporation. The Commission shall mail notice of any such appointment made by it, postage prepaid, to all Holders.

At any time within one year after any such vacancy has occurred, the Holders of not less than 25% in principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing, executed by such Holders and filed with the Commission, may nominate a successor Bond Trustee, which the Commission shall appoint and which shall supersede any Bond Trustee theretofore appointed by the Commission.

If no appointment of a successor Bond Trustee is made under the foregoing provisions under this caption, any Holder or any retiring Bond Trustee may apply to any court of competent jurisdiction to appoint a successor Bond Trustee. Such court may then, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Bond Trustee.

Any successor Bond Trustee hereafter appointed shall (i) be a bank or trust company having the powers of a trust company as to trusts, qualified to do and doing trust business in one or more states of the United States of America, (ii) be of good standing, (iii) have a combined capital, surplus and undivided profits aggregating not less than \$100,000,000 and (iv) be approved by the Commission and the Corporation. (Sec. 915)

Holders of Bonds Deemed Holders of Obligation No. 1

In the event that any request, direction or consent is required or permitted by the Master Indenture of the registered owners of Obligations issued thereunder, including Obligation No. 1, the Holders of Bonds then Outstanding shall be deemed to be registered owners of Obligation No. 1 for the purpose of any such request, direction or consent in the proportion that the aggregate principal amount of Bonds then Outstanding held by each such Holder of Bonds bears to the aggregate principal amount of all Bonds then Outstanding. (Sec. 1003)

Credit Facility Provider Deemed Holder of Bonds

For purposes of giving any consents or directions contemplated under the Trust Agreement, or exercising any voting rights given to Holders under the Trust Agreement, for so long as a Credit Facility is in effect and subject to the provisions of the Trust Agreement described under the immediately following caption, the Credit Facility Provider shall be deemed to be the Holder of the Bonds. (Sec. 1004)

Rights of Credit Facility Provider

All rights of a Credit Facility Provider under the Trust Agreement to consent to declarations of acceleration, to consent to enforcement of remedies, to direct proceedings, to compel waivers, to consent to amendments and to give any other consents or to vote under the Trust Agreement shall be suspended (i) for so long as the Credit Facility Provider wrongfully dishonors any draft (or other appropriate form of demand) presented in strict conformity with the requirements of the Credit Facility and has not honored a

subsequent draft (or other appropriate form of demand), if any, thereunder or (ii) if no Credit Facility is in effect or any Credit Facility terminates in accordance with its terms and all amounts due under the Credit Facility Provider Agreement have been paid in full. (Sec. 813).

Modification of the Trust Agreement

The Commission and the Bond Trustee may, from time to time and at any time, enter into agreements supplemental to the Trust Agreement, without the consent of or notice to any Holder, to effect any one or more of the following: (a) cure any ambiguity or defect or omission or correct or supplement any provision in the Trust Agreement or any supplemental trust agreement thereto; (b) grant to or confer upon the Bond Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Bond Trustee which are not contrary to or inconsistent with the Trust Agreement as then in effect or to subject to the pledge and lien of the Trust Agreement additional revenues, properties or collateral, including Defeasance Obligations; (c) add to the provisions of the Trust Agreement other conditions, limitations and restrictions thereafter to be observed which are not contrary to or inconsistent with the Trust Agreement as then in effect; (d) add to the covenants and agreements of the Commission in the Trust Agreement other covenants and agreements thereafter to be observed by the Commission or to surrender any right or power therein reserved to or conferred upon the Commission which are not contrary to or inconsistent with the Trust Agreement as then in effect; (e) permit the qualification of the Trust Agreement under any federal statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the Commission so determines, to add to the Trust Agreement or any supplemental trust agreement such other terms, conditions and provisions as may be permitted or required by such federal statute or Blue Sky law; (f) make any other change that is determined by the Bond Trustee, who may rely upon an Opinion of Counsel, to be not materially adverse to the interests of the Holders; (g) if all of the Bonds are Book-Entry Bonds, amend, modify, alter or replace any provisions of the Trust Agreement relating to Book-Entry Bonds; (h) facilitate the issuance and delivery of certificated Bonds to Beneficial Owners thereof if the Book-Entry System for the Bonds is discontinued; (i) make any change to the administrative provisions of the Trust Agreement, to accommodate the provisions of an Alternate Liquidity Facility, Liquidity Facility, Self Liquidity Arrangement, Credit Facility, Alternate Credit Facility or bond insurance policy; (j) while the Bonds bear interest at the Weekly Interest Rate or the Daily Interest Rate, to make any change to the Sinking Fund Requirements if the Bond Trustee receives a Favorable Opinion of Bond Counsel with respect thereto; (k) add to the provisions of the Trust Agreement other conditions, limitations and restrictions thereafter to be observed; and (l) make any conforming changes necessitated by the delivery of a Substitute Obligation in accordance with the provisions of the Master Indenture. (Sec. 1101)

The Trust Agreement may be amended in any particular, with the consent of the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding, provided, however that nothing contained in the Trust Agreement permits (a) without the consent of the Holder of such Bond, (i) an extension of the maturity of the principal of, or the mandatory redemption date of, or interest on, any Bond (except as described in clause (k) of the immediately preceding paragraph) or (ii) a reduction in the principal amount of, or the premium or the rate of interest on, any Bond or (b) without the consent of the Holders of all Bonds Outstanding, (i) the creation of a pledge of receipts and revenues to be received by the Commission under the Agreement superior to the pledge created by the Trust Agreement, (ii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (iii) a reduction in the aggregate principal amount of Bonds required for any consent to any supplemental trust agreement. (Sec. 1102)

Notwithstanding anything to the contrary described in the two immediately preceding paragraphs, a supplemental trust agreement, amendment or other document described above shall not become

effective unless and until the Credit Facility Provider has consented to the execution of such supplemental trust agreement, amendment or other document. (Sec. 1106)

Defeasance

When among other things, the principal, premium, if any, and interest due upon all of the Bonds is paid or sufficient money or Defeasance Obligations are held by the Bond Trustee for such purpose, then the right, title and interest of the Bond Trustee in the funds and accounts created in the Trust Agreement will cease and the Bond Trustee will release the Trust Agreement. (Sec. 1201)

No Recourse Against Members, Officers or Employees of the Commission or Local Government Commission

No recourse under, or upon, any statement, obligation, covenant, or agreements contained in the Trust Agreement, or in any Bond secured by the Trust Agreement, or in any document or certification whatsoever, or under any judgment obtained against the Commission or the LGC or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, will be had against any member, officer or employee, as such, of the Commission or the LGC, either directly or through the Commission or the LGC, respectively, or otherwise, for the payment for or to the Commission or the LGC or any receiver of either of them, or for, or to, any Holder or otherwise, of any sum that may be due and unpaid upon any such Bond. (Sec. 1307)

Replacement Master Indenture

In the event that a Substitute Obligation under a Replacement Master Indenture (as described above under the caption “SUMMARY OF THE MASTER INDENTURE—Particular Covenants--Replacement Master Indenture”), is delivered to the Bond Trustee pursuant to the provisions of the Master Indenture, references to the Master Indenture and Obligation No. 1 in the Trust Agreement will be deemed to be references to such Replacement Master Indenture and such Substitute Obligation, references to the Master Trustee shall be deemed to be references to the trustee under the Replacement Master Indenture and references to the Obligated Group shall be deemed to be references to the New Group (as defined in the Master Indenture). (Sec. 1317)

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

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ROBINSON BRADSHAW & HINSON

June __, 2007

North Carolina Medical Care Commission
Raleigh, North Carolina

Re: \$49,230,000 North Carolina Medical Care Commission Variable Rate Demand Hospital Revenue Bonds (Randolph Hospital) Series 2007 (the "Bonds")

Ladies and Gentlemen:

We have acted as bond counsel to the North Carolina Medical Care Commission (the "Commission") in connection with the issuance by the Commission of the referenced Bonds. In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to a Trust Agreement dated as of June 1, 2007 (the "Trust Agreement") between the Commission and First-Citizens Bank & Trust Company, as bond trustee (the "Bond Trustee"). The Commission will lend the proceeds of the Bonds to Randolph Hospital, Inc. (the "Corporation") under a Loan Agreement dated as of June 1, 2007 (the "Loan Agreement") between the Commission and the Corporation. The Bonds are secured by, among other things, payments to be made by the Corporation on Obligation No. 1 dated as of the date hereof ("Obligation No. 1") issued by the Corporation to the Commission under the Master Trust Indenture dated as of June 1, 2007 (as supplemented, the "Master Indenture") between the Corporation, Randolph Medical Associates ("RMA"), The Randolph Hospital Community Health Foundation (the "Foundation") and First-Citizens Bank & Trust Company, as master trustee (the "Master Trustee"), as evidence of the obligation of the Corporation to repay the loan of the proceeds of the Bonds and assigned by the Commission to the Bond Trustee as security for the payment of the Bonds. As provided in the Master Indenture, each Member of the Obligated Group (as defined in the Master Indenture) is jointly and severally liable for Obligation No. 1 and all other Obligations (as defined in the Master Indenture) issued under the Master Indenture. As of the date hereof, the Corporation, RMA and the Foundation are the Members of the Obligated Group. As security for all Obligations issued under the Master Indenture, each of the Corporation, RMA and the Foundation has granted to the Master Trustee a security interest in its Pledged Assets, subject to Permitted Liens (both as defined in the Master Indenture). A financing statement with respect to the security interest in the Pledged Assets of the Corporation, RMA and the Foundation has been filed with the Secretary of State of the State of North Carolina.

Payments with respect to principal of and interest on the Bonds and under certain circumstances the purchase price of Bonds are to be made pursuant to drawings by the Bond Trustee under an irrevocable, direct-pay letter of credit (the "Letter of Credit") issued by Bank of America, N.A.

As to questions of fact material to our opinion, we have relied upon representations of the Commission and the Corporation contained in various documents, certified proceedings and other certifications of public officials furnished to us, and certifications furnished to us by and on behalf of the Corporation without undertaking to verify the same by independent investigation.

Attorneys at Law

101 North Tryon Street, Suite 1900, Charlotte, NC 28246

Charlotte, NC Chapel Hill, NC Rock Hill, SC

www.rbh.com

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized and executed by the Commission and are valid and binding limited obligations of the Commission, payable in accordance with their terms from payments to be made by the Corporation or the other Members of the Obligated Group pursuant to Obligation No. 1 and the Loan Agreement, certain funds held by the Bond Trustee under the Trust Agreement, amounts drawn under the Letter of Credit and certain other sources.

2. The Trust Agreement has been duly authorized, executed, and delivered by the Commission and is a valid and binding obligation of the Commission, enforceable upon the Commission. The Trust Agreement creates a valid lien on the rights and property described in the granting clause thereof.

3. The Loan Agreement has been duly authorized, executed, and delivered by the Commission and the Corporation, and is a valid and binding obligation of the Commission and the Corporation, enforceable upon the Commission and the Corporation.

4. The Master Indenture has been duly authorized, executed, and delivered by each Member of the Obligated Group, and is a valid and binding obligation of each Member of the Obligated Group, enforceable upon each Member of the Obligated Group. Obligation No. 1 has been duly authorized and executed by the Corporation, and is a valid and binding obligation of each Member of the Obligated Group, enforceable upon each Member of the Obligated Group.

5. The Master Indenture is effective to create in favor of the Master Trustee a security interest in the Pledged Assets of the Corporation, RMA and the Foundation to the extent that a security interest in such assets may be created under North Carolina's version of Article 9 of the Uniform Commercial Code (the "UCC"), which security interest has been perfected to the extent it could be perfected by the filing of financing statements under the UCC. Continuation statements meeting the requirements of the UCC must be filed as required by law to continue the perfection of such security interest. The security interest in certain items constituting Pledged Assets is subject to exceptions under the UCC and may be limited by the powers of the State of North Carolina and the federal government to restrict assignment of the right to payment from such entities.

6. Interest on the Bonds is excludable from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining adjusted current earnings. The opinion set forth in this paragraph is subject to the condition that the Commission and the Corporation comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Commission and the Corporation have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. In rendering the opinion set forth in the first sentence of this paragraph, we have relied on the opinion of Kennedy Covington Lobdell & Hickman, L.L.P., Research Triangle Park, North Carolina, counsel to the Obligated Group, that the Corporation is an organization that is exempt from federal income taxation

under Section 501(a) of the Code by virtue of being an organization described in Section 501(c)(3) of the Code.

7. Interest on the Bonds is exempt from State of North Carolina income taxes.

The rights of the holders of the Bonds and the enforceability of the Bonds, the Trust Agreement, the Loan Agreement, Obligation No. 1 and the Master Indenture are limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We express no opinion herein (a) regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds, or (b) except as stated above, regarding federal, state, or local tax consequences arising with respect to the Bonds.

In rendering this opinion, we have relied upon the opinion of Kennedy Covington Lobdell & Hickman, L.L.P. with respect to the due authorization, execution and delivery by the Members of the Obligated Group of the Master Indenture and the due authorization, execution and delivery by the Corporation of the Loan Agreement and Obligation No. 1.

This opinion is given 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,

[To be signed "Robinson, Bradshaw & Hinson, P.A."]

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APPENDIX E
INFORMATION REGARDING THE
BOOK-ENTRY-ONLY SYSTEM

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INFORMATION REGARDING THE BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Series 2007 Bonds. The Series 2007 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate in the aggregate principal amount of the Series 2007 Bonds and maturing on October 1, 2037 will be issued and deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007 Bonds on DTC’s records. The ownership interest of each actual purchaser of the Series 2007 Bonds (“*Beneficial Owner*”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2007 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2007 Bonds, except in the event that use of the book-entry system for the Series 2007 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2007 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 the Series 2007 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 2007 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts the Series 2007

Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants are 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 of the Series 2007 Bonds 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 the Series 2007 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2007 Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2007 Bonds may wish to ascertain that the nominee holding the Series 2007 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.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2007 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2007 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 Commission or the Bond Trustee on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Commission, the Corporation or the Bond Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursements of such payments to the Beneficial Owners shall be the responsibility of the Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered through its Participant to the Remarketing Agent and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in such Bonds, on DTC's records, to the Paying Agent or the Remarketing Agent, as applicable. The requirement for physical delivery of the Series 2007 Bonds in connection with an optional or mandatory tender for purchase will be deemed satisfied when the ownership rights in the Series 2007 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's or Remarketing Agent's, as applicable, DTC account. See "THE SERIES 2007 BONDS – Tender and Purchase of Series 2007 Bonds" herein.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and the Commission and the Corporation take no responsibility for the accuracy thereof.

NEITHER THE COMMISSION, THE CORPORATION, THE BOND TRUSTEE NOR THE TENDER AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO THE DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT

TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR REDEMPTION PRICE OR INTEREST WITH RESPECT TO THE SERIES 2007 BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO HOLDERS UNDER THE TERMS OF THE TRUST AGREEMENT; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2007 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER OF THE SERIES 2007 BONDS.

DTC may discontinue providing its services as depository with respect to the Series 2007 Bonds at any time by giving reasonable notice to the Commission, the Corporation and the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Commission may also decide to discontinue participation in the system of book-entry-only transfers through DTC (or a successor securities depository) pursuant to DTC's rules and procedures (or the rules and procedures of a successor securities depository).

If the book-entry system is discontinued and there is no successor securities depository, Series 2007 Bonds will be printed and delivered to the DTC.

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