

NEW ISSUE—BOOK ENTRY ONLY

Rating: S&P: A, Stable
See “RATING” herein

\$31,710,000*
THE EAST ALABAMA HEALTH CARE AUTHORITY
Health Care Facilities Bonds,
Series 2018A

Authorizing Document and Purpose. The Series 2018A Bonds are being issued under a Trust Indenture dated May 1, 2018 (the “Indenture”) between The East Alabama Health Care Authority (the “Authority”) and Regions Bank, as trustee (the “Trustee”). The Series 2018A Bonds are being issued to (i) finance capital improvements to the health care facilities of the Authority, and (ii) pay costs of issuance. See “THE PLAN OF FINANCE”.

Source of Payment and Security. The Series 2018A Bonds are general obligations of the Authority and are secured by a Related Debt Obligation (the “Series 2018A Master Indenture Obligation”) issued under a Master Trust Indenture dated as of April 1, 2012 (the “Master Indenture”) between the Authority and Regions Bank, as trustee (the “Master Trustee”). The Series 2018A Master Indenture Obligation, and other obligations issued under and secured by the Master Indenture from time to time, are secured by a pledge of (1) revenues of the Authority, (2) 75% of the proceeds of a special 2½ mill ad valorem tax levied in Lee County, Alabama for public hospital purposes, and (3) a Mortgage and Security Agreement dated June 1, 2002, as amended and supplemented (the “Mortgage”), between the Authority and Regions Bank, as collateral agent. See “SECURITY AND SOURCE OF PAYMENT—Pledge of Gross Receipts, Pledged Tax Proceeds and Other Properties.”

THE SERIES 2018A BONDS ARE GENERAL OBLIGATIONS OF THE AUTHORITY. THE SERIES 2018A BONDS WILL NOT BE OBLIGATIONS OR DEBTS OF THE STATE OF ALABAMA, LEE COUNTY, ALABAMA, OR ANY MUNICIPALITY OR OTHER COUNTY IN THE STATE OF ALABAMA, NOR WILL THE FAITH AND CREDIT OF THE STATE OF ALABAMA OR ANY COUNTY OR MUNICIPALITY THEREIN BE PLEDGED FOR PAYMENT OF THE SERIES 2018A BONDS. THE AUTHORITY HAS NO TAXING POWER.

Pricing and Payment Terms. Pricing information for the Series 2018A Bonds, including principal maturities, interest rates, payment dates, authorized denominations, and redemption information is shown on the inside cover of this Official Statement.

Redemption. The Series 2018A Bonds are subject to redemption prior to maturity as herein described.

Form and Date of Delivery. The Series 2018A Bonds are being issued under the book entry system maintained by The Depository Trust Company (“DTC”). The Series 2018A Bonds are expected to be delivered on May __, 2018, and will be dated their date of delivery.

Tax Status. Interest on the Series 2018A Bonds (i) will not be included in gross income of the holders thereof for purposes of federal income taxation, and (ii) will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, subject to limitations or exceptions described under “TAX MATTERS”. The opinion of bond counsel will address these aspects of the tax status of the Series 2018A Bonds and should be read in its entirety for a complete understanding of the scope of the opinion and the conclusions expressed.

Risk Factors. For a description of certain risk factors involved in an investment in the Series 2018A Bonds, see “BONDHOLDERS’ RISKS”.

Legal Opinions. Maynard, Cooper & Gale, P.C. has served as bond counsel to the Authority and will deliver its opinion with respect to the Series 2018A Bonds in substantially the form attached as APPENDIX D. In connection with the issuance of the Series 2018A Bonds, Maynard, Cooper & Gale, P.C. has also served as counsel to the Authority, and Butler Snow LLP has served as counsel to the Underwriter.

Underwriter. The Series 2018A Bonds are being purchased from the Authority by

BOFA MERRILL LYNCH

The date of this Official Statement is May __, 2018.

* Preliminary; subject to change.

This Preliminary Official Statement has not been approved by the Authority, and the information herein is subject to completion and amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2018A Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. A definitive Official Statement will be made available prior to the delivery of these securities.

THE EAST ALABAMA HEALTH CARE AUTHORITY

\$31,710,000 *

**THE EAST ALABAMA HEALTH CARE AUTHORITY
HEALTH CARE FACILITIES BONDS,
SERIES 2018A**

SERIES 2018A BONDS PRICING INFORMATION

Year	Amount	Interest Rate	Yield **	CUSIP
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* Preliminary; subject to change.

** Yield computed to the first optional call date of _____.

Date of Bonds. The Series 2018A Bonds will be dated as of the date of their initial delivery. There will be no accrued interest payable as part of the initial offering price.

Authorized Denominations. The Series 2018A Bonds may be issued in denominations of \$5,000 or any integral multiple thereof.

Interest Payment Dates. Interest on the Series 2018A Bonds is payable on March 1 and September 1 of each year, beginning September 1, 2018.

Principal Payment Dates. The Series 2018A Bonds mature on September 1 in years and amounts as shown above.

Redemption Prior to Maturity. The Series 2018A Bonds are subject to redemption prior to maturity as described herein. See “THE SERIES 2018A BONDS—Redemption Prior to Maturity.”

THE EAST ALABAMA HEALTH CARE AUTHORITY

BOARD OF DIRECTORS OF THE AUTHORITY

Joel C. Pittard, M.D., Chairman
Lucinda S. Cannon, Vice Chairman
Robert W. Dumas, Secretary-Treasurer
C. Wayne Alderman, Ph.D.
Larry Fillmer
Gaines Lanier
J. Stephen Lock, M.D.
Chris Nunn
William H. Scott, III
David Smalley, M.D.

COUNSEL TO THE AUTHORITY

Maynard, Cooper & Gale, P.C.
Birmingham, Alabama

BOND COUNSEL

Maynard, Cooper & Gale, P.C.
Birmingham, Alabama

COUNSEL TO THE UNDERWRITER

Butler Snow LLP
Birmingham, Alabama

INDEPENDENT AUDITORS

Warren Averett, LLC
Birmingham, Alabama

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Series 2018A Bonds.

Quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions.

The information in this Official Statement has been obtained from sources which are considered dependable and which are customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness.

All estimates and assumptions contained herein are believed to be reasonable, but no representation is made that such estimates or assumptions are correct or will be realized.

No person, including any broker, dealer or salesman, has been authorized to give any information or to make any representation other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Authority.

The Series 2018A Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities laws and will not be listed on any stock or other securities exchange, and neither the Securities and Exchange Commission nor any federal, state, municipal or other governmental agency will pass upon the accuracy, completeness or adequacy of this Official Statement.

Any information or expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create an implication that there has been no change as to the affairs of the Authority since the date hereof.

In connection with the offering of the Series 2018A Bonds the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Series 2018A Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Certain statements contained in this Official Statement reflect forecasts and forward-looking statements, rather than historical facts. In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe,” and similar expressions are intended to identify forward-looking statements. All such forward-looking statements are expressly qualified by the cautionary statements set forth in this Official Statement.

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OFFICIAL STATEMENT

regarding

\$31,710,000 *
Health Care Facilities Bonds,
Series 2018A

issued by

THE EAST ALABAMA HEALTH CARE AUTHORITY

INTRODUCTION

This Official Statement is furnished in connection with the issuance of the Series 2018A Bonds referred to above (the “Series 2018A Bonds”) by The East Alabama Health Care Authority (the “Authority”). The Authority operates a healthcare system (the “EAMC System” or the “System”) that includes (i) its 314 licensed bed general acute care hospital in Opelika, Alabama known as East Alabama Medical Center (“EAMC”), (ii) a 115 licensed bed general acute care hospital in the City of Valley, Alabama known as EAMC-Lanier (“EAMC-Lanier”), and (iii) Auburn Medical Park in Auburn, Alabama, which includes a 26 licensed bed skilled nursing facility (“Auburn Medical Park”).

The Series 2018A Bonds will be issued pursuant to a Trust Indenture dated May 1, 2018 (the “Indenture”), between the Authority and Regions Bank, as trustee (the “Trustee”). The Series 2018A Bonds will be issued for the purpose of (i) financing certain improvements to the health care facilities of the Authority, and (ii) paying the costs of issuance of the Series 2018A Bonds. See “THE PLAN OF FINANCE – Application of Proceeds of Series 2018A Bonds” and – “Sources and Uses of Funds”.

TERMS USED IN OFFICIAL STATEMENT

Certain capitalized terms used frequently in this Official Statement are defined in the form of the Indenture, and in the Master Indenture and Mortgage attached as APPENDIX C.

THE SERIES 2018A BONDS

Date, Form of Bonds and Denominations

The Series 2018A Bonds will be dated as of the date of initial delivery. The Series 2018A Bonds will be issuable in denominations of \$5,000 and any integral multiple thereof.

Book-Entry System

The Series 2018A Bonds are being issued in book entry form under the book entry system (the “Book Entry System”) maintained by DTC. While the Series 2018A Bonds are subject to the Book Entry System, the registration, transfer, exchange and payment of Series 2018A Bonds will be governed by the Book Entry System. If the Book Entry System is discontinued, the Indenture contains alternate provisions for the registration, transfer, exchange and payment of Series 2018A Bonds. See APPENDIX F for a description of the DTC Book Entry System.

* Preliminary; subject to change.

Maturity

See the pricing terms on the inside cover of this Official Statement for the maturity dates for the Series 2018A Bonds. The Series 2018A ____ Term Bonds and the Series 2018A ____ Term Bonds will also be subject to scheduled mandatory redemption prior to maturity. See “Redemption Prior to Maturity”.

Interest Rate

See the pricing terms on the inside cover of this Official Statement for the interest rates applicable to the Series 2018A Bonds. Interest on the Series 2018A Bonds will be computed on the basis of a 360-day year with 12 months of 30 days each.

Interest Payment Dates

Interest on the Bonds will be payable on March 1 and September 1 in each year, beginning September 1, 2018.

Redemption Prior to Maturity

Optional Redemption. Any Series 2018A Bond that matures after _____, ____ may be redeemed in whole or in part on any Business Day on or after _____, ____ at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the date of redemption.

Scheduled Mandatory Redemption of ____ Term Bonds. Unless serial maturities have been assigned to the Series 2018A Bonds maturing on September 1, ____ (the “____ Term Bonds”), the ____ Term Bonds shall be redeemed, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, on September 1 in the years and in principal amounts (after credit as provided below) as follows:

Year	Amount
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(maturity)

Scheduled Mandatory Redemption of ____ Term Bonds. Unless serial maturities have been assigned to the Series 2018A Bonds maturing on September 1, ____ (the “____ Term Bonds”), the ____ Term Bonds shall be redeemed, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, on September 1 in the years and in principal amounts (after credit as provided below) as follows:

Year	Amount
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(maturity)

If any of such scheduled mandatory redemption dates is not a Business Day, the actual redemption date for the Series 2018A Bonds shall be the next succeeding Business Day, and interest shall not accrue from the scheduled mandatory redemption date to the actual redemption date with respect to the principal to be redeemed.

Not later than the date on which notice of scheduled mandatory redemption is to be given to Bondholders, the Trustee shall proceed to select for redemption, by lot, Series 2018A Bonds or portions thereof in an aggregate principal amount equal to the amount required to be redeemed and shall call such Series 2018A Bonds or portions thereof for redemption on such scheduled mandatory redemption date; provided, however, that the Authority may, upon direction delivered to the Trustee not less than 3 days prior to the date notice of such scheduled mandatory redemption is to be given, direct that any or all of the following amounts be credited against the principal amount of Series 2018A Bonds scheduled for redemption on such date: (i) the principal amount of Series 2018A Bonds delivered by the Authority to the Trustee for cancellation and not previously claimed as a credit; (ii) the principal amount of Series 2018A Bonds previously redeemed (other than Series 2018A Bonds redeemed pursuant to the scheduled mandatory redemption provisions) and not previously claimed as a credit; and (iii) the principal amount of Series 2018A Bonds otherwise defeased under the terms of the Indenture and not previously claimed as a credit.

Optional Redemption Upon Damage, Destruction or Condemnation of Operating Assets. The Series 2018A Bonds may be redeemed in whole or in part at the option of the Authority on any date at a redemption price equal to 100% of the principal amount of Series 2018A Bonds to be redeemed plus accrued interest thereon to the redemption date if, and to the extent that, the net proceeds of any insurance or condemnation award resulting from damage, destruction or condemnation of operating assets of the Authority exceed the cost of any repairs or replacements to its operating assets which the Authority elects to make with such proceeds.

Partial Redemption of Series 2018A Bonds. If less than all Series 2018A Bonds outstanding are to be redeemed, the principal amount of Series 2018A Bonds to be redeemed may be specified in the notice of election to redeem, or, in the absence of specification in such notice, shall be selected by the Trustee by lot or by such other method as the Trustee shall deem fair and appropriate; provided, however, that the principal amount of Series 2018A Bonds to be redeemed may not be larger than the principal amount of Series 2018A Bonds of such Maturity then eligible for redemption and may not be smaller than the smallest Authorized Denomination.

Except as otherwise provided in the specific redemption provisions for the Series 2018A Bonds, if less than all Series 2018A Bonds with the same maturity and interest rate are to be redeemed, the particular Series 2018A Bonds of such maturity and interest rate to be redeemed shall be selected by the Trustee from the Outstanding Bonds of such maturity and interest rate then eligible for redemption by lot or by such other method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (in Authorized Denominations) of the principal of Series 2018A Bonds of such maturity and interest rate of a denomination larger than the smallest Authorized Denomination.

Effect of Redemption. Series 2018A Bonds (or portions thereof as aforesaid) for the redemption and payment of which provision is made in accordance with the Indenture, shall thereupon cease to be entitled to the benefits of the Indenture and shall cease to bear interest from and after the date fixed for redemption.

Notice of Redemption. Notice of redemption shall be given to Bondholders not less than 20 days prior to the redemption date. If the Book Entry System is in effect, such notice shall be given to DTC by such method as shall be specified in the rules and regulations of the Book Entry System. If the Book Entry System has been terminated, such notice shall be given by registered or certified mail.

Purchase of Callable Bonds in Lieu of Redemption. The Authority shall have the option to purchase Callable Bonds in lieu of optional redemption. If a Callable Bond has been called for optional redemption the Authority may exercise its right of purchase by delivery to the Trustee on or prior to the Business Day preceding the optional redemption date of written notice from the Authority specifying that the Callable Bonds shall not be redeemed, but instead shall be purchased as permitted under the Indenture. Upon delivery of such notice from the Authority, the Callable Bonds shall not be redeemed, but shall instead be subject to mandatory tender on the date that would have been the optional redemption date at a purchase price equal to the redemption price that would have

been payable with respect to such Callable Bonds. The Authority's option to purchase shall be effective whether or not the notice of optional redemption sent to Bondholders indicates that the Authority has exercised, or intends to exercise, such option. No further or additional notice to Bondholders shall be required in connection with the purchase in lieu of redemption. The Callable Bonds so purchased (i) shall not be cancelled or retired, but shall continue to be outstanding, (ii) shall be delivered to, or as directed by, the Authority, and (iii) shall continue to bear interest at the rate provided for in the Indenture.

Authority for Issuance

The Series 2018A Bonds have been issued pursuant to applicable provisions of (1) Articles 11 and 11A of Chapter 21 of Title 22 (Sections 22-21-310 et seq.) of the Code of Alabama 1975, as amended (Act No. 82-418 enacted at the 1982 Regular Session of the Legislature of Alabama), (2) resolutions adopted by the Board of Directors of the Authority, and (3) the Indenture. The Authority is authorized to enter into the Indenture pursuant to the aforesaid statute and the aforesaid resolutions.

Legal Investment Status

Section 22-21-326 of the Code of Alabama 1975, as amended, provides in substance that unless otherwise directed by the court having jurisdiction or by the document that is the source of authority, a fiduciary may, with the exercise of reasonable business prudence, invest funds in any securities of the Authority.

SECURITY AND SOURCE OF PAYMENT

Source of Payment

The Series 2018A Bonds are general obligations of the Authority and are secured by a Related Debt Obligation (the "Series 2018A Master Indenture Obligation") issued under the Master Indenture.

The Series 2018A Master Indenture Obligation, and other obligations issued under and secured by the Master Indenture from time to time, are secured by a pledge of (1) revenues to be derived by the Authority from the operation of its facilities (the "Gross Receipts"), (2) 75% of the proceeds of a special 2½ mill ad valorem tax levied in Lee County, Alabama (the "County") for public hospital purposes (the "Pledged Tax Proceeds"), and (3) the Mortgage.

The Authority may, under the terms of the Master Indenture, incur other debt having a claim or charge on the Gross Receipts and Pledged Tax Proceeds on a parity with that of the Series 2018A Bonds, subject to certain conditions set forth in the Master Indenture. All obligations issued under and secured by the Master Indenture are secured by the Gross Receipts, the Pledged Tax Proceeds and the Mortgage.

Certain prior issues of the Authority have been issued under, and secured by a pledge of the Gross Receipts and Pledged Tax Proceeds provided by, a 1991 Indenture of the Authority. All obligations issued under or secured by the 1991 Indenture have been defeased or paid and are no longer outstanding under the 1991 Indenture, which has been terminated. All references in the Master Indenture and the Mortgage to the 1991 Indenture, any bonds issued as "Parity Bonds" under the 1991 Indenture, and any obligations issued as "Other Senior Debt" for purposes of the 1991 Indenture no longer have any effect. As of June 15, 2017 when the 1991 Indenture was satisfied and terminated, the Master Indenture provides the only pledge of the Gross Receipts and the Pledged Tax Proceeds. See "Pledge of Gross Receipts, Pledged Tax Proceeds and Other Properties" below.

Other Sources of Payment

The Series 2018A Bonds are further payable as to principal, premium (if any) and interest from:

- (1) all right, title and interest of the Authority in and to the funds created under the Indenture and all amounts held therein, including investment earnings; and

(2) any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security under the Indenture by the Authority, or by anyone on its behalf, to the Trustee, including without limitation any moneys or investments held by the Trustee in any of the funds established under the Indenture as security for the Series 2018A Bonds.

The Series 2018A Bonds will not be obligations or debts of the State of Alabama, the County or any municipality or other county in the State of Alabama, nor will the faith and credit of the State of Alabama or any county or municipality therein be pledged for payment of the Series 2018A Bonds.

Pledge of Gross Receipts, Pledged Tax Proceeds and Other Properties

Pursuant to the Master Indenture, the Authority has pledged and assigned to the Master Trustee, for the benefit of the holders of obligations issued under the Master Indenture, including the Trustee as the Holder of the Series 2018A Master Indenture Obligation for the benefit of the Holders of the Series 2018A Bonds, the following:

- (1) the Pledged Tax Proceeds;
- (2) the Gross Receipts;
- (3) proceeds of the collateral under the Mortgage; and

(4) any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security under the Indenture by the Authority, or by anyone on its behalf, to the Trustee.

Upon the issuance of the Series 2018A Bonds, the Authority will have no obligations that are secured under the Master Indenture other than (i) Series 2018A Master Indenture Obligation, and (ii) the Series 2012-A and Series 2012-B Master Indenture Obligations issued to secure the Series 2012 Bonds referred to hereafter. See “Debt of the Authority” below. The Authority is, however, authorized under the Master Indenture to incur other indebtedness secured by the same collateral on a parity basis, without express limit as to principal amount but in any event upon the terms and conditions specified in the Master Indenture.

The Mortgage

In addition to the pledge of Gross Receipts and the Pledged Tax Proceeds, payment of the Series 2018A Master Indenture Obligation is secured pursuant to a Mortgage and Security Agreement dated June 1, 2002 (the “Mortgage”) executed by the Authority in favor of Regions Bank, in its capacity as collateral agent for the holders of all debt secured by the Mortgage (in such capacity, the “Collateral Agent”), as amended and supplemented. The Mortgage will be further amended and supplemented to confirm the lien of the Mortgage with respect to the Series 2018A Bonds. The Mortgage is included in APPENDIX C.

The Mortgage constitutes a mortgage on the real property and buildings and fixtures that comprise the Authority’s flagship hospital in Opelika (referred to herein as “EAMC”, and in the Mortgage as the “Hospital Facilities”). EAMC-Lanier, which was acquired by the Authority in 2014, is not included in the Hospital Facilities defined under the Mortgage, and those facilities will not be added to the Mortgage in connection with the issuance of the Series 2018A Bonds. See APPENDIX A – “Acquisition of EAMC-Lanier and Related Assets”. The Hospital Facilities include all real property and buildings necessary for the continued operation of EAMC, including access and parking. The Mortgage constitutes a first priority lien on the collateral covered by the Mortgage, subject only to various encumbrances that arise in the ordinary course of business that are not expected to be material to a first mortgage holder.

The Mortgage permits the Authority to issue or incur other obligations or liabilities that it may designate as “Other Secured Obligations” under the terms of the Mortgage. In the proceedings authorizing the issuance of the

Series 2018A Bonds, the Authority will designate the Series 2018A Master Indenture Obligation as an “Other Secured Obligation” under the terms of the Mortgage. All Secured Obligations will be secured by the Mortgage on an equal and proportionate basis with the Series 2018A Master Indenture Obligation. For the terms and conditions for the issuance of Additional Debt and the creation of Other Secured Obligations see the Master Indenture and the Mortgage attached in APPENDIX C. Upon the issuance of the Series 2018A Bonds, the only Secured Obligations under the Mortgage will be the Series 2012-A Master Indenture Obligation, the Series 2012-B Master Indenture Obligation, and the Series 2018A Master Indenture Obligation.

In connection with the original execution and delivery of the Mortgage by the Authority in 2002, the Authority obtained customary title insurance for a mortgagee insuring the Collateral Agent’s interest in the Hospital Facilities with coverage in the amount of \$25,000,000. The Mortgage does not require additional title insurance coverage when Other Secured Obligations are created.

Remedies

The Authority is, under existing law, subject to suit in the event that it defaults in payment of the principal of or the interest on the Series 2018A Bonds. However, the extent of the remedies afforded to the holders of the Series 2018A Bonds by any such suit, and the enforceability of any judgment against the Authority resulting therefrom, may be subject to, among other things, bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights and the exercise of judicial discretion in appropriate cases.

THE PLAN OF FINANCE

Application of Proceeds of Series 2018A Bonds

The Series 2018A Bonds are being issued to (a) finance a portion of the cost of (i) a cancer center to be located at EAMC, (ii) a multi-story building to be located in the City of Auburn, Alabama to house a freestanding emergency department, ambulatory surgery center, and related health care facilities, and (iii) miscellaneous capital improvements during the next three years, including building renovation and expansion projects and new or replacement equipment for the EAMC System, and (b) pay the costs of issuance of the Series 2018A Bonds. The Authority expects the total cost of the cancer center and the Auburn multi-story building described above will be approximately \$70 million. The balance of the cost for those facilities in excess of Series 2018A Bond proceeds – approximately \$35 million – is expected to be provided by cash reserves of the Authority.

The CON review board of the State Health Planning and Development Agency (SHPDA) has approved certificates of need for the Authority’s cancer center, freestanding emergency department, and ambulatory surgery center that will be financed in part with proceeds of the Series 2018A Bonds. A group of physicians filed a competing application for a surgery center in the City of Auburn, Alabama. That physician group has also contested the Authority’s certificate of need for its surgery center. After a hearing, an administrative law judge has recommended denial of the application of the physician group for its proposed surgery center. SHPDA is scheduled to consider the recommendation of the administrative law judge at its regularly scheduled meeting on May 16, 2018. The Authority expects the appeal of its certificate of need for the ambulatory surgery center to be resolved in the Authority’s favor. The Authority cannot predict the outcome of the application of the physician group, but if the physician group’s application is ultimately approved, the Authority does not expect any significant impact on the Authority’s operations.

Table 1.
Sources and Uses of Funds

The estimated sources and uses of funds for the plan of financing are as follows:

Sources of Funds

Principal proceeds of Series 2018A Bonds

Total Sources of Funds

Uses of Funds

Deposit to Acquisition Fund

Issuance expenses⁽¹⁾

Total Uses of Funds

Note (1): Underwriting discount, legal, accounting and financial expenses.

THE AUTHORITY

Creation and Powers

The Authority was originally incorporated and organized (under the name “Lee County Hospital Board”), with the consent of the governing body of the County, under Act No. 46 enacted at the 1949 Regular Session of the Legislature of Alabama, as amended, by Certificate of Incorporation filed in the office of the Judge of Probate of the County on June 14, 1950. With the further consent of the governing body of the County, the Authority was subsequently reincorporated as a health care authority (and public corporation) under the Enabling Law by Certificate of Reincorporation filed in the office of the Judge of Probate of the County on October 1, 1982. By virtue of its reincorporation as aforesaid, the Authority is no longer governed by said Act No. 46 but is instead governed exclusively by the Enabling Law, insofar as the subject matter of the Enabling Law is concerned.

Under the provisions of the Enabling Law, the Authority is empowered, among other things, to issue bonds, to acquire real and personal property, to manage, construct, equip, enlarge, improve, maintain and operate hospitals and other health-care facilities (whether located within or without the County), to mortgage, pledge or otherwise convey its properties and its revenues from any source and to establish, collect and alter charges for services rendered by it. The Board of Directors of the Authority may propose amendments to the Authority’s certificate of incorporation so as to make any changes thereto deemed desirable by said Board of Directors and not inconsistent with law (including, for example, changes in the number of members of the Board of Directors of the Authority), subject to the approval and authorization of such proposed amendments by the governing body of the County. Under existing law, the Authority’s certificate of incorporation may not be amended unless such amendment is first proposed by the Authority’s Board of Directors - i.e., the governing body of the County cannot unilaterally amend the Authority’s certificate of incorporation.

Governing Body

On June 29, 2015, the governing body of the County approved an Authority proposed amendment to the Authority’s certificate of incorporation to increase the governing body of the Authority from a nine-member board to an eleven-member board in connection with the acquisition of EAMC-Lanier. See APPENDIX A – “Acquisition of EAMC-Lanier and Related Assets”. Under the provisions of applicable law and the Authority’s Certificate of Reincorporation, as amended, all eleven members of the Board of Directors of the Authority are appointed by the Lee County Commission and serve six-year terms. Pursuant to the 2015 amendment to the Authority’s certificate of

incorporation, the two additional members of Board of Directors must have a connection to the community primarily served by EAMC-Lanier. The current directors of the Authority, the dates of expiration of their current terms of office, and their present principal business or professional affiliations are set forth below:

Table 2.
Current Directors of the Authority

Name of Board Member	Expiration of Current Term (September 30)	Present Principal Business or Professional Affiliation
Larry Fillmer	2018	Executive Director, Office of External Engagement and Support, Auburn University
Joel C. Pittard, M.D.	2018	Physician, Lee Obstetrics & Gynecology
David Smalley, M.D.	2018	Physician, Pediatric Clinic of East Alabama
William H. Scott, III	2019	Retired, former President/COO, ITC Holding Company, Inc.
Robert W. Dumas	2020	President, AuburnBank
Chris Nunn	2020	Coordinator, Project Uplift, Auburn University
Gaines Lanier	2021	Chairman, J. Smith Lanier & Co.
C. Wayne Alderman	2022	Dean of Admissions, Auburn University
Lucinda S. Cannon	2022	Commercial Realtor, First Realty
J. Stephen Lock, M.D.	2022	Physician, Surgical Clinic

A board term expiring September 30, 2020 is currently vacant and is expected to be filled by the County no later than October 1 of this year.

Officers

Among the current officers of the Authority are the following, each of whom is a member of its Board of Directors but none of whom is active in the day-to-day management of the Health System:

Table 3.
Current Officers of the Authority

Chairman	Joel C. Pittard, M.D.
Vice-Chairman	Lucinda Cannon
Secretary-Treasurer	Robert W. Dumas

THE SPECIAL HOSPITAL TAX

Constitutional and Statutory Authority

The Special Hospital Tax is being levied under the provisions of Section 215.02 of the Official Recompilation of the Constitution of Alabama of 1901, as amended (formerly Amendment No. 72 to the Constitution of Alabama of 1901) (the "Special Tax Amendment"), under which certain counties in Alabama (including the County) are authorized, after the approval of the county electorate, to levy and collect, in addition to all other taxes, a special county hospital tax of not exceeding four mills on each dollar of taxable property in such county, to be used solely for acquiring (by purchase, lease or otherwise), constructing, operating, equipping or maintaining county hospitals or other public hospitals, non-profit hospitals and public health facilities. On December 13, 1949, there was submitted to the electorate of the County the question as to whether the County should be authorized to levy and collect such a county hospital tax of not exceeding two mills on each dollar of taxable property in the County. The result of that election being favorable, the County has each year thereafter

levied and collected a special county hospital tax (the “Special Hospital Tax”) on all taxable property in the County. Until the tax year commencing October 1, 1978 (for which county taxes became due and payable October 1, 1979), the Special Hospital Tax was levied at the rate of two mills on each dollar of taxable property in the County. Effective with the tax year beginning October 1, 1978, and pursuant to the Section 217 of the Official Recompilation of the Constitution of Alabama of 1901, as amended (formerly Amendment No. 373 to the Constitution of Alabama of 1901) (“Amendment 373”), the rate of the Special Hospital Tax was increased to two and one-half mills. Since that time, the Special Hospital Tax has been continuously levied at the rate of two and one-half mills.

Under the provisions of Section 215.03 of the Official Recompilation of the Constitution of Alabama of 1901, as amended (formerly Amendment No. 76 to the Constitution of Alabama of 1901) (the “Hospital Bond Amendment”), the governing body of each county in the state in which a special county-wide hospital tax is authorized to be levied is empowered to designate, as the agency of such county to acquire, construct, equip, operate and maintain public hospital facilities, any public hospital corporation theretofore or thereafter organized for hospital purposes in such county under general law. Pursuant to the provisions of the Hospital Bond Amendment, the governing body of the County, on June 19, 1950, adopted a resolution designating Lee County Hospital Board (the predecessor of the Authority) as the agency of the County to acquire, construct, equip, operate and maintain county public hospital facilities of all kinds. The Hospital Bond Amendment also authorizes the duly designated public hospital agency of a county to anticipate the proceeds from a special county-wide hospital tax by issuing securities and to pledge for the benefit thereof a maximum of 75% of the annual proceeds from such tax.

In the opinion of bond counsel, the County is legally obligated to levy the Special Hospital Tax, within the limits imposed by the Constitution of Alabama of 1901, to the extent necessary to prevent a default in payment of debt service on the Series 2018A Bonds.

The amount of Special Hospital Tax proceeds received by the Authority may be affected by the level of assessed valuation of property in the County, changes in assessment ratios for various categories of property, changes in the rate of levy of the Special Hospital Tax and state constitutional limitations on the aggregate amount of ad valorem taxation permitted as to any class of property.

Special Hospital Tax Receipts

The following table shows Special Hospital Tax proceeds received by the Authority during the fiscal years indicated:

Table 4.
Special Hospital Tax Proceeds

Tax Year Ending September 30	Special Hospital Tax Receipts
2015	\$5,236
2016	5,353
2017	5,556

Source: The Authority

BONDHOLDERS’ RISKS

Other Authority Affiliates Not Liable

The Authority is the only member of the Obligated Group. The Authority also directly or indirectly owns an interest (membership or stock) in other affiliates of the Authority, including EAMC-Lanier, LLC. However, none of the affiliates of the Authority will be liable for payment of the Series 2018A Bonds.

The covenants of the Master Indenture do not limit or restrict the operations of other affiliates of the Authority that are not part of the Obligated Group. For example, the other affiliates may borrow funds, impose liens on their respective facilities and assets, spend or invest available cash, or merge with or invest in other entities without violating the Master Indenture.

Additional Debt

The Obligated Group may incur additional debt or enter into guaranty agreements in the future. Such debt or guarantees may be evidenced or secured by Master Indenture Obligations. The Master Indenture contains terms and conditions for the incurrence of such obligations and the security that can be provided for such obligations. See APPENDIX C.

Limitations on Enforcement of Remedies

General. The enforcement of remedies under the financing documents may be limited by (i) bankruptcy, insolvency, or other similar laws affecting the enforcement of creditors' rights and (ii) general principles of equity, including the exercise of judicial discretion in appropriate cases.

Limitations on Lien on Revenues and Mortgage. The Master Indenture creates a pledge and assignment of, or security interest in, Gross Receipts and Pledged Tax Proceeds of the Obligated Group. The Mortgage creates a mortgage on and security interest in the Hospital Facilities described in the Mortgage. Enforcement of these security interests is subject to various limitations, including the following:

Assignment of Right to Receive Payments. Enforcement of the right to receive payments under the Medicare and Medicaid programs may be subject to restrictions under federal and state law limiting assignment of payments due to health care providers. Such laws may, in effect, require that payments be made directly to the health care provider rather than a secured party, such as the Master Trustee.

Permitted Encumbrances. The Master Indenture permits certain liens or encumbrances, referred to therein as "Permitted Encumbrances", with respect to assets of the Obligated Group, including the Gross Receipts and the Pledged Tax Proceeds. If such a Permitted Encumbrance is created with respect to any portion of the Gross Receipts, the Pledged Tax Proceeds or other Authority assets, the lien of the Master Indenture may be subordinate with respect to the lien imposed by the Permitted Encumbrance. For a description of Permitted Encumbrances, see APPENDIX C.

Bankruptcy and Automatic Stay. If a proceeding in bankruptcy is initiated with respect to members of the Obligated Group, the automatic stay provisions of the federal bankruptcy law may delay or restrict the ability of the trustee under the Master Trustee to take possession of the Gross Receipts and the Pledged Tax Proceeds or for the Collateral Agent to foreclose the mortgage lien on the Hospital Facilities and apply the proceeds as provided in the remedy provisions of the Mortgage and the Master Indenture.

Additional Debt. All Master Indenture Obligations are secured on a parity by the lien on Gross Receipts and the Pledged Tax Proceeds and by the Mortgage. If the Obligated Group incurs additional debt secured by Master Indenture Obligations, the security interest in Gross Receipts, Pledged Tax Proceeds and in the Hospital Facilities for the benefit of Bondholders will in effect be diluted.

Limited Use Facility. EAMC, which is the principal asset of the Authority, is a limited use facility suitable primarily for hospital purposes. Consequently, the market for sale or lease of EAMC is limited. In the event of a foreclosure sale with respect to EAMC, there is no guarantee that the sale price of the hospital would be sufficient to cover debt service on the Series 2018A Bonds.

Tax-Exempt Status of Series 2018A Bonds

It is expected that the Series 2018A Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance. See “TAX STATUS”. Bond counsel is delivering an opinion with respect to certain aspects of the tax status of the Series 2018A Bonds. That opinion is attached to this Official Statement as APPENDIX E and should be read in its entirety for a complete understanding of the scope of the opinion and the conclusions expressed. A legal opinion is only the expression of professional judgment and does not constitute a guaranty with respect to the matters covered. In addition, the opinion of bond counsel speaks only as of its date, and bond counsel does not undertake to advise Bondholders about subsequent developments.

The tax status of the Series 2018A Bonds could be affected by post-issuance events. There are various requirements of the Internal Revenue Code that must be observed or satisfied after the issuance of the Series 2018A Bonds in order for the Series 2018A Bonds to qualify for, and retain, tax-exempt status. These requirements include use of the proceeds of the Series 2018A Bonds, use of the facilities financed by the Series 2018A Bonds, investment of Series 2018A Bonds proceeds, and the rebate of so-called excess arbitrage earnings. Compliance with these requirements is the responsibility of the Authority.

The Internal Revenue Service conducts an audit program to examine compliance with the requirements regarding tax-exempt status. If the Series 2018A Bonds become the subject of an audit, under current IRS procedures, the Authority would be treated as the taxpayer in the initial stages of an audit, and the owners of the Series 2018A Bonds would have limited rights to participate in the audit process. The initiation of an audit with respect to the Series 2018A Bonds could adversely affect the market value and liquidity of the Series 2018A Bonds, even though no final determination about the tax-exempt status would have been made. If an audit were to result in a final determination that the Series 2018A Bonds do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Series 2018A Bonds.

In addition to post-issuance compliance, a change in law after the date of issuance of the Series 2018A Bonds could affect the tax-exempt status of the Series 2018A Bonds or the economic benefit of investing in the Series 2018A Bonds. For example, Congress could eliminate the exemption for interest on the Series 2018A Bonds, or it could reduce or eliminate the federal income tax, or it could adopt a so-called flat tax.

The Indenture does not provide for the payment of any additional interest or penalty if a determination is made that the Series 2018A Bonds do not comply with the existing requirements of the Internal Revenue Code or if a subsequent change in law adversely affects tax-exempt status of the Series 2018A Bonds or the effect of investing in the Series 2018A Bonds.

Health Care Industry and Demographics of Service Area

The health care industry is subject to a number of factors that could adversely affect the business prospects of the Authority. Among those factors are the following:

Health Care Reform. In 2010 Congress adopted extensive health reform legislation commonly referred to as the Affordable Care Act (ACA). This legislation attempts to extend commercial insurance coverage and Medicaid coverage to many patients not previously covered. The State of Alabama has not elected the ACA option to expand the Medicaid coverage, which reduces the amount of reimbursement that might otherwise be available to the Authority. This legislation also imposes numerous operating and reporting requirements on health care providers. Legislative efforts to amend the ACA could change the timing, scope of applicability of various portions of the ACA to the Authority’s operations. Whether or not the ACA remains in effect in its current form, it is expected that governments will continue to consider various reform proposals in the health care industry. If adopted, such proposals may subject health care providers to increased compliance requirements, reduced reimbursement for services, increased costs, or a combination of such results.

The 2016 federal elections resulted in a new administration that, along with certain members of Congress, have stated their intent to repeal or make significant changes to the ACA, its implementation and/or its interpretation. On March 6, 2017, the House Republican leadership introduced ACA repeal and replacement budget

reconciliation bills in the House Ways and Means Committee and Energy and Commerce Committee, which did not pass. There is uncertainty regarding whether, when, and how the ACA will be changed, what alternative provisions, if any, will be proposed or enacted, the timing of enactment and implementation of alternative provisions, and the impact of alternative provisions on providers as well as other healthcare industry participants. In addition, a presidential executive order has been signed that directs agencies to minimize “economic and regulatory burdens” of the ACA, but it is unclear how this will be implemented. Further, Congress could eliminate or alter provisions beneficial to the Authority while leaving in place provisions reducing reimbursement for healthcare providers. Government efforts to repeal or change the ACA may have an adverse effect on the Authority’s business, results of operations, cash flow, capital resources and liquidity.

Limited Reimbursement for Services. The primary source of revenues for the Authority is payment for health care services by Medicare, Medicaid, managed care providers and insurance companies that provide health insurance coverage for patients treated at the Hospital. Medicare and Medicaid are governmental programs that depend on federal and state funding. The federal and state governments, as well as managed care providers and insurance companies, are under constant pressure to limit or restrict the payments made to health care providers such as the Authority. The Authority expects that this pressure will continue for the foreseeable future and that such limitations or restrictions will challenge the ability of the Authority to pay the Series 2018A Bonds and maintain or improve health care facilities and services.

Blue Cross is the dominant managed care provider in the Authority’s market. In fiscal year 2017, Blue Cross revenues were approximately 91% of total revenues received by the Authority from managed care providers and insurance companies.

From time to time proposals are made to provide some form of national health insurance or to substantially overhaul the system of payment for health care services, including all or portions of the ACA. The Authority cannot predict the terms of such alternative systems or the effect on the operations of the Authority.

Physician Recruitment. The utilization of the Authority’s health care facilities and the type of services that can be offered depend to a large degree on the number, specialties and quality of physicians in the service area. In order to attract and maintain physicians with required specialties must continually recruit physicians to the area and maintain the confidence of those physicians in the facilities and services provided by the Authority.

Regulation of Relationships with Physicians and Patients. The health care industry in which the Authority operates is highly regulated. These regulations impose various restrictions on the relationships of the Authority to its medical staffs’ physicians and its patients, including regulations governing: compensation or other inducements to physicians for patient referrals; monetary or other incentives provided by the Authority for the recruitment of physicians; treatment of indigent or uninsured patients seeking emergency care; privacy of patient medical records; compensation paid to employees, including employed physicians; and conflicts of interest for members of the governing body of the Authority. The cost of compliance with these regulations is significant, and penalties for violation of these regulations include criminal penalties, monetary fines and disqualification as a provider of treatment for Medicare and Medicaid patients.

Changes in Technology and Services. Medical technology and treatment is constantly evolving. In order to remain competitive in the health care industry the Authority must continually invest in new facilities and equipment and renovate or update existing facilities and equipment. The required investment in capital improvements puts constant stress on the Authority’s capital structure and borrowing capacity.

Billing Practices. Billing for services provided by the Authority requires efficiency and accuracy in order to receive appropriate and timely compensation for services provided. The billing requirements of the Medicare and Medicaid programs, as well as commercial insurers and managed care providers, can be complicated or difficult. Many of these programs, particularly Medicare and Medicaid, involve periodic audits of billing practices, which may require significant refunds by the Authority. Under various federal and state laws there are also significant penalties for inaccurate billing, including criminal penalties, monetary fines and disqualification as a provider of treatment for Medicare and Medicaid patients.

Competition. Other health care providers may develop competing facilities or services in the Authority's service area. Competing facilities or services may include, among others, new hospitals, specialty hospitals, outpatient facilities, and managed care or insurance products. These facilities and services may be developed by medical staff physicians who would otherwise utilize facilities or services of the Authority. The Authority's primary competitors are smaller hospitals that do not provide the same level of services as the Authority. Hospitals in Montgomery County, Alabama and Jefferson County, Alabama compete with the Authority for referral services. See APPENDIX A for a description of the Authority's primary and secondary service areas.

Charity Care, Uncompensated Care, and Charges to Uninsured Patients. The Authority provides health care services to a number of patients who are uninsured or indigent. The projected demographics of the service area indicate that the amount of charity care and uncompensated care is expected to remain at current levels or increase. In the past several years increased attention has been focused on the difference in charges for services to patients covered by insurers or managed care providers and charges for services to uninsured patients. The former group of patients generally receive a discount negotiated by the insurer or managed care provider. The latter group of patients may not receive a similar discount. The legal responsibility of the Authority under these circumstances is not settled. Litigation has been initiated in other areas of the country against hospitals based on the disparity in charges. No such litigation is pending against the Authority. However, in order to comply with federal and state laws the Authority may have to adjust its charity care policies and policies for charges to uninsured patients.

Malpractice Claims. Like other providers of health care services, the Authority must manage the risk of potential claims against its hospitals and employees for negligence or malpractice, in the services provided. Management of this risk requires quality control practices and cost-effective insurance or self-insurance. The Authority is insured for medical malpractice and professional liability exposure through a third-party insurance policy with a medical malpractice insurance provider owned jointly by a group of Alabama hospitals and physicians. See APPENDIX A.

Non-Physician Work Force. The Authority is among the largest employers in the service area. The Authority must attract and retain a large number of qualified medical personnel such as nurses and other employees and provide competitive wages and benefits in order to operate its facilities. Labor costs are by far the largest expense item for the Authority. In periods of nursing personnel shortages, the Authority may be required to utilize so-called "traveling nurses" or "agency nurses", who are nurses residing outside the service area or employed by a nursing personnel agency. This significantly increases operating expenses. During the most recent fiscal year, only a few of the Authority's nursing personnel were traveling or agency nurses. The Authority's current workforce does not include any traveling or agency nurses. The work force at the Authority's hospital is not represented by a union or similar organization. Organization of unions for the Authority's work force could lead to increased labor costs or work stoppages or strikes.

TAX MATTERS

General

Under existing law, the tax status of the Series 2018A Bonds will include the following characteristics:

Federal Tax-Exempt Status. Interest on the Series 2018A Bonds will be excluded from gross income for federal income tax purposes if the Authority complies with all requirements of the Internal Revenue Code of 1986 (the "Internal Revenue Code") that must be satisfied subsequent to the issuance of the Series 2018A Bonds in order that interest thereon be and remain excluded from gross income. Failure to comply with such requirements could cause the interest on the Series 2018A Bonds to be included in gross income, retroactive to the date of issuance of the Series 2018A Bonds. The Authority has covenanted to comply with all such requirements.

Federal Tax Preference Treatment. Interest on the Series 2018A Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

State Tax-Exempt Status. Interest on the Series 2018A Bonds will be exempt from State of Alabama income taxation.

Original Issue Discount. The original issue discount in the selling price of a Series 2018A Bond, to the extent properly allocable to each owner of such Series 2018A Bond, is excluded from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Series 2018A Bond over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Series 2018A Bonds of such maturity were sold.

Under Section 1288 of the Internal Revenue Code of 1986, as amended, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2018A Bond during any accrual period generally equals (i) the issue price of such Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (iii) any interest payable on such Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such Bond. Purchasers of any Series 2018A Bond at an original issue discount should consult their tax advisers regarding the determination and treatment of original issue discount for federal income tax purposes, and with respect to state and local tax consequences of owning such Series 2018A Bonds.

Premium. An amount equal to the excess of the purchase price of the Series 2018A Bond over its stated redemption price at maturity constitutes premium on such Bond. A purchaser of a Series 2018A Bond must amortize any premium over such Bond's term using constant yield principles, based on the Series 2018A Bond's yield to maturity. As premium is amortized, the purchaser's basis in such Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of such Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Series 2018A Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes, and with respect to state and local tax consequences of owning such Bonds.

See "Bondholders RISKS —Tax-Exempt Status of Series 2018A Bonds" for a discussion of certain risk factors relating to investment in the Series 2018A Bonds.

Opinion of Bond Counsel

Maynard, Cooper & Gale, P.C., Birmingham, Alabama, has served as bond counsel to the Authority with respect to the issuance of the Series 2018A Bonds. The opinion of bond counsel will address the tax status summarized above and is attached to this Official Statement as APPENDIX D. The opinion should be read in its entirety for a complete understanding of the scope of the opinion and the conclusions expressed.

Collateral Tax Consequences

Prospective purchasers of the Series 2018A Bonds should be aware that ownership of the Series 2018A Bonds may result in collateral federal income 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 a branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2018A Bonds. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Series 2018A Bonds should consult their tax advisors as to collateral federal income tax consequences.

UNDERWRITING

The Series 2018A Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Underwriter”). The Underwriter have agreed to purchase the Series 2018A Bonds at a purchase price of \$_____ (face amount plus [less] net original issue premium [discount] of \$_____ and less underwriter’s discount of \$_____). The Underwriter intends to offer the Series 2018A Bonds at a price of par (the “Initial Public Offering Price”). The Initial Public Offering Price may be changed by the Underwriter, and the Underwriter may offer and sell the Series 2018A Bonds to certain dealers (including dealers depositing the Series 2018A Bonds into investment trusts) and others at prices higher or lower than the Initial Public Offering Price. The purchase contract provides that the Underwriter will purchase all the Series 2018A Bonds if any are purchased. To the extent permitted by law, the Authority has agreed to indemnify the Underwriter against, and to contribute to losses arising out of, certain liabilities, including liabilities under the Federal securities laws.

RATING

Standard & Poor’s Ratings Service, a division of The McGraw Hill Companies, Inc. (“S&P”) has assigned the Series 2018A Bonds a long-term rating of “A” (stable outlook). The rating of the Series 2018A Bonds assigned by S&P reflects S&P’s current assessment of the creditworthiness of the Authority and the ability of the Authority to make the payments required with respect to the Series 2018A Bonds.

Such rating reflects only the views of the S&P, and any explanation as to the significance of the rating may be obtained only from S&P. There is no assurance that such rating will remain in effect for any given period of time or that the rating will not be revised downward or withdrawn entirely by S&P if, in its judgment, the circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2018A Bonds. Neither the Authority nor the Underwriter has undertaken any responsibility either to bring to the attention of the holders of the Series 2018A Bonds any proposed revision, suspension or withdrawal of such rating or to oppose any such revision, suspension or withdrawal.

LITIGATION

There is no litigation pending, or to the knowledge of the Authority threatened, questioning or affecting the validity of the Series 2018A Bonds, the proceedings under which they are to be issued, the security for the Series 2018A Bonds provided by the Indenture, the consummation of the transactions contemplated by the Indenture, the organization of the Authority, or the election or qualification of the Authority’s directors or officers.

While the Authority is a party to certain pending litigation (not relating to the Series 2018A Bonds), it does not believe that such litigation will have a material adverse effect upon its financial condition. See APPENDIX A – “Litigation”.

CONTINUING DISCLOSURE

The Authority will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) for the benefit of the beneficial owners of the Series 2018A Bonds to send certain information annually and quarterly and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). A copy of the proposed form of Continuing Disclosure Agreement is attached as APPENDIX E.

The Authority has represented that it is in compliance with all agreements previously entered into by it pursuant to the Rule. A failure by the Authority to comply with the Continuing Disclosure Agreement is not an event of default under the Indenture. A failure by the Authority to comply with the Continuing Disclosure

Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2018A Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2018A Bonds and their market price.

LEGAL MATTERS

The legality and validity of the Series 2018A Bonds are being approved by Maynard, Cooper & Gale, P.C., Birmingham, Alabama, Bond Counsel, whose approving opinion will be delivered with the Series 2018A Bonds. It is anticipated that the approving opinion of Bond Counsel will be in substantially the form attached hereto as APPENDIX D. See, however, "TAX MATTERS."

Bond Counsel will state in its opinion that it expresses no opinion with respect to the accuracy, adequacy or completeness of this Official Statement.

Certain legal matters in connection with the Series 2018A Bonds are being passed on for the Authority and for the Underwriter by their respective legal counsel, Maynard, Cooper & Gale, P.C., Birmingham, Alabama, and Butler Snow LLP, Birmingham, Alabama.

FINANCIAL STATEMENTS

The financial statements of the Authority as of September 30, 2016 and 2017, and for the years then ended, included in APPENDIX B to this Official Statement, have been audited by Warren Averett, LLC, independent auditors, as stated in their report appearing herein.

MISCELLANEOUS

The Authority has duly authorized the delivery of this Official Statement.

APPENDIX A
THE EAMC SYSTEM

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THE EAMC SYSTEM

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THE EAMC SYSTEM GENERAL INFORMATION

Locations and History

The East Alabama Health Care Authority (the “Authority”) owns or controls, and operates a healthcare system that includes (i) its 314 licensed bed general acute care hospital in Opelika, Alabama known as East Alabama Medical Center (“EAMC”), (ii) a 115 licensed bed general acute care hospital in the City of Valley, Alabama known as EAMC-Lanier (“EAMC-Lanier”), and (iii) 216 skilled nursing beds at three locations, 26 at EAMC, 103 at EAMC-Lanier, and 87 at a freestanding location. The combined operations of EAMC and EAMC-Lanier, along with all related health care facilities of the Authority are referred to herein as the “EAMC System” or the “System”. The Authority’s two hospitals are referred to collectively herein as the “EAMC System Hospitals”.

Opelika, which is the county seat of Lee County, is located in southeast Alabama approximately 110 miles southeast of Birmingham, Alabama, 60 miles east of Montgomery, Alabama, and 100 miles southwest of Atlanta, Georgia. Opelika is adjacent to the City of Auburn, Alabama, site of Auburn University. EAMC, which serves as the principal source of primary and referral services for the residents of Lee County and certain surrounding areas, has operated continuously on its site in Opelika since 1952, when it was opened as an 80-bed general hospital.

Acquisition of EAMC-Lanier and Related Assets

The hospital in Chambers County, Alabama now known as EAMC-Lanier was formerly known as George H. Lanier Memorial Hospital. Prior to 2014, Lanier Memorial Hospital and related health care facilities were owned by the Chattahoochee Valley Hospital Society (the “Chattahoochee Valley Society”) and were operated under the doing business name of “Lanier Health Services”. The Chattahoochee Valley Society is the beneficiary of a special property tax levied in Chambers County for the benefit of the Lanier Health Services hospital facilities (the “Chambers County Tax”).

In 2014 the Authority acquired substantially all the assets of Lanier Health Services. The Authority organized a limited liability company, EAMC-Lanier, LLC, to acquire the Lanier Health System assets. The Authority is the sole member of EAMC-Lanier, LLC. The real property, buildings and equipment comprising the hospital of Lanier Health Services were acquired pursuant to a long-term lease between the Chattahoochee Valley Society and EAMC-Lanier, LLC, and the remaining assets of Lanier Health Services were acquired by EAMC-Lanier, LLC pursuant to an asset purchase agreement and related transfer documents. In the transaction documents, the Chattahoochee Valley Society agreed that proceeds of the Chambers County Tax will be applied to payment of capital expenditures or payment of related indebtedness with respect to the leased hospital facilities, and EAMC-Lanier, LLC was appointed as custodian of the Chambers County Tax proceeds for application in accordance with the transaction documents. The Authority operates EAMC-Lanier on behalf of EAMC-Lanier, LLC. Although the two hospital campuses are approximately 24 miles apart, the hospital facilities of EAMC and EAMC-Lanier are operated by the Authority as a single, integrated hospital with a single set of accounting records. In general, the Authority is not able to provide separate accounting or financial information about the two hospital campuses other than revenues. For fiscal year 2017, the revenues of EAMC-Lanier were approximately 11% of the combined net patient revenue of the two hospital campuses.

Neither the revenues of EAMC-Lanier nor the Chambers County Tax has been pledged or assigned to secure the Authority’s Master Indenture Obligations. In addition, the Mortgage securing the Authority’s Master Indenture Obligations does not include, or impose any lien upon, EAMC-Lanier or the other assets formerly operated as part of Lanier Health System.

EAMC System Services

The EAMC System provides a full range of inpatient and outpatient diagnostic and treatment services which support its role as a designated rural referral center and which complement the specialty and subspecialty mix of its medical staff. Strategic business unit planning has been incorporated into numerous comprehensive service delivery

initiatives. Service lines include a Comprehensive Community Cancer Program, Tertiary Cardiac Services, Orthopedic and other Surgical Services, Women's and Children's Health Services, Psychiatric Services and Geriatric Services. Initiatives which provide non-traditional inpatient hospital services include Skilled Nursing Home, Home Care, comprehensive Inpatient and Outpatient Hospice, Assisted and Independent Living, Community-based Fitness and Wellness Facility, and comprehensive Outpatient Rehabilitation Services and Outpatient and Secondary Service Area Outreach. The EAMC System has 455 licensed and available beds, of which 370 are currently staffed and in service. The following table sets forth operating beds by service and accommodation type:

Table 1.
Distribution of Operating Beds for EAMC System Hospitals

<u>Service</u>	<u>Available Beds</u>	<u>Staffed Beds</u>
Medical/Surgical	276	193
Obstetric	24	24
Orthopedic	36	36
Pediatric	10	10
Intensive Care	38	36
Psychiatric	28	28
Skilled Nursing Facility	26	26
Inpatient Rehabilitation Unit	<u>17</u>	<u>27</u>
Total	<u>455</u>	<u>370</u>

Related Organizations

The Authority presently controls the following entities: (a) The East Alabama Medical Center Foundation, an organization that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (the "Foundation"), (b) East Alabama Medical Development Associates, Inc., a taxable entity under the Internal Revenue Code ("EAMD"), and (c) EAMC-Lanier, LLC, an Alabama limited liability company that owns and operates EAMC-Lanier. In addition, the Authority owns 100% of approximately 21 limited liability companies and one trust, which are described in more detail in Note 1 of its audited financial statements included in APPENDIX B. The accounts of all these entities are included in accounts of the Authority on a consolidated basis in the audited financial statements included in APPENDIX B. See "INTRODUCTION – Acquisition of EAMC-Lanier and Related Assets" for a discussion of the accounting treatment of EAMC-Lanier. As of September 30, 2017, the Authority (excluding affiliates and subsidiaries other than EAMC-Lanier) accounted for approximately 93.9% of the assets shown on the Authority's audited financial statements, 88.6% of the operating revenue and 117% of income from operations. The Foundation, EAMD, and the other related entities combined accounted for the balance of the assets and net revenue. None of these controlled entities was or is obligated for any debts or other obligations of the Authority. See "Effect of Consolidation".

Management Staff

Management personnel responsible for the day-to-day operations of the EAMC System include the following:

Terry Andrus (66), President, joined East Alabama Medical Center in 1983 as the Associate Administrator - Operations. Mr. Andrus was promoted to Administrator in January 1984. Prior to joining East Alabama Medical Center, he was an Assistant Administrator at Lake Charles Memorial Hospital, Lake Charles, Louisiana. Mr. Andrus has also served previously as an Assistant Administrator at Southeast Alabama Medical Center, Dothan, Alabama. He holds a Bachelor of Science Degree-Medical Technology from the University of New Orleans and a Masters of Health Administration from Georgia State University, Atlanta, Georgia. Mr. Andrus is currently a member of the Board of Directors of AuburnBank, a member of the Board of Directors of Camp Maranook, and a member of the Auburn University Research Advisory Board. He previously served as Chairman of the Opelika Chamber of Commerce, Chairman of the Auburn Chamber of Commerce, as a Board Member of Premier, Inc., as a member of the Board of Directors of Blue Cross Blue Shield Of Alabama and as Chairman of the United Way of

Lee County. He currently serves as Board of Directors Chair-Elect of the Alabama Hospital Association. He has served as a Deacon and an Elder at the Trinity Presbyterian Church of Opelika.

Laura D. Grill (55), Executive Vice President/Administrator, joined East Alabama Medical Center in June 1992. She is currently responsible for the operations and strategic direction of the EAMC System. Prior to joining East Alabama Medical Center, Ms. Grill served as the Director of Cardiovascular and Critical Care Services at Brookwood Medical Center in Birmingham, Alabama. She received her Bachelor of Science Degree in Nursing in 1984 from the University of Alabama at Birmingham and a Masters in Business Administration in 1990 from the University of Alabama. Ms. Grill is a member of the American Organization of Nurse Executives and a member of the Sigma Theta Tau International Honor Society for Nursing. Ms. Grill is also a member of the American College of Healthcare Executives and a board certified nursing administrator by the American Nursing Credentialing Center. She has served as adjunct professor at UAB School of Health Related Professions and Auburn University School of Nursing. She is involved in numerous community and civic organizations. Ms. Grill currently serves as a board member for Habitat for Humanity - Lee County Affiliate, Chamber of Commerce of Opelika board member, Holy Trinity Episcopal Church Endowment Committee member, Children's Medical Mission of Haiti board member, and Auburn University Women's Resource Advisory member.

Samuel A. Price, Jr. (59), CPA, Executive Vice President/Chief Financial Officer, joined East Alabama Medical Center in April 1997. He has responsibility for the overall financial and treasury operations for the EAMC System and its related organizations. For ten years prior to joining East Alabama Medical Center, he was a Senior Manager in the Healthcare Consulting Practice of Ernst & Young. He worked closely with East Alabama Medical Center during his tenure at Ernst & Young. He began his career with Ernst & Young as an auditor, primarily serving the healthcare industry. He holds a Bachelor of Science Degree in Business Administration from Auburn University. He is a Certified Public Accountant, a member of the AICPA and the Alabama Society of CPAs. He is also a Fellow in the Healthcare Financial Management Association. He has served in many capacities at Auburn United Methodist Church. He currently serves on the Board of Directors for Aetos Technologies, Inc. and Falcon Protein Products, Inc.

Ken Lott (59), Vice President – Operations, joined East Alabama Medical Center in June 1986. He is administratively responsible for the strategic direction of numerous operational departments that include Registration, Patient Accounting, Lab Outreach, Toxicology, Auburn University Medical Clinic, Health Plus, Emergency Management Services, and EAMC's DME business. Prior to joining East Alabama Medical Center, Mr. Lott was employed in Administration with two other hospitals, The Medical Center in Columbus, Georgia and Phenix Medical Park in Phenix City, Alabama. Mr. Lott received his Bachelor of Science Degree in Hospital Administration in 1980 from Auburn University and a Master's of Science in Personnel Management in 1986 from Troy State University. He is a past member of the American Society for Human Resource Managers, the East Alabama Society for Human Resource Managers, and the Alabama Personnel Association. He is active in the community, serving as a past Board Member of the local Habitat for Humanity Program and Chairman of the Personnel Committee for Cornerstone Church. He is a past Board Member of the local Easter Seal Achievement Center, past President of the local Human Resource Society and past President of the Lee County Kiwanis Club. Mr. Lott has also served on the Human Resource Advisory Board to SunHealth/Premier Alliance.

Greg Nichols (52), Senior Vice President, and Administrator at EAMC-Lanier, joined East Alabama Medical Center in 2003 as Director of Engineering. Mr. Nichols is currently responsible for the strategic direction and operations of the EAMC – Lanier campus located in Valley, Alabama. Prior to coming to East Alabama Medical Center, Mr. Nichols was the Associate Director of Engineering for Wake Forest University Baptist Medical Center in Winston Salem, North Carolina. Mr. Nichols spent the early part of his professional career as a project engineer focused on plant optimization and efficiency. Mr. Nichols is a graduate of Auburn University, receiving a degree (cum laude) in Biosystems Engineering in 1989. He also is a Licensed Professional Engineer in the field of mechanical engineering. Mr. Nichols is active in the local community and serves in several ministry roles within Lakeview Baptist Church. He and his wife also serve in several youth science and youth leadership organizations.

Joel Pittard, M.D. (71), Chairman of the Board of Directors, attended medical school at the Medical College of Georgia. He began private practice at Lee Obstetrics and Gynecology in 1980 after completing his residency and serving in the United States Navy. Dr. Pittard now practices gynecology only, after delivering babies for Lee Obstetrics and Gynecology for nearly thirty years. He was board certified by the American Board of

Obstetrics and Gynecology in 1979. He has previously served as Chief of Staff at the EAMC. He has also served as the President of the Medical Association of the State of Alabama and has been on the board of Blue Cross Blue Shield of Alabama. He is also a member of several professional societies, including the American College of Obstetrics and Gynecology and the American Association of Bariatric Physicians.

Medical Staff

As of March 31, 2018, the medical staff of the EAMC System consisted of 248 physicians and dentists, including 164 members of the active medical staff, 25 interim (courtesy) staff, 53 affiliate staff and 6 dentists. Generally, members of the active medical staff are physicians who routinely attend a significant number of patients in the EAMC System Hospitals. The following table gives certain statistical information regarding the active medical staff.

Table 2.
Active Medical Staff Composition

<u>Specialty</u>	<u>Total</u>	<u>Board Certified</u>	<u>Admissions for Six Months Ended March 31, 2018</u>
Allergy & Immunology	1	1	0
Anesthesiology	10	10	0
Cardiology	8	8	1,202
Cardiovascular/Thoracic Surgery	2	2	226
Dermatology	1	1	1
Emergency Medicine	14	11	0
Endocrinology	1	1	0
Family Medicine	7	5	20
Gastroenterology	5	5	1
Gynecology	1	1	4
Hospitalist	14	14	4,739
Infectious Disease	2	2	0
Internal Medicine	7	7	1,987
Nephrology	5	5	15
Neurology	1	1	0
Obstetrics & Gynecology	10	10	2,448
Oncology	3	3	55
Ophthalmology	3	3	0
Oral Surgery	3	3	6
Orthopedics	10	8	1,520
Otorhinolaryngology	3	3	42
Pathology	4	4	0
Pediatrics	19	19	2,543
Physical Medicine & Rehabilitation	1	1	0
Plastic Surgery	2	2	44
Psychiatry	4	4	972
Pulmonary Medicine	2	2	4
Radiology	8	8	0
Radiation Oncology	1	1	0
Rheumatology	3	3	1
Sleep Medicine	1	1	0
Surgery	6	6	1,004
Urology	2	2	198
Total Active Medical Staff	164	157	17,034

As the above table indicates, 157 of 164 total active medical staff, representing 96% of the active medical staff, are board certified.

The average age of the physicians comprising the active medical staff at March 31, 2018, was 51 years.

Additional information regarding the active medical staff, including the distribution of the medical staff by age, the physician groups with the highest number of admissions for the 12-month period ended March 31, 2018, the individual physicians with the highest admissions for the same 12-month period and the active medical staff composition for the last five years is provided in the tables below.

Table 3.
Distribution of Medical Staff by Age

<u>Age Group</u>	<u>Number</u>	<u>Percentage</u>	<u>Percent of Admissions for Twelve Months Ended March 31, 2018</u>
Under 36	10	6.1%	4.4
36-45	43	26.2	33.6
46-60	76	46.3	51.5
61 and over	<u>35</u>	<u>21.4</u>	<u>10.5</u>
	164	100.0	100.0

Table 4.
Admissions by Specialty Group

(for 12 months ended March 31, 2018)

<u>Rank</u>	<u>Number of Physicians</u>	<u>Specialty</u>	<u>Percentage of Admissions</u>	<u>Average Age of Members of Group</u>
1	14	Hospitalist	27.8%	46
2	16	Pediatrics	12.0	45
3	7	Obstetrics/Gynecology	7.5	52
4	6	Orthopedics	6.6	46
5	6	Surgery	5.9	53
6	7	Cardiology	5.5	54
7	4	Psychiatry	5.7	44
8	1	Obstetrics/Gynecology	2.9	50
9	4	Pediatrics	2.9	49
10	2	Family Medicine	2.7	54

Table 5.
Admissions by Individual Physicians

(for 12 months ended March 31, 2018; excluding Hospitalists)

<u>Specialty</u>	<u>Percentage of Admissions</u>	<u>Age</u>
Psychiatry	3.1%	47
Obstetrics/Gynecology	2.9	50
Obstetrics/Gynecology	2.6	60
Orthopedics	2.3	48
Family Medicine	1.7	39
Obstetrics/Gynecology	1.5	40
Orthopedics	1.5	53
Surgery	1.5	62
Cardiology	1.4	46
Cardiology	1.4	64

Table 6.
Active Medical Staff Composition

SPECIALTY	Total as of December 31, 2012	Staff Additions (Deletions) for the Year/Period Shown					Total as of March 31, 2018
		2013	2014	2015	2016	2017	
Allergy & Immunology	1	0	0	0	0	0	1
Anesthesiology	8	0	1	0	0	1	10
Cardiology	11	1	0	(2)	(3)	0	7
Cardiovascular Surgery	2	0	0	0	0	0	2
Dermatology	2	(1)	0	0	0	0	1
Emergency Medicine	9	0	2	1	2	0	14
Endocrinology	0	1	0	0	0	0	1
Family Practice	7	1	2	0	0	(2)	8
Gynecology	2	0	0	0	0	(1)	1
Hospitalist	8	2	1	(1)	(1)	3	12
Infectious Disease	1	0	0	1	0	0	2
Internal Medicine/GI	15	(3)	4	(1)	0	(1)	14
Internal Medicine/Peds	2	0	0	0	0	(2)	0
Nephrology	5	3	(2)	0	0	(1)	5
Neurology	1	0	(1)	0	1	0	1
Neurosurgery	1	0	0	0	(1)	0	0
Obstetrics/Gynecology	9	0	2	(1)	0	0	10
Oncology	3	0	0	0	0	0	3
Ophthalmology	4	0	1	(2)	0	0	3
Oral Surgery/Dentistry	3	0	(1)	1	0	0	3
Orthopedics	8	0	2	0	(1)	1	10
Otorhinolaryngology	3	0	0	0	0	0	3
Pain Management	0	0	0	0	1	(1)	0
Pathology	3	0	1	0	0	0	4
Pediatrics	16	1	4	(2)	1	(1)	19
Physical Medicine/Rehab	0	0	0	0	1	0	1
Plastic Surgery	1	0	0	1	0	0	2
Psychiatry	2	1	0	0	0	1	4
Pulmonology	3	0	0	0	(1)	0	2
Radiation Oncology	1	0	0	0	0	0	1
Radiology	8	(1)	4	(2)	0	(1)	8
Rheumatology	2	0	0	0	0	1	3
Sleep Medicine	0	0	1	0	0	0	1
Surgery	8	(2)	1	(1)	0	0	6
Urology	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Total Active Medical Staff	151	3	22	(8)	(1)	(3)	164

Employed Physicians

The Authority employed 48 physicians as of March 31, 2018. The employed physicians include 14 Primary Care physicians; 6 Cardiologists; 4 Orthopedic specialists; 4 Psychiatrists; 3 Oncologists; 2 each in the specialties of Cardiovascular Surgery, Infectious Disease, Rheumatology and General Surgery; and one each in the following specialties: Endocrinology, Hospitalist, Neurology, Ophthalmology, Rehabilitation, and Radiation Oncology. The Authority expects to hire an additional 23 physicians in the next six months.

SERVICE AREA

Patient Origin

The EAMC System draws patients principally from Lee County and Chambers County, and the neighboring Alabama counties of Tallapoosa, Macon, Randolph and Russell. Lee and Chambers Counties are considered to be the primary service area, with the other four counties above comprising the secondary service area. The following table presents recent data on the EAMC System's patient origins:

Table 7.
Discharges by County for the Twelve
Months Ended March 31, 2018

<u>Service Area</u>	<u>Number</u>	<u>Percent</u>
Primary Service Area ("PSA")		
Lee County	8,940	51.42%
Chambers County	<u>3,666</u>	<u>21.08</u>
PSA, Total	12,606	72.50%
Secondary Service Area ("SSA")		
Tallapoosa County	999	5.75%
Macon County	1,145	6.59
Randolph County	630	3.62
Russell County	<u>442</u>	<u>2.54</u>
SSA, Total	3,216	18.50%
Other Locations	<u>1,565</u>	<u>9.00%</u>
Totals	<u>17,387</u>	<u>100.00%</u>

* Excludes Skilled Nursing Facility and newborns.

Population

The following table shows historical and projected population data for the counties comprising the EAMC System's service area.

**Table 8.
Population**

<u>Service Area</u>	<u>1990</u>	<u>2000</u>	<u>Actual⁽¹⁾ 2010</u>	<u>Percent Increase 1990-2010</u>	<u>Estimated⁽²⁾ 2020</u>	<u>Estimated⁽²⁾ 2030</u>
Primary Area						
Lee County	87,146	115,092	140,247	62.1%	169,234	191,587
Chambers County	<u>36,876</u>	<u>36,583</u>	<u>34,215</u>	(7.2)	<u>33,918</u>	<u>33,485</u>
Total, PSA	124,022	151,675	174,462	40.7	203,152	225,072
Secondary Area						
Tallapoosa County	38,826	41,475	41,616	7.2%	40,213	39,214
Macon County	24,928	24,105	21,452	(13.9)	17,617	16,773
Randolph County	19,881	22,380	22,913	15.3	22,483	22,303
Russell County	<u>46,860</u>	<u>49,756</u>	<u>52,947</u>	13.0	<u>61,932</u>	<u>66,162</u>
Total, SSA	<u>130,495</u>	<u>137,716</u>	<u>138,928</u>	6.5	<u>142,245</u>	<u>144,452</u>
Total	<u>254,517</u>	<u>289,391</u>	<u>313,390</u>	<u>24.0%</u>	<u>345,397</u>	<u>369,524</u>

Note (1): Source: U.S. Bureau of the Census.

Note (2): Source: Center for Business and Economic Research, The University of Alabama.

Economic Characteristics

Employment. The Authority's Primary Service Area has a diversified employment base. The principal employers in Lee and Chambers Counties, and the approximate number of employees of each, are shown below.

**Table 9.
Principal Employers**

Employer	Nature of Business	Location
Auburn University	4 Year University (5,500 employees)	Auburn
East Alabama Medical Center	Hospital (3,000 employees)	Opelika
Lee County School System	Education (1,200 employees)	Lee County
Auburn City Schools	Education (1,000 employees)	Auburn
AJIN USA	Metal Stamping (686 employees)	Cusseta
City of Auburn	Government (740 employees)	Auburn
Wal-Mart Super Center (2)	Retail (670 employees)	Auburn & Opelika
Afni, Inc.	In-bound Call Center (620 employees)	Opelika
Opelika City Schools	Education (590 employees)	Opelika
Wal Mart Distribution Center	Grocery Distribution Center (500-999 employees)	Opelika
Mando America Corporation	Automotive – brakes/steering (500-999 employees)	Opelika
Master Brand Cabinets	Manufacturing (500-999 employees)	Auburn
Chambers County Schools	Education (490 employees)	Chambers County
EAMC Lanier	Hospital (445 employees)	Valley
City of Opelika	Government (350 employees)	Opelika

Source: Opelika Economic Development and Chambers County Development Authority.

The following statistics summarize unemployment trends.

**Table 10.
Unemployment Rates**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Lee County	5.9%	5.6%	5.2%	5.2%	3.9%
Chambers County	8.0	6.7	6.1	5.5	4.1
State of Alabama	7.2	6.8	6.1	5.9	4.4
United States	7.4	6.2	5.3	4.9	4.4

Source: Alabama Department of Industrial Relations, annual averages.

Table 11.
Employment by Industry
Primary and Secondary Service Areas – 2017 Estimates

	Primary Service Area	Secondary Service Area
Total Employed, Population 16 & Older	85,214	55,963
Agriculture/Mining	1.1%	1.5
Construction	5.2%	6.9
Manufacturing	13.9%	19.0
Wholesale Trade	1.4%	1.8
Retail Trade	11.6%	9.1
Transportation/Utilities	3.6%	5.0
Information	1.3%	0.9
Finance/Insurance/Real Estate	5.6%	5.8
Services	52.4%	44.1
Public Administration	3.9%	6.0

Source: ESRI

Table 12.
Income Measures

	Median Household Income		Per Capita Income ⁽¹⁾	
	2017 <u>Estimate</u>	2022 <u>Projection</u>	2017 <u>Estimate</u>	2022 <u>Projection</u>
Primary Service Area	\$41,196	\$45,339	\$23,880	\$27,032
Secondary Service Area	\$35,869	\$37,699	\$20,426	\$22,425
State of Alabama	\$45,629	\$50,728	\$25,717	\$28,904
United States	\$56,124	\$62,316	\$30,820	\$34,828

Note (1): Per capita income represents the income received by all persons aged 15 years and over divided by the total population.

Source: ESRI

Auburn University. The Lee County economy is favorably influenced by the presence of Auburn University, a land, space and sea grant research institution blending arts and applied sciences. Its administrative headquarters and main campus, which includes 206 academic buildings and a total of 427 buildings located on approximately 1,841 acres, are located in Auburn, Alabama. For the fall term of 2017, the University had a total enrollment of 29,776 at the main campus. The 2017-2018 operating budget for the main campus in Auburn, Alabama, is approximately \$1,271,277,729⁽¹⁾.

Through Authority affiliate East Alabama Campus Health LLC, EAMC has partnered with Auburn University to provide professional medical services and management services for Auburn University Medical Center, the University's only health care provider.

Source: (1) Auburn University's Budget Services

Service Area Hospitals

The EAMC System Hospitals are the only acute-care hospitals operating in Lee and Chambers Counties. The secondary service area contains six hospitals. None of these six hospitals has a number of beds or range of services comparable to those of the EAMC System Hospitals. The EAMC System Hospitals are the primary referral centers located in the service area. Referral centers located outside the service area are identified below under the table “Market Share Analysis of Competing Hospitals”. The following table presents an inventory of the existing acute-care hospitals in the primary and secondary service area.

Table 13.
Inventory of Service Area Hospitals

<u>Hospital</u>	<u>County</u>	<u>Approximate Miles From Opelika</u>	<u>Licensed Beds</u>
Lee County			
East Alabama Medical Center ⁽¹⁾	Lee	0	314
EAMC-Lanier	Chambers	24	115
Secondary Service Area			
Russell Medical Center	Tallapoosa	35	81
Lake Martin Community Hospital	Tallapoosa	30	46
Jack Hughston Memorial Hospital	Russell	30	70
Tanner Medical Center/East Alabama	Randolph	58	15
Regional Rehabilitation Hospital ⁽²⁾	Russell	40	48

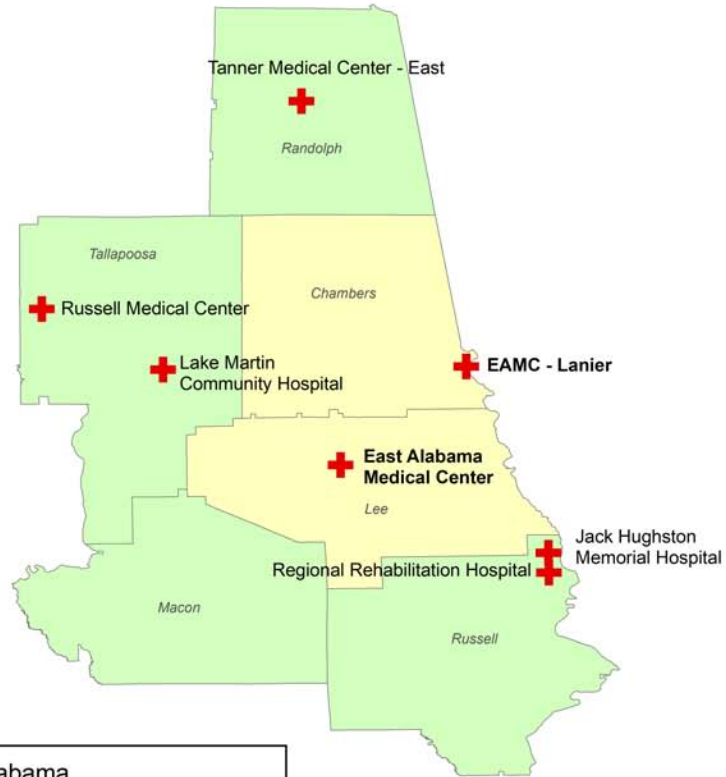
Note (1): Excludes 26-bed skilled nursing unit.

Note (2): Not an acute-care hospital; provides rehabilitation services only.

Source: Alabama Hospital Association.

The map on the following page shows the EAMC System’s primary and secondary service areas and the locations of the hospitals in the service areas.

EAMC Service Area



The Alabama State Health Planning and Development Agency (“SHPDA”) historically has provided data on inpatient market share for Alabama hospitals. Regular annual reports were issued by SHPDA through fiscal year 2012. Since fiscal year 2012 the only report available is for fiscal year 2016. The following table contains market share information for fiscal year 2016. The data is based on the place of residence of inpatients admitted at the reporting hospitals. Only Alabama hospitals are included in the reports. For example, during fiscal year 2016, of the residents from the primary service area who were admitted to any Alabama hospital, 81.36% were admitted to EAMC.

For fiscal year 2010, the last reporting year prior to 2016, the combined market share of EAMC and EAMC-Lanier was 86.05% for the primary service area and 29.14% for the secondary service area.

As indicated in the table below, residents from the Authority’s service area migrate outside the service area primarily for highly specialized services at academic medical centers located elsewhere. University of Alabama Hospital in Birmingham is the primary teaching hospital of the University of Alabama School of Medicine (“UASOM”), and Children’s Hospital of Alabama is the primary teaching hospital for the UASOM pediatric specialty. Baptist Medical Center-South in Montgomery is affiliated with University of Alabama Hospital and the UASOM and has physicians from the UASOM practicing there. The Authority expects that some residents of the service area may migrate to Emory University hospitals and clinics in Atlanta, Georgia, but there is no statistical data available for market share of those facilities.

Table 14.
Market Share Analysis of Competing Hospitals

	Fiscal Year 2010		Fiscal Year 2016	
	Primary Service Area	Secondary Service Area	Primary Service Area	Secondary Service Area
Hospitals Located in the Primary Service Area				
East Alabama Medical Center	69.77%	27.43%	73.79%	29.14%
EAMC – Lanier ⁽¹⁾	<u>16.28</u>	<u>1.71</u>	<u>8.28</u>	<u>0.45</u>
Subtotal	86.05%	29.14%	82.07%	29.59%
Hospitals Located in the Secondary Service Area				
Tanner Medical Center – East Alabama ⁽²⁾	0.05%	4.84%	0.04%	3.00%
Russell Medical Center	0.11	17.35	0.14	21.97
Lake Martin Community Hospital	0.23	5.97	0.14	4.82
Regional Rehabilitation Hospital ⁽³⁾	2.54	3.91	2.87	3.58
Jack Hughston Memorial Hospital ⁽⁴⁾	1.14	2.31	1.03	1.63
Randolph Medical Center ⁽⁵⁾	0.40	4.74	--	--
Hospitals Located Outside the Primary and Secondary Service Area				
University of Alabama Hospital (Birmingham)	3.24%	5.01%	5.30%	7.71%
Children’s Hospital of Alabama (Birmingham)	1.59	1.83	2.60	2.52
Baptist Medical Center-South (Montgomery)	0.64	2.85	1.04	3.04
Other hospitals	4.01	22.05	4.77	22.14
Total	100.00%	100.00%	100.00%	100.00%

Source: Alabama State Health Planning and Development Agency; 12 months ended 9/30; excludes normal newborns.

Note (1): George H. Lanier Memorial Hospital was acquired by EAMC in February, 2014.

Note (2): Wedowee Hospital closed on November 14, 2017 and its replacement hospital, Tanner Medical Center – East Alabama, opened on November 14, 2017.

Note (3): Regional Rehabilitation Hospital provides rehabilitation services only.

Note (4): Summit Hospital was acquired by physicians from The Hughston Clinic P.C. and renamed Jack Hughston Memorial Hospital in February, 2018.

Note (5): Randolph Medical Center was closed in March, 2011.

RESULTS OF HOSPITAL OPERATIONS

Historical Utilization

The following table sets forth certain utilization statistics for EAMC for the combined EAMC System Hospitals for the years or periods ended in 2015 through 2018:

**Table 15.
Operating Statistics**

	Year Ended September 30			Six Months Ended March 31	
	2015	2016	2017	2017	2018
Beds in Service*	429	429	429	429	429
Discharges**	15,307	14,508	14,780	7,478	7,739
Acute Patient Days**	73,951	71,340	73,433	37,923	37,541
Acute Average Length of Stay**	4.8	4.9	5.0	5.1	4.9
Acute Percent Occupancy**	50.27	48.37	49.92	51.7	51.18
SNF Patient Days	7,088	6,934	7,133	3,564	3,533
SNF Discharges	449	584	529	260	253
Outpatient Visits	119,986	118,352	119,710	60,644	62,183
Emergency Room Visits	63,394	66,472	65,014	32,568	32,545
Total Surgical Cases	15,727	15,773	15,757	8,024	7,754
Outpatient Surgical Cases	11,979	11,977	11,804	5,994	5,863
Medicare Case Mix Index	1.65	1.72	1.71	1.75	1.71

All statistics beginning Fiscal Year 2015 include the recent acquisition of EAMC-Lanier.

* Excludes newborns.

** Excludes newborns and Skilled Nursing Facility.

Selected Financial Data

The following selected financial data for the three years ended September 30, 2017 is derived from the audited financial statements of the Authority. The financial data for the six-month periods ended March 31, 2017 and 2018 is derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which the Authority considers necessary for a fair presentation of the financial position and the results of operations for these periods.

Operating results for the six months ended March 31, 2018 are not necessarily indicative of the results that may be expected for the entire year ending September 30, 2018. The data should be read in conjunction with the financial statements, related notes, and other financial information included in APPENDIX B.

Table 16.
Condensed Statements of Revenue and Expenses
(in thousands)

	Fiscal Year Ended September 30			Six months ended March 31, (unaudited)	
	2015	2016	2017	2017	2018
OPERATING REVENUE					
Net patient service revenue	\$319,105	\$314,606	\$327,496	\$163,776	\$172,240
Other revenues, net	16,196	17,537	23,025	10,425	13,991
Total operating revenue	335,301	332,143	350,521	174,201	186,231
EXPENSES					
Operating Expenses	307,471	306,723	327,866	162,198	173,985
Depreciation and amortization	18,752	18,237	18,291	8,861	9,330
Total expenses	326,223	324,960	346,157	171,059	183,315
INCOME FROM OPERATIONS	9,078	7,183	4,364	3,142	2,916
NONOPERATING REVENUES (EXPENSES)					
Interest income	3,030	3,436	3,295	2,046	1,922
Loss on disposal of assets	(1,375)	(304)	(495)	(243)	(231)
Other Nonoperating Revenues	1,225	761	839	425	590
Gain on Sale of Senior Housing Facilities	-	11,073	-	-	-
Loss on advance refunding	-	-	(3,437)	-	-
Interest expense	(6,780)	(6,730)	(5,674)	(3,422)	(1,547)
Ad valorem taxes	5,236	5,353	5,556	5,123	5,420
Unrealized gains/(Losses)	(3,348)	(1,976)	3,671	989	(331)
Total nonoperating revenues (expenses)	(2,012)	11,613	3,755	4,918	5,823
EXCESS OF REVENUES OVER EXPENSES	<u>\$7,066</u>	<u>\$18,796</u>	<u>\$8,119</u>	<u>\$8,060</u>	<u>\$8,739</u>

Table 17.
Condensed Balance Sheets
(in thousands)

	September 30			March 31 (unaudited)	
	2015	2016	2017	2017	2018
Assets					
Current Assets					
Cash and Investments	\$ 41,940	\$ 46,924	\$ 39,483	\$ 41,294	\$39,013
Other Current Assets	36,979	35,390	46,695	51,780	50,022
Total Current Assets	78,919	82,314	86,178	93,074	89,035
Board Designated Funds	88,921	119,554	60,719	119,100	60,124
Other Assets Whose use is limited	20,702	21,008	16,680	18,974	14,956
Long-term Investments	59,358	46,173	36,421	38,868	36,085
Property, Plant & Equipment	149,624	143,911	146,519	147,767	151,020
Other Assets	3,171	3,354	2,747	3,488	3,123
Total Assets	400,695	416,314	349,264	421,271	354,343
Liabilities:					
Current Liabilities	75,669	70,737	66,491	72,264	65,108
Long Term Debt	96,569	96,381	29,935	96,313	29,861
Other Long Term Liabilities	14,340	16,634	12,157	12,018	10,012
Total Liabilities	186,578	183,752	108,583	180,595	104,981
Minority Interest	351	0	0	0	0
Net Position	213,766	232,562	240,681	240,676	249,362
Total Liability and Net Position	\$400,695	\$416,314	\$349,264	\$421,271	\$354,343

Financial Reporting for the Authority; Effect of Consolidation

The accounts of various affiliates are consolidated with the Authority's accounts for financial reporting purposes. For a detailed description of these affiliated entities, see Note 1 to the Authority's financial statements included in APPENDIX B. In general, affiliates other than EAMC-Lanier, LLC consist of (i) entities that provide goods or services that complement the Authority's acute care hospital operations, such as durable medical equipment and lab services, (ii) entities that employ physicians who provide services at the EAMC System Hospitals, and (iii) a fundraising foundation. All of these affiliated entities are wholly owned by the Authority or the Authority owns the controlling interest. The following table shows the effect of consolidating these affiliated entities with the Authority:

Table 18.
Effect of Consolidation
(dollars in thousands)

	Unaudited 2016		Unaudited 2017	
Operating Revenue				
Authority ⁽¹⁾	\$292,572	88.1%	\$312,465	89.1%
Affiliated entities	39,571	11.9%	38,056	10.9%
Total	332,143		350,521	
Income from Operations				
Authority ⁽¹⁾	9,803	136.5%	8,748	200.5%
Affiliated entities	(2,620)	-36.5%	(4,384)	-100.5%
Total	7,183		4,364	
Total Assets				
Authority ⁽¹⁾	388,516	93.3%	329,302	94.3%
Affiliated entities	27,798	6.7%	19,962	5.7%
Total	416,314		349,264	

Note (1): Includes accounts of EAMC-Lanier. The Authority operates EAMC-Lanier and EAMC as a single, integrated hospital and does not maintain separate accounting records for EAMC-Lanier.

The Authority also owns a minority interest (25% each) in two joint ventures that provide home care and hospice services. The Authority's share of the operating results of these joint ventures is included in the Authority's nonoperating revenues under the equity method of accounting. During fiscal years 2016 and 2017 these joint ventures provided \$230,481 and \$441,975, respectively, of the Authority's Excess of Revenues over Expenses.

The Authority is the only entity obligated for payment of the Series 2018A Bonds and the only member of the Obligated Group established under the Master Indenture. None of these affiliates or joint ventures is obligated for payment of the Series 2018A Bonds or is a member of the Obligated Group under the Master Indenture.

The Master Indenture provides that the Obligated Group's "Net Income Available for Debt Service", a term used for the computation of debt capacity and other financial tests, is computed based on financial statements prepared in accordance with generally accepted accounting principles. Accordingly, the net income of these affiliates is included in the Authority's net income for the purposes of these tests, and the Authority's share of the results of operations of the joint ventures is included in other operating revenues. The Master Indenture restricts transfers by an Obligated Group member to these affiliates or joint ventures. For a description of these restrictions, see APPENDIX C – "FORM OF INDENTURE, AND EXECUTED COPIES OF MASTER INDENTURE AND MORTGAGE—Master Trust Indenture, Section 7.7, Sale, Lease or Other Disposition of Assets".

Sources of Patient Service Revenue

The following tables set forth the approximate percentage of inpatient and outpatient gross patient service revenue received by the Authority for the years ended September 30, 2015 through 2017 from Medicare, Medicaid, Blue Cross, commercial insurance, and self-pay and other insurance sources.

Table 19.
Inpatient Revenue Sources

	Fiscal Years Ended September 30			Six Months Ended March 31	
	2015	2016	2017	2017	2018
Medicare	51.7%	51.9%	43.6%	44.71%	39.61%
Medicaid	10.1	10.3	10.9	11.17	12.17
Blue Cross	17.8	18.1	18.5	18.34	18.55
Commercial	12.3	12.3	18.3	18.46	21.66
Self-Pay	7.3	6.8	7.3	7.06	7.65
Other Insurance	<u>0.8</u>	<u>0.7</u>	<u>1.4</u>	<u>0.27</u>	<u>0.36</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Table 20.
Outpatient Revenue Sources

	Fiscal Years Ended September 30			Six Months Ended March 31	
	2015	2016	2017	2017	2018
Medicare	36.9%	36.1%	32.8%	33.03%	28.20%
Medicaid	9.9	9.1	9.0	8.86	8.38
Blue Cross	34.7	35.3	34.3	35.56	31.84
Commercial	11.1	11.6	15.4	15.96	20.22
Self-Pay	5.9	6.1	7.1	6.03	10.73
Other Insurance	<u>1.5</u>	<u>1.8</u>	<u>1.4</u>	<u>0.56</u>	<u>0.63</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

DEBT STRUCTURE OF THE AUTHORITY

Outstanding Direct Debt of the Authority

After giving effect to the plan of financing for the Series 2018A Bonds, the Authority will have the following debt outstanding:

Table 21.
Debt of the Authority

	<u>Principal Balance</u>	<u>Repurchase Requirements</u>	<u>Final Maturity</u>
Long-Term Debt – Fixed Rate			
Series 2018A Bonds	\$31,710,000 ⁽¹⁾	None	
Series 2012-A Bonds	28,380,000	None	2028
Subtotal	<u>\$60,090,000</u>		
Long-Term Debt – Variable Rate			
Series 2012-B Bonds ⁽³⁾	<u>\$30,000,000</u>	Subject to tender and purchase on 5 business days' notice	2039
Total Debt	\$90,090,000		

Note (1): Preliminary, subject to change.

Note (2): These bonds are weekly rate demand bonds. The Authority is the liquidity provider for these bonds.

Debt Repurchase and Amortization Requirements

The Series 2012-B Bonds are currently in the weekly rate mode and are subject to repurchase at the option of the holders on five business days' notice if not remarketed. The Authority is providing the liquidity for the Series 2012-B Bonds and thus will be required to purchase tendered bonds with its own funds if the Series 2012-B Bonds are not remarketed. In that event, the Authority may elect to convert the Series 2012-B Bonds to another interest rate mode or to refinance the debt. If the debt is refinanced, the amortization schedule for the debt is expected to be different from what is currently shown in the related bond indenture.

Debt Guaranteed by the Authority

The Authority is not liable under any guaranties for the debt of another entity.

Short-Term Debt

The Authority does not have any short-term debt outstanding and does not have a line of credit or other short-term financing arrangement.

Derivative Financial Instruments

The Authority is not entering into any interest rate swap or other hedging agreement in connection with the issuance of the Series 2018A Bonds.

The Authority entered into an interest rate swap in the notional amount of \$47,300,000 in 2003 (the “Fixed Payer Swap”) with Merrill Lynch Capital Services, Inc. (“Merrill Lynch Capital”). The Fixed Payer Swap is described in Note 4 to the Authority’s audited financial statements attached as APPENDIX B.

The terms of the Fixed Payer Swap require the Authority to post collateral in certain circumstances based on gain or loss on the periodic valuation of the Fixed Payer Swap. Based on the current valuation, the Authority is not required to post collateral under the Fixed Payer Swap at this time. The Fixed Payer Swap may be terminated prior to the final termination date as a result of certain events of default or other termination events.

Debt of Affiliated Entities

Affiliates of the Authority have no outstanding long-term or short-debt.

Additional Debt

The Authority does not have any authorized, but unissued, debt other than the Series 2018A Bonds. The Authority currently does not expect that it will incur significant amounts of additional debt in the next three years. This expectation could change depending on the Authority’s assessment of the need to finance new capital projects and market conditions.

The Authority expects that no portion of its outstanding debt will be refunded over the next three years.

Annual Debt Service Requirements

The following table contains estimated debt service requirements on all debt of the Authority that will be outstanding after the Series 2018A Bonds are issued.

Table 22.
Estimated Annual Debt Service Requirements

Fiscal Year 9/30⁽¹⁾	Principal Payments			Total Principal Payments	Estimated Interest Payments⁽³⁾	Total Debt Service
	Series 2012-A Bonds	Series 2012-B Bonds	Series 2018A Bonds⁽²⁾			
2018	\$0	\$0	\$0	\$0	\$2,680,904	\$2,680,904
2019	1,705,000	470,000	0	2,175,000	3,865,625	6,040,625
2020	1,765,000	475,000	0	2,240,000	3,783,325	6,023,325
2021	1,845,000	490,000	0	2,335,000	3,680,825	6,015,825
2022	1,925,000	500,000	0	2,425,000	3,573,875	5,998,875
2023	2,005,000	515,000	0	2,520,000	3,462,625	5,982,625
2024	3,770,000	525,000	0	4,295,000	3,346,925	7,641,925
2025	3,945,000	535,000	0	4,480,000	3,142,675	7,622,675
2026	4,155,000	555,000	0	4,710,000	2,929,375	7,639,375
2027	4,355,000	570,000	0	4,925,000	2,704,975	7,629,975
2028	2,910,000	585,000	0	3,495,000	2,470,125	5,965,125
2029	0	395,000	630,000	1,025,000	2,328,900	3,353,900
2030	0	370,000	695,000	1,065,000	2,285,550	3,350,550
2031	0	335,000	780,000	1,115,000	2,239,700	3,354,700
2032	0	315,000	845,000	1,160,000	2,190,650	3,350,650
2033	0	280,000	935,000	1,215,000	2,138,950	3,353,950
2034	0	0	1,270,000	1,270,000	2,083,800	3,353,800
2035	0	0	1,330,000	1,330,000	2,020,300	3,350,300
2036	0	0	1,400,000	1,400,000	1,953,800	3,353,800
2037	0	8,435,000	0	8,435,000	1,883,800	10,318,800
2038	0	8,650,000	0	8,650,000	1,630,750	10,280,750
2039	0	6,000,000	0	6,000,000	1,371,250	7,371,250
2040	0	0	2,160,000	2,160,000	1,191,250	3,351,250
2041	0	0	2,270,000	2,270,000	1,083,250	3,353,250
2042	0	0	2,385,000	2,385,000	969,750	3,354,750
2043	0	0	2,500,000	2,500,000	850,500	3,350,500
2044	0	0	2,625,000	2,625,000	725,500	3,350,500
2045	0	0	2,760,000	2,760,000	594,250	3,354,250
2046	0	0	2,895,000	2,895,000	456,250	3,351,250
2047	0	0	3,040,000	3,040,000	311,500	3,351,500
2048	0	0	3,190,000	3,190,000	159,500	3,349,500
Total	\$28,380,000	\$30,000,000	\$31,710,000	\$90,090,000	\$64,110,454	\$154,200,454

Note (1): Includes debt service for the entire fiscal year, commencing October 1, 2017, including debt service already paid.

Note (2): Principal payments on the Series 2018A Bonds are preliminary, subject to change.

Note (3): The Series 2012-A Bonds are fixed rate bonds. The Series 2012-B Bonds are variable rate bonds; interest on the Series 2012-B Bonds has been estimated at an assumed rate of 3.00%. The Series 2018A Bonds will be fixed rate bonds; for purposes of this Preliminary Official Statement, interest on the Series 2018A Bonds has been estimated based on current market conditions.

DEBT SERVICE COVERAGE RATIOS

Coverage Based on Estimated Debt Service

The table below contains debt service coverage ratios for the Authority. These coverage ratios are based on estimates that give effect to the issuance of the Series 2018A Bonds. See table above for estimated debt service requirements and related assumptions.

Table 23.
Debt Service Coverage
(dollars in thousands)

	Fiscal Years Ended September 30		
	2015	2016	2017
Excess (Deficit) of Revenues and Gains Over Expenses and Losses	\$7,066	\$18,796	\$8,119
Add Back Items Not Included in Debt Ratio:			
Interest expense	6,780	6,730	5,674
Depreciation and amortization	18,752	18,237	18,291
Loss on early extinguishment of debt	0	0	3,437
Impairment losses	0	0	0
Unrealized (gain) loss on investments and hedge agreement	<u>3,348</u>	<u>1,976</u>	<u>(3,670)</u>
Net income available for debt service ⁽¹⁾	35,946	45,739	31,851
Current annual debt service requirements ⁽²⁾	6,825	6,775	5,724
Coverage of current annual debt service ⁽³⁾	5.27x	6.75x	5.56x
Estimated pro forma maximum annual debt service ⁽⁴⁾	10,319	10,319	10,319
Coverage of pro forma maximum annual debt service ⁽⁵⁾	3.48x	4.43x	3.09x

Note (1): For the fiscal year ended September 30, 2016 a gain of \$11,073,235 from the Authority's sale of senior housing facilities is included in the Authority's nonoperating income. This was not an "extraordinary item of income" under GAAP and is therefore included in Net Income Available for Debt Service under the Master Indenture.

Note (2): This amount represents actual debt service requirements during the fiscal year for bonds then outstanding. In fiscal year 2017 the Authority retired its Series 2008-A Bonds and Series 2008-B3 Bonds with revenues of the Authority.

Note (3): Net income available for debt service for the period in question divided by current annual debt service requirements for the period.

Note (4): This amount represents estimated pro forma maximum annual debt service requirements, as shown in Table 22 - \$10,318,800 in fiscal year 2037.

Note (5): Net income available for debt service for the period in question divided by estimated pro forma maximum annual debt service for the period in question.

Coverage Tests under the Master Indenture

The Master Indenture includes a covenant comparing actual annual debt service requirements to income of the Obligated Group. See Section 7.5 and related definitions in the Master Indenture included in APPENDIX C. The Master Indenture also includes a debt incurrence test that compares pro forma maximum annual debt service requirements to income of the Obligated Group. See Section 7.4(a)(1) and (2) and related definitions in the Master Indenture included in APPENDIX C.

The Master Indenture calculations for these covenants differ from the calculations in the table above. The provisions of the Master Indenture for calculation of maximum annual debt service requirements include various

assumptions and estimates that differ from the estimated debt service requirements in Table 22. The Master Indenture provides two options for the calculation of maximum annual debt service requirements.

Under the first option, interest payments on variable rate debt, “Put Debt” and “Balloon Debt” are estimated using the Bond Buyer Index for 30-year revenue bonds, and amortization of Put Debt and Balloon Debt is assumed to be over a 30-year period with level annual payments of principal and interest. In addition, a portion of the estimated debt service requirements on guaranteed debt is included in annual debt service. If the Obligated Group has not made payments on the guaranteed debt, annual debt service on guaranteed debt is estimated using the same assumptions as the estimate for Put Debt and Balloon Debt, and only 20% of the assumed debt service is included in annual debt service.

Under the second option, interest payments on all long-term debt and, to the extent included as described below, guaranteed debt is estimated using the Bond Buyer Index for 30-year revenue bonds, and amortization of all such debt is assumed to be over a 30-year period with level annual payments of principal and interest. A portion of the estimated debt service requirements on guaranteed debt is included in annual debt service. If the Obligated Group has not made payments on the guaranteed debt, annual debt service on guaranteed debt is estimated using the same assumptions as for other long-term debt, and only 20% of the assumed debt service is included in annual debt service.

Using the second option, maximum annual debt service on long-term debt of the Authority would be \$5,434,000 (\$90,090,000 of debt amortized over 30 years at 4.35% - the Bond Buyer Index as of April 19, 2018). Based on maximum annual debt service under this second option, coverage would be: for fiscal year 2015, 6.62x; for fiscal year 2016, 8.42x; and for fiscal year 2017, 5.86x.

MANAGEMENT’S DISCUSSION OF PLANNING AND OPERATIONS

Development Overview

The EAMC System has continued to strengthen its position as the major referral center serving its six-county service area. Although the EAMC System’s service area has not experienced the transition to managed care seen in other markets, the System’s market share and the development initiatives that the Authority has undertaken have placed it in an excellent position to compete effectively as the local health care delivery system continues to evolve. Key considerations have been as follows:

1. **Services.** The ability to offer a comprehensive set of services to patients and employers is critical in a changing health care environment. The EAMC System is a full-service system with a history of clinical excellence throughout its continuum of services. It has been successful in adding secondary and tertiary level services as regional demand can support them. Of particular significance has been a comprehensive cardiac program which includes open heart surgery, five cardiac catheterization labs, and angioplasty as well as non-invasive modalities. The EAMC System’s orthopedic services and other general surgery services have seen sustained growth over recent years. The System provides comprehensive medical and radiation oncology services as well as lithotripsy and a full array of diagnostic radiology services which most recently includes PET Scan services. Beginning in Fiscal 2017, the EAMC System opened a new inpatient rehabilitation center to provide these services in our market. The EAMC System has developed excellent outpatient capabilities. It currently has plans to open an ambulatory surgery center as well as a free standing emergency department in the neighboring city of Auburn. Psychiatric, skilled nursing, sleep, home care, hospice, reference lab, and durable medical equipment services round out the EAMC System’s full continuum of care.

2. **Facilities.** The EAMC System is located in an area that is currently experiencing significant growth in population. As a result, it is a great challenge for management to maintain and expand the System’s facilities to meet the growing needs of its primary and secondary service areas. Recent expansions inside the EAMC System have been completed for labor and delivery as well as pediatric services. This bond issue is helping to finance a new cancer center, which will more than double the System’s current capacity. Also, as mentioned above in the “Services” section, new facilities are being built to house the new ambulatory surgery center and a free

standing emergency department. This facility is proposed to be located in the City of Auburn on Auburn University's campus. This facility will also be used to consolidate other outpatient services in an owned facility in a strategic location to serve our communities fastest growing area. Also, several physician offices have been built or purchased to house more hospital employed physicians. The EAMC System also has facilities that house its nursing homes, fitness center, and imaging and rehabilitation services. The EAMC System has a fitness center and a full service outpatient diagnostic imaging center.

3. **Medical Staff.** The EAMC System has retained a close working relationship with its medical staff. Management has worked hard to help meet the needs of its medical staff. Providing quality facilities and the latest technology and equipment as well as participating in joint efforts to recruit new physicians and other mutually beneficial initiatives highlight the System's efforts to meet these needs. The EAMC System's location and service mix enhance its ability to attract highly qualified physicians. Physician employment has become a growing trend recently. The System currently employs thirty-seven physicians with various specialties including primary care, oncology, surgery, cardiology and infectious disease. It also seeks collaborative agreements with groups of doctors (employed and non-employed) to help foster quality, patient satisfaction and efficiency.

4. **Relationships.** The EAMC System is an important element of the local economy. Management has developed excellent relationships with local employers. Outreach efforts on the part of the System and its medical staff have created closer ties with hospitals and communities throughout the service region. The EAMC System's participation in Premier, Inc., an alliance of hospitals located throughout the United States ("Premier"), further strengthens its competitive position. The System enjoys productive relationships with the major referral facilities in Birmingham, Montgomery and Columbus, Georgia.

5. **Efficiency.** The EAMC System continually strives to improve performance in all areas of the organization through its performance improvement (or lean) initiatives it calls EPIC (EAMC Performance Improvement Culture). These initiatives are both clinical and non-clinical and include standardizing processes to enhance efficiency throughout the EAMC System to improve patient safety, clinical performance and cost. The EPIC process includes initiatives in supply chain management as well as information system improvements.

6. **Employees.** A key strength of the organization is its loyal and motivated work force. The EAMC System continuously seeks feedback from employees through surveys and other means. It continues to achieve high marks from employees in all categories. The System strives to take survey results and improve in areas which employees suggest. The employees continue to enjoy the EAMC System's gainsharing program that distributes cash bonuses based on meeting quality, patient satisfaction and financial targets.

Patient Volumes

The results of the above activities have been significant, specifically:

1. The EAMC System has maintained its market share in the primary service area with over an 81% share based on Alabama State Health Planning and Development Agency's latest data from 2016. The System supports the other local hospitals in helping to retain local market share in the five-county secondary service area. The EAMC System's share in the secondary service area is approximately 37.5%. University of Alabama Hospital, located in Birmingham, Alabama, has the highest market share of any referral center located outside the service area. In 2016 its market share was 5.5% in the primary service area and 6.5% in the secondary service area. See "Market Share Analysis of Competing Hospitals" above.

2. Patient discharges have increased over the past five years from 12,937 in 2013 to 14,780 in 2017. Outpatient visits have risen from 86,457 in 2013 to 119,710 in 2017. This growth is due to the merger with EAMC-Lanier in 2014 and general growth in population.

Financial Results and Capital Spending Plan

Over the past four years (2013 – 2017), the EAMC System has achieved consistent earnings and consistent strengthening of its balance sheet. Revenue has grown from \$271 million in 2013 to \$351 million in 2017, an increase of \$80 million or approximately 7.2% per year. Income from operations (for the same period) has ranged

from 1.2% to 3.0% of net revenue each year. Cash and Investments less long term debt (including \$30 million in variable rate debt recorded in current liabilities) has risen from \$61.9 million in 2013 to \$90.3 million at March 31, 2018. Net assets (or equity) has increased from \$187.4 million to \$249.4 million over the same period.

The Authority plans to expand capital spending in order to expand capacity for patient care over the next three years. Capital spending is projected to be \$101 million for this three-year period before reducing back to approximately \$12 million per year for years four and five. As mentioned before, the primary projects will be the new cancer center, the free standing emergency department and the ambulatory surgery center. After completing these expansions, the Authority plans to spend capital on normal routine equipment replacements and thus focusing on increasing its cash balances.

Management's Assessment of Fiscal Year 2017 and Fiscal Year 2016 Results

The audited financial statements included in Appendix B include management's discussion and analysis (unaudited) of results for fiscal year 2017 and fiscal year 2016.

Management's Assessment of Interim Financial Results

2017 financial results declined from the previous years of consistently strong earnings. The primary reason for this decline centered around the conversion of the System's patient accounting and billing system to a new system. This conversion temporarily slowed collections and therefore increased bad debt expense and hurt earnings in 2017 by about \$5 million.

On Table 16, the interim results for earnings for the six months ended, March 31, 2017 and 2018, appear consistent. The collections and bad debt issue did not occur until the last six months of fiscal 2017. The EAMC System, therefore, struggled to break even the final six months of the year related to earnings. For 2018, management does not anticipate a similar result as these issues have been resolved. Currently, management anticipates achieving its budget for the year which would result in having earnings (Excess Revenue over Expenses) of \$12.5 million.

LITIGATION

The Authority is a defendant in a qui tam action pending in the U.S. District Court for the Northern District of Alabama, Northeastern Division. Plaintiff, Leamon Fite, is a former employee of the Authority whose job duties and responsibilities were Director of Operations for Aperian Laboratory Solutions, LLC ("Aperian"). Aperian is a single member LLC with the Authority as its only member. The complaint, filed in August, 2013, alleges violations of the False Claims Act, the Anti-Kickback Statute, and the Stark Laws against multiple defendants. Although the case is currently pending, the United States has declined to intervene in the case as of this date.

The Authority is also subject to various lawsuits in the normal course of their operations. Claims or lawsuits have been brought and are currently pending against the Authority involving alleged malpractice by employees.

In the opinion of Authority management, coverage under the existing policies is adequate to protect against any reasonably anticipated loss; however, if a final judgment were entered in any pending action in an amount in excess of its insurance coverage, the Authority would be liable for the excess. Authority management is not aware of any malpractice claims or other litigation pending or threatened wherein any unfavorable decision would have a material adverse effect on the financial condition or operations of the Authority or on the Authority's ability to pay its debt obligations in the future.

ADDITIONAL INFORMATION ABOUT THE EAMC SYSTEM

Accreditation and Membership

EAMC has been continuously accredited by the Joint Commission since February 13, 1959, is licensed by the Alabama State Board of Health, and is a Member of the American Hospital Association and the Alabama Hospital Association. The EAMC System is also a member of Premier. The EAMC System is certified for participation in the Medicare and Medicaid Programs.

Employees and Labor Relations

As of September 30, 2017, the Authority had 2,638 full-time equivalent employees. The full-time equivalent employees include 155 executive and management personnel, 602 registered nurses, 34 licensed practical nurses, 291 nursing aides and attendants, and 1,556 technical professional, clerical, maintenance, engineering, and other professional and nonprofessional service employees.

The Authority considers its employee relations to be excellent. Results of employee opinion surveys all indicate high levels of employee satisfaction as compared to national averages. The EAMC and EAMC-Lanier hospitals' latest surveys were completed in April of 2017. Its employees are not represented by any union and are not covered by any collective bargaining agreement.

Pension Plans

The EAMC System offers a matching tax sheltered annuity program for its employees. Currently, it contributes 75% of the first 6% of compensation that the participant contributes to the plan. Its contributions to this program have been as follows: \$2.5 million (2013); \$2.7 million (2014); \$3.1 million (2015); \$3.1 million (2016); and \$3.1 million (2017). The EAMC System has no unfunded pension liabilities.

Hill-Burton Act

Under several grant agreements, the Authority has received funds under the Hill-Burton Act for payment of costs of the original construction of and subsequent additions to the EAMC. Acceptance of these funds carried with it an obligation to provide (i) services for persons unable to pay for such services, and (ii) community services. The Authority has been advised by the Alabama State Health Planning and Development Agency that its uncompensated care obligations under the Hill-Burton Act contracts have been fulfilled. The federal government takes the position that so-called "community service" obligations of recipients of Hill-Burton Act grants continue in perpetuity.

General and Professional Liability Insurance

As of January 1, 2003, the Authority decided to self-insure for general and professional liability. The Authority, which is a health care authority under the laws of the State of Alabama, has limited liability of \$100,000 per case. This limit has been upheld in court in Lee County. The EAMC System has an excellent record of low claims cost over the past several years and resides in a conservative county.

The EAMC System hired independent actuaries to determine its appropriate liability and funding level with a 90% confidence level. These amounts are recorded on the books of the Authority.

Other Insurance

Fire, lightning and comprehensive insurance coverage on the EAMC System and its contents, excluding land, is carried under a blanket policy in the amount of \$669,000,000. This limit covers business interruption insurance as well under this same policy. The Authority also carries directors' and officers' liability insurance in the amount of \$11,000,000.

The Authority is self-insured with respect to all obligations for workers' compensation.

Volunteer Programs

The East Alabama Medical Center Auxiliary has served the EAMC since its opening in 1952. At present the Auxiliary has approximately 235 adult volunteers, 101 teen volunteers and 80 college volunteers. During fiscal year 2017, the Auxiliary rendered approximately 32,337 hours of service for EAMC.

Educational Affiliations

EAMC has an affiliation with Southern Union State Community College and its nursing, radiography, and emergency medical services programs in Opelika, Alabama. EAMC provides scholarships for students and placements for training. Students on scholarship are obligated to work for EAMC following graduation as registered nurses.

EAMC also has affiliations with and provides placements experiences, instructional sites, and internships for students in Troy State University's nursing program and in Auburn University's School of Nursing, College of Pharmacy, Health Care Administration Program, and Health and Human Performance Program. Several EAMC employees also serve as adjunct faculty at Auburn University School of Nursing.

EAMC serves as a site for clinical learning experience for the Rural Medical Clerkship Program of the University of Alabama at Birmingham School of Medicine, for the Surgery Residency Program of the University of South Alabama in Mobile, Alabama, and for the Auburn University Harrison School of Pharmacy Residency Program.

EAMC has an affiliation with the Edward Via College of Osteopathic Medicine (VCOM) located on the campus of Auburn University. Medical students perform clinical rotations at EAMC under the supervision of our medical staff.

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APPENDIX B

**AUDITED FINANCIAL STATEMENTS
OF THE AUTHORITY
FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2016 AND 2017**

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THE EAST ALABAMA HEALTH CARE AUTHORITY

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2017 AND 2016

Tentative report, subject to review by the Chief Examiner of The Department of Examiners of Public Accounts, State of Alabama. This report will become final upon review and acceptance by the Chief Examiner.

**THE EAST ALABAMA HEALTH CARE AUTHORITY
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SEPTEMBER 30, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The East Alabama Health Care Authority

Report on the Financial Statements

We have audited the accompanying financial statements of The East Alabama Health Care Authority (the Authority) as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The East Alabama Health Care Authority as of September 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of operating expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of operating expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Members of the Authority Board and Schedule of Insurance Coverage on pages 42-43 have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we do not express an opinion on them or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Warren Averett, LLC". The signature is written in a cursive, flowing style.

Birmingham, Alabama
January 25, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of The East Alabama Health Care Authority's (the Authority) financial statements presents management's analysis of the Authority's financial performance during the fiscal years that ended on September 30, 2017 and 2016. Please read it in conjunction with the financial statements, which follow this section:

Financial Highlights

2017

- Income from operations was \$4.4 million for 2017, down from \$7.2 million in the prior year.
- Net position increased in 2017 by \$8.1 million.
- Total long-term liabilities decreased by \$70.9 million primarily due to the defeasance of the 2008-A and 2008-B bond issues.
- Total cash and investments on the balance sheet decreased by \$80.8 million primarily due to the bond defeasance noted above, but also due to slowing collections due to a billing system conversion. This also caused an increase in net accounts receivable.

2016

- Income from operations decreased from 2015 of \$9.1 million to \$7.2 million in 2016.
- Excess of revenues over expenses increased from \$7.1 million in 2015 to \$18.8 million in 2016 due primarily to a sale of three senior housing facilities, for a gain of \$11.1 million.
- Net position increased in 2016 by \$18.8 million.
- Total cash and investments on the balance sheet increased from \$211.5 million in 2015 to \$234.2 million in 2016, an increase of \$22.7 million.
- The Authority invested \$18.2 million in net property, plant, and equipment in 2016.

Overview of the Financial Statements

The financial statements consist of two parts: management's discussion and analysis and the financial statements. The financial statements also include notes and additional information that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the Authority offer short-term and long-term financial information about its activities. The balance sheets include all of the Authority's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. The balance sheets also provide the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the statements of revenues and expenses and statements of changes in net position. These statements measure the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its services provided, as well as its profitability and creditworthiness.

The final required financial statements are the statements of cash flows. The primary purpose of these statements is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statements report cash receipts, cash payments, and net changes in cash resulting from operating, investing, noncapital financing, and financing activities, and provide answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis

Our analysis of the financial statements of the Authority begins below. One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better off or worse off as a result of the year's activities?" The balance sheets, the statements of revenues and expenses, and the statements of changes in net position report information about the Authority's activities in a way that will help answer this question. These statements report the net position of the Authority and changes in it. You can think of the Authority's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other nonfinancial factors, such as changes in economic conditions, regulations, and new or changed government legislation.

Net Position

To begin our analysis, a summary of the Authority's balance sheets is presented in Tables A-1 and A-2.

Table A-1
Condensed Balance Sheets (in millions of dollars)

	FY 2017	FY 2016	Dollar Change	Percentage Change
Receivables, net	\$ 32.1	\$ 24.0	\$ 8.1	33.8%
Other current assets	54.1	58.3	(4.2)	-7.2%
Current assets	86.2	82.3	3.9	4.7%
Other assets	116.6	190.1	(73.5)	-38.7%
Property, plant, and equipment, net	146.5	143.9	2.6	1.8%
Total assets	<u>\$ 349.3</u>	<u>\$ 416.3</u>	<u>\$ (67.0)</u>	-16.1%
Current liabilities	\$ 66.5	\$ 70.7	\$ (4.2)	-5.9%
Long-term liabilities	42.1	113.0	(70.9)	-62.7%
Total liabilities	<u>\$ 108.6</u>	<u>\$ 183.7</u>	<u>\$ (75.1)</u>	-40.9%
Net position:				
Net investment in capital assets	\$ 86.6	\$ 23.5	\$ 63.1	
Unrestricted	149.7	204.6	(54.9)	
Restricted	4.4	4.5	(0.1)	
Total net position	<u>\$ 240.7</u>	<u>\$ 232.6</u>	<u>\$ 8.1</u>	3.5%

As shown in Table A-1, net position increased \$8.1 million from 2016. This change in net position was attributable to income generated in 2017. See discussion following Table A-3 for more details.

Current assets are up \$3.9 million from 2016. The various components' fluctuations are worthy of comment, however. The Authority changed its patient accounting financial system during 2017. This change temporarily slowed the cash collection process and caused net accounts receivable to increase 33.8% from \$24.0 million at the end of fiscal 2016 to \$32.1 million at the end of fiscal 2017. Cash, cash equivalents and temporary investments decreased \$7.4 million due to this dynamic as well.

Other assets are down \$73.5 million. This is made up of the reductions in investment dollars from "assets whose use is limited" and "long-term investments". These reductions are directly related to the reduction of long-term liabilities of \$70.9 million. Both asset and liability reductions are due to the defeasance of the 2008-A and 2008-B bonds during 2017.

Table A-2
Condensed Balance Sheets (in millions of dollars)

	FY 2016	FY 2015	Dollar Change	Percentage Change
Receivables, net	\$ 24.0	\$ 22.8	\$ 1.2	5.3%
Other current assets	58.3	56.1	2.2	3.9%
Current assets	82.3	78.9	3.4	4.3%
Other assets	190.1	172.2	17.9	10.4%
Property, plant, and equipment, net	143.9	149.6	(5.7)	-3.8%
Total assets	<u>\$ 416.3</u>	<u>\$ 400.7</u>	<u>\$ 15.6</u>	3.9%
Current liabilities	\$ 70.7	\$ 75.7	\$ (5.0)	-6.6%
Long-term liabilities	113.0	110.9	2.1	1.9%
Total liabilities	<u>\$ 183.7</u>	<u>\$ 186.6</u>	<u>\$ (2.9)</u>	-1.6%
Minority interest	\$ -	\$ 0.3	\$ (0.3)	-100.0%
Net position:				
Net investment in capital assets	\$ 23.5	\$ 29.3	\$ (5.8)	
Unrestricted	204.6	180.0	24.6	
Restricted	4.5	4.5	-	
Total net position	<u>\$ 232.6</u>	<u>\$ 213.8</u>	<u>\$ 18.8</u>	8.8%

As shown in Table A-2, net position increased \$18.8 million from 2015. This change in net position was attributable to income generated in 2016. See discussion following Table A-4 for more details.

Current assets are up \$3.4 million from 2015 primarily due to an increase of cash and temporary investments of about \$5.0 million. Other assets are also up \$17.9 million from 2015. This amount also represents higher financial investment balances due to the sale of three senior housing facilities. In this transaction, the Authority received approximately \$16.2 million and recorded a gain on the sale of \$11.1 million (as noted on the “non-operating revenue” section of the Statement of Revenues and Expenses). This transaction also explains the decrease of \$5.7 million in net property, plant, and equipment.

Liabilities decreased by \$2.9 million, which is made up of decreases in other accrued liabilities as well as an increase in the fixed payer swap, which is categorized as “other long-term liabilities”. “Other accrued liabilities” decreased because gainsharing payouts (employee bonuses) were not achieved for 2016 due to the Authority’s soft financial performance in income from operations and not achieving certain required operational metrics.

Table A-3

Condensed Statements of Revenues, Expenses, and Changes in Net Position (in millions of dollars)

	<u>FY 2017</u>	<u>FY 2016</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating revenues	\$ 350.5	\$ 332.1	\$ 18.4	5.5%
Service departments	61.2	61.3	(0.1)	-0.2%
Earnings departments	266.7	245.4	21.3	8.7%
Depreciation and amortization	18.2	18.2	-	0.0%
Total operating expenses	<u>346.1</u>	<u>324.9</u>	<u>21.2</u>	6.5%
Income from operations	4.4	7.2	(2.8)	-38.9%
Nonoperating revenues (expenses), net	<u>3.7</u>	<u>11.6</u>	<u>(7.9)</u>	
Excess of revenues over expenses	8.1	18.8	(10.7)	
Beginning net position	232.6	213.8	18.8	
Ending net position	<u>\$ 240.7</u>	<u>\$ 232.6</u>	<u>\$ 8.1</u>	3.5%

As shown in Table A-3 above, income from operations in 2017 was \$4.4 million, down from \$7.2 million in 2016.

Operating revenues were up \$18.4 million (or 5.5%) in 2017 to \$350.5 million. This is primarily due to strong volumes and one new service line. However, operating revenues could have been higher. Bad debt expense was higher than expected by \$5.3 million, which lowered operating revenues. This increase in bad debt expense is due to slower collections caused by the Authority's change in its patient accounting financial system. Slower collections cause higher and older receivables, which increases bad debt expense. Management considers this a temporary problem and if these higher and older receivables can be collected, then bad debt expense will be lowered at that point.

Expenses were up in 2017 by \$21.2 million or 6.5%. This is consistent with the increase to operating revenue, especially if bad debt expense was not an issue.

Nonoperating revenues were down from 2016 by \$7.9 million. This is primarily due to the gain on sale of senior housing facilities that occurred in 2016 and not repeated in 2017.

The summary of unrealized gains (losses) in 2017 is as follows:

Gain in value of stocks	\$ 148,584
Loss in value of bonds	(954,078)
Gain in value of swaps	4,476,042
2017 unrealized losses	<u>\$ 3,670,548</u>

Table A-4

Condensed Statements of Revenues, Expenses, and Changes in Net Position (in millions of dollars)

	<u>FY 2016</u>	<u>FY 2015</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating revenues	\$ 332.1	\$ 335.3	\$ (3.2)	-1.0%
Service departments	61.3	62.3	(1.0)	-1.6%
Earnings departments	245.4	245.2	0.2	0.1%
Depreciation and amortization	18.2	18.7	(0.5)	-2.7%
Total operating expenses	<u>324.9</u>	<u>326.2</u>	<u>(1.3)</u>	-0.4%
Income from operations	7.2	9.1	(1.9)	-20.9%
Nonoperating revenues (expenses), net	<u>11.6</u>	<u>(2.0)</u>	<u>13.6</u>	
Excess of revenues over expenses	<u>18.8</u>	<u>7.1</u>	<u>11.7</u>	
Beginning net position	<u>213.8</u>	<u>206.7</u>	<u>7.1</u>	
Ending net position	<u>\$ 232.6</u>	<u>\$ 213.8</u>	<u>\$ 18.8</u>	8.8%

As shown in Table A-4 above, income from operations in 2016 was \$7.2 million, down from \$9.1 million in 2015.

Operating revenues were down by \$3.2 million year over year. The sale of the senior housing facilities accounts for this drop. The following chart summarizes the drop in revenue and expenses from 2015 (a full year of operations) versus 2016 (a partial year of operations) for the senior living communities.

	<u>2016</u>	<u>2015</u>	<u>Difference</u>
Net Revenue	\$2.4 M	\$5.7 M	\$3.3 M
Operating Expenses	2.1 M	4.9 M	2.8 M
Depreciation	.2 M	.5 M	.3 M
Net Income	.1 M	.3 M	.2 M

Operating Expenses were slightly lower as well. Excluding the effect of the senior housing facilities sale, revenues were flat. 2016 was a year where the Authority executed its strategic plan to integrate its new Lanier campus into its system. This plan called for labor and delivery services to be consolidated at its main campus, the restructuring of several physician contracts at Lanier and efforts to find new, more appropriate, profitable business lines for that facility. This plan also called for a change in IT platforms to connect both campuses into one system for clinical and financial operations.

Nonoperating revenues (expenses) had consistent results year over year excluding the gain on the sale of the Authority's senior living communities discussed above. This transaction was very positive for the Authority and will help its cash position going into a period over the next five years of anticipated growth in capital investment.

The summary of unrealized gains (losses) in 2016 is as follows:

Gain in value of stocks	\$ 658,684
Loss in value of bonds	(341,968)
Loss in value of swaps	(2,293,105)
2016 unrealized losses	<u>\$ (1,976,389)</u>

Capital Assets and Debt Financing

Property, Plant, and Equipment

As of September 30, 2017, the Authority had \$146.5 million invested in net property, plant, and equipment as shown in Table A-5 below. During 2017, the Authority wrote off assets and accumulated depreciation for assets no longer in use. This caused reductions in each category, as compared to 2016 balances, as follows:

- Buildings and fixed equipment – \$20.2 million
- Major moveable equipment – \$11.1 million
- Accumulated depreciation – \$30.8 million

As of September 30, 2016, the Authority had \$143.9 million invested in net property, plant, and equipment as shown in Table A-5 below. This amount is down from 2015 by \$5.7 million and reflects the sale of its senior housing facilities as well as routine capital expenditures and depreciation. See Note 1 of the financial statements for more details

Table A-5

Capital Assets (in millions of dollars)

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Land and land improvements	\$ 20.8	\$ 20.8	\$ 21.0
Buildings and fixed equipment	189.5	203.6	210.9
Major moveable equipment	<u>142.5</u>	<u>144.8</u>	<u>136.7</u>
Total capital assets	352.8	369.2	368.6
Accumulated depreciation	(211.8)	(229.0)	(221.6)
Construction-in-progress	<u>5.5</u>	<u>3.7</u>	<u>2.6</u>
	<u>\$ 146.5</u>	<u>\$ 143.9</u>	<u>\$ 149.6</u>

Long-Term Debt

In June of 2017, the Authority defeased \$66,485,000 (or 100%) of the 2008-A and 2008-B bonds. A loss was recorded on the transaction of \$3,437,333 and it was included on the statement of revenues and expenses in the nonoperating section. This transaction eliminated debt at rates of 5.25-5.50% and strengthened debt related ratios significantly. It was viewed favorably by the Authority's rating agency.

In 2016, the Authority's only long-term debt transaction was to pay interest and principal on its outstanding debt.

Other Long-Term Liabilities

Other long-term liabilities relate solely to the negative value of its swap agreement, which the Authority held at September 30, 2017 and 2016. The swap agreement has a termination date greater than one year; therefore, it is classified as long-term. The value decreased due to the lower interest rates for maturities of 16 years (which is the term of the swap).

For more detailed information regarding the Authority's capital assets and debt financing, please refer to the notes to the financial statements.

FINANCIAL STATEMENTS

THE EAST ALABAMA HEALTH CARE AUTHORITY
BALANCE SHEETS
SEPTEMBER 30, 2017 AND 2016

ASSETS		
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 15,739,991	\$ 26,349,069
Temporary investments	23,742,598	20,575,159
Accounts receivable, net	32,093,689	24,008,313
Inventories	7,697,196	6,614,825
Prepaid expenses	6,789,888	4,215,788
Current portion of assets whose use is limited	<u>115,042</u>	<u>550,531</u>
Total current assets	86,178,404	82,313,685
ASSETS WHOSE USE IS LIMITED		
Board-designated funds	60,719,182	119,553,757
Trustee held funds	115,042	6,677,746
By East Alabama Medical Center Foundation	<u>16,679,945</u>	<u>14,881,221</u>
	77,514,169	141,112,724
Less assets required for current liabilities	<u>115,042</u>	<u>550,531</u>
Total assets whose use is limited	77,399,127	140,562,193
INVESTMENTS		
Long-term investments	36,421,121	46,172,703
PROPERTY, PLANT, AND EQUIPMENT		
Land and land improvements	20,844,397	20,844,397
Buildings and fixed equipment	189,495,456	203,550,145
Major moveable equipment	<u>142,457,887</u>	<u>144,846,111</u>
	352,797,740	369,240,653
Less accumulated depreciation	<u>211,782,032</u>	<u>229,029,897</u>
	141,015,708	140,210,756
Construction-in-progress	<u>5,503,133</u>	<u>3,700,143</u>
Total property, plant, and equipment	146,518,841	143,910,899
OTHER ASSETS	<u>2,746,556</u>	<u>3,354,657</u>
TOTAL ASSETS	<u><u>\$ 349,264,049</u></u>	<u><u>\$ 416,314,137</u></u>

See notes to the financial statements.

**THE EAST ALABAMA HEALTH CARE AUTHORITY
BALANCE SHEETS
SEPTEMBER 30, 2017 AND 2016**

LIABILITIES AND NET POSITION		
	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Accounts payable	\$ 9,020,041	\$ 10,241,282
Bonds and notes payable due within one year	30,000,000	30,050,000
Payroll taxes and employee withholdings	2,122,844	2,408,984
Employee health insurance claims payable	1,877,686	1,964,190
Accrued salaries and wages	6,306,620	6,596,818
Accrued vacation pay	7,526,379	7,056,413
Other accrued liabilities	9,398,349	11,913,390
Accrued interest payable	<u>239,211</u>	<u>506,195</u>
Total current liabilities	66,491,130	70,737,272
LONG-TERM DEBT		
Bonds and notes payable, less current portion plus unamortized premium, net	29,934,751	96,381,484
OTHER LONG-TERM LIABILITIES	12,156,897	16,632,939
NET POSITION		
Net investment in capital assets	86,584,090	23,516,630
Restricted:		
For debt service	115,042	550,531
Expendable for other purposes	4,238,993	3,928,924
Unrestricted	<u>149,743,146</u>	<u>204,566,357</u>
Total net position	<u>240,681,271</u>	<u>232,562,442</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 349,264,049</u></u>	<u><u>\$ 416,314,137</u></u>

See notes to the financial statements.

THE EAST ALABAMA HEALTH CARE AUTHORITY
STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUE		
Net patient service revenue (net of provision for bad debts of \$42,104,115 in 2017 and \$31,682,181 in 2016)	\$ 327,496,295	\$ 314,605,683
Other revenues, net	<u>23,025,312</u>	<u>17,537,036</u>
Total operating revenue	350,521,607	332,142,719
EXPENSES		
Service departments	61,172,144	61,290,967
Earnings departments	266,693,912	245,432,525
Depreciation and amortization	<u>18,290,798</u>	<u>18,236,660</u>
Total expenses	<u>346,156,854</u>	<u>324,960,152</u>
INCOME FROM OPERATIONS	4,364,753	7,182,567
NONOPERATING REVENUES (EXPENSES)		
Interest income from trustee held funds	184,361	80,567
Donations	838,855	761,031
Loss on disposal of assets	(495,258)	(303,793)
Other interest income	3,110,946	3,355,695
Gain on sale of senior housing facilities	-	11,073,235
Loss on advance refunding	(3,437,333)	-
Interest expense	(5,673,626)	(6,729,951)
Ad valorem taxes	5,555,583	5,353,071
Unrealized gains (losses)	<u>3,670,548</u>	<u>(1,976,389)</u>
Total nonoperating revenues (expenses)	<u>3,754,076</u>	<u>11,613,466</u>
EXCESS OF REVENUES OVER EXPENSES	<u><u>\$ 8,118,829</u></u>	<u><u>\$ 18,796,033</u></u>

See notes to the financial statements.

**THE EAST ALABAMA HEALTH CARE AUTHORITY
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CHANGES IN NET POSITION		
Excess of revenues over expenses	\$ 8,118,829	\$ 18,796,033
NET POSITION AT BEGINNING OF YEAR	<u>232,562,442</u>	<u>213,766,409</u>
NET POSITION AT END OF YEAR	<u><u>\$ 240,681,271</u></u>	<u><u>\$ 232,562,442</u></u>

See notes to the financial statements.

**THE EAST ALABAMA HEALTH CARE AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Receipts from patient service	\$ 319,410,919	\$ 313,421,187
Other receipts	23,025,312	17,537,036
Payments to suppliers and others	(152,599,883)	(136,092,611)
Payments to employees	<u>(182,243,701)</u>	<u>(172,344,213)</u>
Net cash provided by operating activities	7,592,647	22,521,399
NONCAPITAL FINANCING ACTIVITIES		
Ad valorem taxes	5,555,583	5,353,071
Donations	838,855	761,031
Distributions to minority interest	<u>-</u>	<u>(993,982)</u>
Net cash provided by noncapital financing activities	6,394,438	5,120,120
INVESTING ACTIVITIES		
Interest and dividends on investments	3,295,307	3,436,262
Changes in temporary investments, assets whose use is limited by the Board of Directors and long-term investments	1,382,127	(28,353,241)
Net changes in assets whose use is limited by East Alabama Medical Center Foundation	<u>(1,798,724)</u>	<u>(486,678)</u>
Net cash provided by (used in) investing activities	2,878,710	(25,403,657)
CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of bonds and notes payable	-	(45,000)
Interest paid on long-term debt	(5,940,610)	(6,778,947)
Acquisitions of property, plant, and equipment, net	(21,732,851)	(18,246,431)
Proceeds from sale of assets	<u>198,588</u>	<u>16,354,543</u>
Net cash used in capital and related financing activities	<u>(27,474,873)</u>	<u>(8,715,835)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(10,609,078)	(6,477,973)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>26,349,069</u>	<u>32,827,042</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 15,739,991</u></u>	<u><u>\$ 26,349,069</u></u>

See notes to the financial statements.

**THE EAST ALABAMA HEALTH CARE AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income from operations	\$ 4,364,753	\$ 7,182,567
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Provision for depreciation and amortization	18,290,798	18,236,660
Provision for bad debts	42,104,115	31,682,181
Changes in operating assets and liabilities:		
Accounts receivable, net	(50,189,491)	(32,866,677)
Inventories	(1,082,371)	576,442
Prepaid expenses	(2,574,100)	2,137,865
Other assets	608,101	(183,527)
Accounts payable	(1,221,241)	67,170
Other accrued liabilities	(2,707,917)	(4,954,523)
Minority interest	-	643,241
Net cash provided by operating activities	<u>\$ 7,592,647</u>	<u>\$ 22,521,399</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Transfer of assets to trust for debt refunding	<u>\$ 69,972,333</u>	<u>\$ -</u>

See notes to the financial statements.

THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

1. ACCOUNTING POLICIES

Reporting Entity

The East Alabama Health Care Authority (the Authority) is a public corporation organized under the laws of the State of Alabama. The Authority was originally incorporated June 13, 1950, as Lee County Hospital Board (the Hospital) under the laws of Alabama Act No. 46 adopted in 1949. The Hospital reincorporated as The East Alabama Health Care Authority under the provisions of Act No. 82-418 at the 1982 Regular Session of the Legislature of Alabama. As of October 1, 1988, the Authority, under the provisions of the Code of Alabama, was designated to operate as a hospital corporation. The Authority is governed by its Board of Directors (the Board) composed of nine members. As a result of the asset purchase between the Authority and George H. Lanier Memorial Hospital on January 31, 2014, two additional Board members were added to the Board, both to be from Chambers County. This became effective October 1, 2015. The Board members serve six-year terms and are approved by the Lee County Commission. The Authority has received exemption from income tax under Internal Revenue Code Section 115 as a governmental entity.

The Authority includes the accounts of East Alabama Medical Center (EAMC or the Medical Center) – a 429-bed two hospital system, providing acute care, which also includes a 26-bed skilled nursing facility and two stand-alone skilled nursing facilities. The Authority owns and operates the following entities:

- *East Alabama Medical Center Foundation (the Foundation)* is a fund-raising entity established to serve as an instrument to assist, advance, and strengthen the Authority in its service as a health care center for eastern Alabama. The Foundation is a tax-exempt entity under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Foundation has filed its tax returns through September 30, 2016. The tax returns for periods ended September 30, 2014, and thereafter are subject to audit by the taxing authorities.
- *East Alabama Medical Development Associates, Inc. (EAMD)* was incorporated in 1996 to establish or affiliate with organizations to fulfill various health care needs in eastern Alabama. EAMD is a taxable entity under the Internal Revenue Code. EAMD has filed its tax returns through September 30, 2016. The tax returns for periods ended September 30, 2014, and thereafter are subject to audit by the taxing authorities.
- *East Alabama Leasing, LLC (EAL)* was created in January 2007. It is a joint venture between the Authority and various members of its medical staff. The purpose of this entity is to purchase appropriate clinical equipment and lease it to the Authority. This allows the Authority to have additional access to capital besides traditional borrowing. EAL is a taxable pass-through entity under the Internal Revenue Code. EAL dissolved operations in 2016.
- *East Alabama Cardiovascular Leasing, LLC (EACL)* was created in October 2008. It is a joint venture between the Authority and various members of its medical staff. The purpose of this entity is to purchase appropriate clinical equipment and lease it to the Authority. This allows the Authority to have additional access to capital besides traditional borrowing. EACL is a taxable pass-through entity under the Internal Revenue Code. EACL dissolved operations in 2016.
- *East Alabama Orthopedics and Sports Medicine, LLC (Ortho)* – The Authority created Ortho in April 2007 to employ orthopedic physicians and their staff to provide orthopedic physician services to the local community. Ortho is a taxable pass-through entity under the Internal Revenue Code.

THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

1. ACCOUNTING POLICIES – CONTINUED

- *East Alabama HomeMed, LLC (EAH)* – The Authority created EAH in 2009. The purpose of this entity is to provide durable medical equipment to the communities it serves. EAH is a taxable pass-through entity under the Internal Revenue Code.
- *East Alabama EMS, LLC (EMS)* – The Authority created EMS in 2009. The purpose of this entity is to provide ambulance services to the local community. EMS is a taxable pass-through entity under the Internal Revenue Code.
- *East Alabama Health Services, LLC (EHS)* – The Authority created EHS in 2009. The purpose of this entity is to provide assisted living and health facilities to the local community. EHS is a taxable pass-through entity under the Internal Revenue Code.
- *East Alabama Campus Health, LLC (EACH)* – The Authority created EACH in 2009. The purpose of this entity is to operate the student health facility at Auburn University. EACH is a taxable pass-through entity under the Internal Revenue Code.
- *Aperian Laboratory Solutions, LLC (ALS)* – The Authority created ALS in 2009. The purpose of this entity is to provide toxicology and reference lab services to physicians and laboratories across the country. ALS is a taxable pass-through entity under the Internal Revenue Code.
- *Auburn Primary Care, LLC (APC)* – The Authority created APC in 2009. The purpose of this entity is to provide a primary care physician office in Auburn, Alabama. APC is a taxable pass-through entity under the Internal Revenue Code.
- *Primary Medicine Associates, LLC (PMA)* – The Authority created PMA in 2009. The purpose of this entity is to provide a primary care physician office in Auburn, Alabama. PMA is a taxable pass-through entity under the Internal Revenue Code.
- *Maternity Services of District 11, LLC (MS11)* was created in 1999. The purpose of this entity is to operate the Medicaid Waiver program for District 11 in Alabama. MS11 is a taxable pass-through entity under the Internal Revenue Code.
- *East Alabama Medical Center Voluntary Employee Benefit Association Trust (VEBA)* – The Authority created VEBA in 2011. The purpose of this entity is to offer self-insured health insurance to the Authority and associated physician practices. VEBA is a tax-exempt entity under Section 501(a) as an organization described in Section 501(c)(9) of the Internal Revenue Code. VEBA has filed its tax returns through September 30, 2016. The tax returns for the periods ended September 30, 2014, and thereafter are subject to audit by the taxing authorities.
- *East Alabama Heart and Vascular Consultations, LLC (EAHV)* – The Authority created EAHV in 2012. The purpose of this entity is to provide cardiologist offices in Opelika and Auburn, Alabama. EAHV is a taxable pass-through entity under the Internal Revenue Code.
- *EAMC Eye Clinic, LLC (EAEC)* – The Authority created EAEC in 2012 to employ ophthalmologists and their staff to provide ophthalmic physician services to the local community. EAEC is a taxable pass-through entity under the Internal Revenue Code.
- *Neurology Center of East Alabama, LLC (NCEA)* – The Authority created NCEA in 2016 to employ neurologists and their staff to provide neurology services to the local community. NCEA is a taxable pass-through entity under the Internal Revenue Code.
- *East Alabama Apothecary, LLC (EAA)* – The Authority created EAA in 2016 to operate a retail pharmacy to the local community. EAA is a taxable pass-through entity under the Internal Revenue Code.

**THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

1. ACCOUNTING POLICIES – CONTINUED

- *Endocrinology and Metabolism of East Alabama, LLC (E&M)* – The Authority created E&M in 2013 to employ an endocrinologist and their staff to provide endocrinology physician services to the local community. E&M is a taxable pass-through entity under the Internal Revenue Code.
- *East Alabama Physicians, LLC (EAP)* – The Authority created EAP in 2014 to employ psychiatrists, a rheumatologist, and their staffs to provide services to the local community. EAP is a taxable pass-through entity under the Internal Revenue Code.
- *Valley Area Primary Care, LLC (VAPC)* – The Authority created VAPC in 2015 to employ primary care physicians and their staff to provide primary care to the Valley, Alabama community. VAPC is a taxable pass-through entity under the Internal Revenue Code.
- *Valley Area Urgent Care, LLC (VAUC)* – The Authority created VAUC in 2015 to employ primary care physicians and their staff to provide urgent care services to the Valley, Alabama community. VAUC is a taxable pass-through entity under the Internal Revenue Code.
- *Valley Area Surgical Clinic, LLC (VASC)* – The Authority created VASC in 2015 to employ surgeons and their staff to provide surgical care to the Valley, Alabama community. VASC is a taxable pass-through entity under the Internal Revenue Code.
- *Valley Area Internal Medicine, LLC (VAIM)* – The Authority created VAIM in 2015 to employ internists and their staff to provide internal medicine services to the Valley, Alabama community. VAIM is a taxable pass-through entity under the Internal Revenue Code.
- *Valley Area ENT, LLC (VAENT)* – The Authority created VAENT in 2015 to employ ENT physicians and their staff to provide ENT services to the Valley, Alabama community. VAENT is a taxable pass-through entity under the Internal Revenue Code.
- *East Alabama Occupational Medicine, LLC (EAOM)* – The Authority created EAOM in 2017 to employ an occupational medicine physician and their staff to provide services such as drug screens and occupational health services to the local community. EAOM is a taxable pass-through entity under the Internal Revenue Code.

The Authority is the sole member or controlling member and either operates, appoints, or approves at least a voting majority of the Board of Directors of each of the entities. Further, each entity operates for the benefit of the Authority. Accordingly, the affiliated entities are reported as blended component units of the Authority.

Principles of Consolidation

The financial statements of the Authority include the accounts of the Medical Center, the Foundation, EAMD, VEBA, and each of the previously mentioned limited liability companies, collectively referred to herein as the Authority. All significant intercompany transactions have been eliminated.

Enterprise Fund Accounting

The Authority utilizes the enterprise fund method of accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Mission Statement

The Authority strives to provide high quality, compassionate health care.

THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

1. ACCOUNTING POLICIES – CONTINUED

Operating Versus Nonoperating Revenues and Expenses

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are for patient service. Operating expenses include general and administrative expenses, supplies and other expenses, and depreciation and amortization expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Charity Care

The Authority provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Authority does not pursue collection of amounts determined to qualify as charity care, and those amounts are not reported as revenues in the accompanying financial statements.

The Authority maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy, the estimated cost of these services and supplies, and equivalent service statistics. The following information measures the level of charity care provided during the years ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Charges forgone, based on established rates	\$19,962,867	\$17,963,061
Estimated costs and expense incurred to provide charity care	8,997,264	7,557,742

Net Patient Service Revenues

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, primarily Medicare, Medicaid, and Blue Cross of Alabama, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. In the opinion of management, adequate provision has been made for any adjustments that may result from review and audit.

**THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

1. ACCOUNTING POLICIES – CONTINUED

Revenues from the Medicare and Medicaid programs accounted for approximately 36.7% and 9.7%, respectively, of the Authority's gross patient service revenues for the year ended September 30, 2017, and 42.4% and 9.5%, respectively, of the Authority's gross patient service revenues for the year ended September 30, 2016. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Authority believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made resulting in significant fines and penalties, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

A summary of the payment arrangements with major third-party payors follows:

- *Medicare.* Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Authority is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare fiscal intermediary. Services rendered for outpatient services provided to Medicare beneficiaries are paid at prospectively determined rates. The Authority's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Authority.

The Authority's Medicare cost reports have been audited and settled by the Medicare fiscal intermediary through September 30, 2013. Net patient service revenues increased by approximately \$1,250,000 during fiscal years 2017 and 2016, due to changes in estimates related to prior year cost report settlements.

The Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA) established the Recovery Audit Contractor (RAC) three-year demonstration program to conduct postpayment reviews to detect and correct improper payments in the fee-for-service Medicare program. Each RAC had discretion over the types of reviews and record requests it would conduct within the states for which it was responsible as long as it followed the Centers for Medicare and Medicaid Services (CMS)-defined Statement of Work. The Tax Relief and Health Care Act of 2006 made the RAC program permanent and mandated its nationwide expansion by 2010. CMS has awarded contracts to four RACs that will implement the permanent RAC program on a nationwide basis. All hospitals in the state of Alabama will be subject to reviews under the RAC program. The first reviews began in August 2009. The Authority has evaluated the potential impact of reviews under the RAC program in the accompanying financial statements.

THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

1. ACCOUNTING POLICIES – CONTINUED

- *Medicaid.* Inpatient services rendered to Medicaid program beneficiaries are reimbursed at an all-inclusive per diem rate. The prospectively determined per diem rates are not subject to retroactive settlement. Outpatient services are reimbursed based on a fee schedule, plus cost adjustment payments. The Authority also receives disproportionate share payments based on the level of Certified Public Expenditures (CPEs) the Authority has spent. CPEs are defined as funds paid for Medicaid and certain indigent patients.
- *Blue Cross.* Inpatient services rendered to Blue Cross subscribers are reimbursed based on a per diem rate per day of hospitalization, and outpatient services are reimbursed based on a percentage of charges.

The Authority has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Authority under these agreements includes discounts from established charges and daily rates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority considers all temporary cash investments with a maturity of less than three months at the time of purchase, primarily money market funds not included in Board-designated funds and trustee-held funds, to be cash equivalents. Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less. At September 30, 2017 and 2016, the carrying amount of the Authority's deposits was \$15,739,991 and \$26,349,069, respectively, which approximated market. The Authority's deposits were held by financial institutions that participate in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. Certain balances consolidated by the Authority for nongovernmental entities (the Foundation, the limited liability companies, etc.) are not eligible to participate in the SAFE Program. These funds would be covered up to FDIC limits. At year end, the Authority did not have any cash and cash equivalents in excess of FDIC limits and SAFE coverage amounts.

Temporary Investments

Temporary investments include short-term investments with original maturities of more than three months.

Inventories

Inventories are stated at the lower of cost or market, determined on the first-in, first-out (FIFO) basis.

THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

1. ACCOUNTING POLICIES – CONTINUED

Assets Whose Use is Limited

Assets whose use is limited include investments restricted by the Board to provide for future capital purchases over which the Board retains control and may, at its discretion, subsequently use for other purposes; assets held in a self-insurance reserve fund (see Note 8); assets held by trustees under indenture agreements; and assets restricted by the Foundation for purposes designated by donors.

Derivative Activities

Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, provides definition of a derivative investment instrument and addresses measurement and reporting. It discusses that changes in the fair value of hedging derivative instruments will be reported as deferred outflows and inflows of resources, while changes in fair value of investment derivative instruments (i.e., ineffective hedging instruments) will be reported as part of income. For derivative instruments held by the Authority as of September 30, 2017 and 2016, the gain or loss is recognized in unrealized gains (losses) within the statements of revenues and expenses.

Property, Plant, and Equipment

Property, plant, and equipment is stated at cost. Depreciation expense is provided on the straight-line method based upon estimated useful lives, which are as follows:

Item	Estimated Useful Life
Land improvements	10 - 15 years
Building	15 - 40 years
Fixed equipment	10 - 20 years
Major moveable equipment	3 - 10 years

The detail of property and equipment as of September 30, 2017 and 2016, is as follows:

	2016	Additions	Deletions	2017
Land and land improvements	\$ 20,844,397	\$ -	\$ -	\$ 20,844,397
Buildings and fixed equipment	203,550,145	7,954,731	(22,009,420)	189,495,456
Major moveable equipment	144,846,111	11,975,130	(14,363,354)	142,457,887
Property and equipment, at cost	369,240,653	19,929,861	(36,372,774)	352,797,740
Less accumulated depreciation	229,029,897	18,431,062	(35,678,927)	211,782,032
	140,210,756	1,498,799	(693,847)	141,015,708
Construction-in-progress	3,700,143	1,802,990	-	5,503,133
	<u>\$ 143,910,899</u>	<u>\$ 3,301,789</u>	<u>\$ (693,847)</u>	<u>\$ 146,518,841</u>

THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

1. ACCOUNTING POLICIES – CONTINUED

	<u>2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>2016</u>
Land and land improvements	\$ 21,011,088	\$ -	\$ (166,691)	\$ 20,844,397
Buildings and fixed equipment	210,904,056	-	(7,353,911)	203,550,145
Major moveable equipment	<u>136,727,135</u>	<u>17,129,344</u>	<u>(9,010,368)</u>	<u>144,846,111</u>
Property and equipment, at cost	368,642,279	17,129,344	(16,530,970)	369,240,653
Less accumulated depreciation	<u>221,601,576</u>	<u>18,374,190</u>	<u>(10,945,869)</u>	<u>229,029,897</u>
	147,040,703	(1,244,846)	(5,585,101)	140,210,756
Construction-in-progress	<u>2,583,056</u>	<u>1,117,087</u>	<u>-</u>	<u>3,700,143</u>
	<u>\$ 149,623,759</u>	<u>\$ (127,759)</u>	<u>\$ (5,585,101)</u>	<u>\$ 143,910,899</u>

Estimated costs to complete projects under construction at September 30, 2017, were approximately \$31,000,000.

Bond Issue Costs, Premiums, and Discounts

Bond issue costs are expensed as incurred. Premiums and discounts are amortized over the life of the bonds using the straight-line method.

Use of Estimates

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

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first for their intended donor purpose and then unrestricted resources as they are needed.

Deferred Outflows and Inflows of Resources

GASB provides that certain amounts reported on the balance sheet of a governmental entity be reported separately from assets and liabilities and be reported as deferred outflows of resources and deferred inflows of resources. As of September 30, 2017 and 2016, the Authority does not have any significant amounts that meet the definition of deferred outflows or inflows of resources.

**THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

1. ACCOUNTING POLICIES – CONTINUED

Net Position

Net position of the Authority is classified in four components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net position* is noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Authority, including amounts deposited with trustees as required by bond indentures, discussed in Note 3. *Restricted nonexpendable net position* equals the principal portion of permanent endowments. The Authority does not have any restricted nonexpendable net position. *Unrestricted net position* is remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

New Accounting Pronouncements

In January of 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. As such, the Authority has not implemented the provisions in the 2017 financial statements.

In May of 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for reporting periods beginning after June 15, 2017. As such, the Authority has not implemented the provisions in the 2017 financial statements. The statement is not expected to have a significant impact on the Authority.

In June of 2017, GASB issued Statement No. 87, *Leases*. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. As such, the Authority has not implemented the provisions in the 2017 financial statements.

Subsequent Events

Management has evaluated the impact of subsequent events through January 25, 2018, representing the date the financial statements were issued.

**THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

2. ACCOUNTS RECEIVABLE

Accounts receivable at September 30 consisted of the following:

	<u>2017</u>	<u>2016</u>
Accounts receivable for patient care services, net of allowance for contractual adjustments	\$ 62,297,099	\$ 46,839,660
Less allowance for doubtful accounts	<u>28,346,833</u>	<u>19,111,806</u>
	33,950,266	27,727,854
Estimated amounts due to Medicare on year-end settlements	(6,800,865)	(8,065,669)
Other	<u>4,944,288</u>	<u>4,346,128</u>
Accounts receivable, net	<u><u>\$ 32,093,689</u></u>	<u><u>\$ 24,008,313</u></u>

The estimated amount due to Medicare represents the cumulative difference between total estimable reimbursable amounts and interim reimbursements received.

The Authority grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The Authority ages its accounts based on discharge date or date of service. Once accounts reach a certain age, they are turned over to a collection agency to pursue for a set amount of time and written off by the Authority. The Authority provides an allowance for doubtful accounts based on review of historical collection information, aging of accounts, and specific account review.

The mix of receivables from patients and third-party payors at September 30 was as follows:

	<u>2017</u>	<u>2016</u>
Medicare	25%	29%
Medicaid	9%	10%
Blue Cross	17%	17%
Other third-party payors	26%	17%
Self-pay	<u>23%</u>	<u>27%</u>
	<u><u>100%</u></u>	<u><u>100%</u></u>

THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

3. INVESTMENTS

The Authority maintains a pool of investments, the assets of which are further classified as temporary investments, assets whose use is limited by the Board and trustee and long-term investments. Segregation of these funds as either temporary investments, assets whose use is limited, and long-term investments is based on management's direction of principal placed in the pool. All cash and investments of the Foundation are classified by the Authority as assets whose use is limited.

The Authority's investments, other than certificates of deposit, are generally carried at fair value. Investments in certificates of deposit are carried at cost, which approximates fair value. At September 30, 2017 and 2016, the Authority had the following investments and maturities, all of which were held in the Authority's name by six custodial banks that are agents of the Authority. The summary below includes the temporary investments, long-term investments, and Board-designated funds included on the balance sheet for 2017 in the amounts of \$23,742,598, \$36,421,121, and \$60,719,182, respectively, for a total of \$120,882,901. The summary below includes the temporary investments, long-term investments, and Board-designated funds included on the balance sheet for 2016 in the amounts of \$20,575,159, \$46,172,703, and \$119,553,757, respectively, for a total of \$186,301,619. These funds are combined for this presentation because they are administered by the Authority's Board investment policy.

September 30, 2017:

	Carrying Amount	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Investment type:					
Money market accounts	\$ 143,170	\$ 143,170	\$ -	\$ -	\$ -
CDs	1,905,334	1,726,098	179,236	-	-
U.S. Treasuries	57,797,742	6,714,745	27,905,840	10,070,762	13,106,395
Government agencies	2,756,924	2,088	346,081	630,499	1,778,256
Other	6,383,720	6,383,720	-	-	-
Corporate	51,896,011	19,865,741	31,100,792	779,872	149,606
	<u>\$ 120,882,901</u>	<u>\$ 34,835,562</u>	<u>\$ 59,531,949</u>	<u>\$ 11,481,133</u>	<u>\$ 15,034,257</u>

THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

3. INVESTMENTS – CONTINUED

September 30, 2016:

	Carrying Amount	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Investment type:					
Money market accounts	\$ 1,165,606	\$ 1,165,606	\$ -	\$ -	\$ -
CDs	1,897,455	125,490	1,771,965	-	-
U.S. Treasuries	92,316,572	2,219,751	66,012,455	9,818,652	14,265,714
Government agencies	4,131,614	3,057	306,685	901,461	2,920,411
Other	6,338,640	6,338,640	-	-	-
Corporate	80,451,732	22,824,786	56,455,041	1,019,195	152,710
	<u>\$ 186,301,619</u>	<u>\$ 32,677,330</u>	<u>\$ 124,546,146</u>	<u>\$ 11,739,308</u>	<u>\$ 17,338,835</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment policy limits the maturity of any corporate bond investments to 15 years or less and any U.S. Treasury securities or governmental agency securities to maturities of 30 years or less. At September 30, 2017, the Authority's portfolio (including temporary investments, long-term investments, and Board-designated funds) has an average maturity of approximately 4.77 years to final maturity and 4.77 years to call.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Authority's investment policy for temporary investments, Board-designated funds and long-term investments limits investments to fixed income securities issued by the U.S. Treasury, governmental agency securities, and corporate bonds that are investment grade. U.S. Treasury securities have no credit risk, government agency securities owned by the Authority are all AAA rated by Standard & Poor's, and all corporate bonds held at September 30, 2017, and to the date of this report, are classified as investment grade issue. Prior to 2013, the Authority held a nominal cost investment in Premier, Inc. During 2013, this company went public resulting in the Authority holding a stock valued at approximately \$6 million.

**THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

3. INVESTMENTS – CONTINUED

Custodial Credit Risk

For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's policy states that these securities must be held by an acceptable custodian but has no policy regarding a dollar limit as to the amount of securities a custodian may hold for the Authority. The Authority currently has six custodians for the temporary investments, long-term investments, and Board-designated funds. The trustee-held funds and the Foundation funds are held by two separate custodians.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. The Authority's investment policy limits the amount of securities in one corporate name to no more than 5% of the total portfolio. At September 30, 2017 and 2016, no one corporate name exceeded 5%.

THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

3. INVESTMENTS – CONTINUED

The Trust Indenture of the Health Care Facilities Revenue and Tax Anticipation Bonds, Series 2008-A, Series 2008-B, Series 2012-A, and Series 2012-B, establishes certain funds to be controlled by a trustee. Balances in the trustee funds at September 30, 2017 and 2016, consisting primarily of U.S. Government obligations and certificates of deposit, were as follows:

	<u>2017</u>	<u>2016</u>
Bond Fund	\$ 28	\$ 130,609
Bond Reserve Fund	-	2,456,129
Accrued interest	-	37,702
	<u> </u>	<u> </u>
Trustee-held funds for Series 2008-A Revenue and Tax Anticipation Bonds	28	2,624,440
	<u> </u>	<u> </u>
Bond Fund	-	230,590
Bond Reserve Fund	-	3,581,086
Accrued interest	-	106,591
	<u> </u>	<u> </u>
Trustee-held funds for Series 2008-B Revenue and Anticipation Bonds	-	3,918,267
	<u> </u>	<u> </u>
Bond Fund	115,011	115,053
	<u> </u>	<u> </u>
Trustee-held funds for Series 2012-A Revenue and Tax Anticipation Bonds	115,011	115,053
	<u> </u>	<u> </u>
Bond Fund	3	19,986
	<u> </u>	<u> </u>
Trustee-held funds for Series 2012-B Revenue and Tax Anticipation Bonds	3	19,986
	<u> </u>	<u> </u>
Total trustee-held funds	115,042	6,677,746
Less current portion	115,042	550,531
	<u> </u>	<u> </u>
	<u>\$ -</u>	<u>\$ 6,127,215</u>

Trustee-Held Funds

The Bond Reserve Funds are required to be maintained at a balance equal to the maximum annual debt service requirement in any one year. Deposits are made into the Bond Funds sufficient to fund interest and principal due on the next payment date. As more fully described in Note 4, the Series 2008-A and 2008-B bonds were defeased whereby the related trustee funds described above were transferred to the escrow account associated with the refunding.

**THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

3. INVESTMENTS – CONTINUED

The Foundation

East Alabama Medical Center Foundation had assets of \$16,679,945 at September 30, 2017, and \$14,881,221 at September 30, 2016. The following table shows the investment amounts per asset class at fair market value:

	<u>2017</u>	<u>2016</u>
Cash	\$ 1,864,343	\$ 1,793,033
Bond mutual funds	997,906	983,280
Equity mutual funds	11,423,880	10,361,615
Individual equities	2,386,031	1,726,682
Other	7,785	16,611
	<u>\$ 16,679,945</u>	<u>\$ 14,881,221</u>

Most of the funds in the Foundation are managed with the assistance of an investment advisor. The advisor assists the Authority with appropriate asset allocation between asset classes, selection of money managers, and monitoring of results. Because the accounts of the Authority cannot directly invest in equity securities, the Foundation, with its ability to do so, helps the organization as a whole diversify its investment portfolio.

4. LONG-TERM DEBT

Long-term debt consisted of the following at September 30:

	<u>2017</u>	<u>2016</u>
Health Care Facilities Revenue and Tax Anticipation Bonds, Series 2008-A, with interest payable March 1 and September 1 at fixed rates ranging from 4.0% to 5.25%, defeased in 2017	\$ -	\$ 26,535,000
Health Care Facilities Revenue and Tax Anticipation Bonds, Series 2008-B, with interest payable March 1 and September 1 at fixed rates ranging from 4.0% to 5.50%, defeased in 2017	-	40,000,000
Health Care Facilities Revenue and Tax Anticipation Bonds, Series 2012-A, with interest payable March 1 and September 1 at fixed rates ranging from 4.0% to 5.0%	28,380,000	28,380,000

THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

4. LONG-TERM DEBT – CONTINUED

	<u>2017</u>	<u>2016</u>
Health Care Facilities Revenue and Tax Anticipation Bonds, Series 2012-B, with interest payable weekly at variable rates ranging from .86% to 1.0%	30,000,000	30,000,000
	58,380,000	124,915,000
Amounts due within one year	(30,000,000)	(30,050,000)
Unamortized premium, net	1,554,751	1,516,484
	<u>\$ 29,934,751</u>	<u>\$ 96,381,484</u>

The fair value of the bonds is estimated using the current market rate for the Authority's bonds at September 30, 2017. The fair value of the Authority's bonds was approximately \$61.2 million at September 30, 2017.

During the 2012 fiscal year, the Authority issued \$28,380,000 of Health Care Facilities Bonds, Series 2012-A, dated April 11, 2012 (the 2012-A Bonds), and \$30,000,000 of Health Care Facilities Bonds, Series 2012-B, dated April 24, 2012 (the 2012-B Bonds). The net proceeds of these issues of approximately \$60 million were used to retire the Series 2002-A Bonds and advance refund a portion of the 2008-B Bonds. The 2012-A Bonds are fixed rate bonds with maturities ranging from \$1,705,000 to \$4,355,000 spread between 2019 and 2028 with rates ranging between 4.0% and 5.0%. These bonds were issued in conjunction with a Net Original Issue Premium of \$2,350,489, which lowered the yield to between 2.83% and 4.33%.

The \$30,000,000 2012-B Bonds were issued with variable rates in the Weekly Rate Mode. The rates are determined each week based on a determination by the Remarketing Agent. The rates paid during fiscal year 2017 ranged from 86 basis points to 100 basis points (during fiscal year 2016, ranged from 1 basis point to 95 basis points). The Authority uses its own balance sheet for liquidity for these bonds. These bonds can be redeemed anytime prior to its maturity date of September 1, 2039. These bonds are recorded as a current liability.

THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

4. LONG-TERM DEBT – CONTINUED

During the 2008 fiscal year, the Authority issued \$27,015,000 of Health Care Facilities Bonds, Series 2008-A, dated March 6, 2008 (the 2008-A Bonds), and \$74,540,000 of Health Care Facilities Bonds, Series 2008-B, dated March 19, 2008 (the 2008-B Bonds). The net proceeds of these issues of approximately \$98 million were used to retire the Series 2006-A Bonds. The 2008-A Bonds were fixed rate bonds with maturities of \$585,000 spread between 2008 and 2018 and \$26,430,000 that were subject to a mandatory tender on September 1, 2018. Rates ranged from 4.0% to 5.0% for the series bonds and 5.25% for the bonds subject to mandatory tender. The 2008-B Bonds were fixed rate bonds with maturities of \$6,895,000 spread between 2009 and 2013 with rates ranging between 4.0% and 4.75%, as well as \$27,645,000 subject to mandatory tender at September 1, 2013, with a rate of 5.0% and \$40,000,000 subject to mandatory tender at September 1, 2018, with a rate of 5.50%. The \$27,645,000 (noted above) was advance refunded with the proceeds of the 2012-A Bonds. In June 2017, the Authority defeased the 2008-A and 2008-B Bonds in the amount of \$66,535,000 by transferring financial assets to an irrevocable trust fund. Amounts in the escrow trust fund are sufficient to make all scheduled principal and interest payments on the bonds until September 1, 2018, when the remaining amounts outstanding will be called and paid with the remaining trust fund balance. The refunded bonds and the related escrow account have been removed from the accompanying financial statements. This transaction resulted in recognizing a loss of \$3,437,333. The balance held in escrow at September 30, 2017 totaled \$69,133,558 and the principal amount outstanding on the bonds was \$66,485,000.

All of the outstanding bonds of the Authority (2012-A, and 2012-B) are secured by a pledge of the gross receipts of the Authority, the accounts receivable of the Authority, pledged tax proceeds of the Authority, and the funds and accounts established under the bond indentures. In addition, under the terms of the bond indentures, the Authority is required to maintain certain deposits with a trustee and must satisfy certain measures of financial performance as long as the bonds are outstanding.

Activity related to long-term debt is summarized as follows:

	Balance October 1	Additions	Repayments	Balance September 30
Fiscal year 2017	\$ 124,915,000	\$ -	\$ (66,535,000)	\$ 58,380,000
Fiscal year 2016	\$ 124,960,000	\$ -	\$ (45,000)	\$ 124,915,000

THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

4. LONG-TERM DEBT – CONTINUED

Scheduled principal and interest repayments on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 30,000,000	\$ 1,680,125
2019	1,705,000	1,380,125
2020	1,765,000	1,311,925
2021	1,845,000	1,223,675
2022	1,925,000	1,131,425
2023-2027	18,230,000	3,607,125
2028	2,910,000	123,675
	<u>\$ 58,380,000</u>	<u>\$ 10,458,075</u>

During fiscal years 2017 and 2016, total interest paid was \$5,940,610 and \$6,778,947, respectively. There was no interest capitalized in 2017 or 2016.

Other long-term liabilities include the value of the following swap agreements the Authority has with Bank of America/Merrill Lynch, its counterparty.

Interest Rate Swaps

The Authority has entered into an interest rate swap agreement as part of its interest rate risk management strategy. This derivative is recorded at fair value with changes in the derivative's fair value recognized currently in earnings as nonoperating revenues (expenses).

The terms call for making fixed payments at a rate of 3.945% and receiving a floating rate based on 67% of USD-LIBOR-BBA. The Authority paid \$1,463,810 and \$1,622,662 related to this swap in 2017 and 2016, respectively.

Swap Type	Notional Amount	Original Termination Date	<u>Value at September 30</u>	
			<u>2017</u>	<u>2016</u>
Fixed payer swap	\$ 44,900,000	September 1, 2033	\$(12,156,897)	\$(16,632,939)

The only activity in the other long-term liabilities account is recording the change in fair value of the swaps from period to period.

5. EMPLOYEE RETIREMENT PLAN

The Financial Security Plan (the Plan) is a defined contribution plan administered by VOYA, which covers substantially all of the Authority's employees. Contributions are determined at the discretion of the Board of Directors on a yearly basis. No contribution expense related to the Plan was incurred in fiscal years 2017 or 2016. The Plan was amended to freeze participation in, and contributions made to, the Plan effective September 22, 2005.

THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

5. EMPLOYEE RETIREMENT PLAN – CONTINUED

During 1993, the Authority implemented a tax sheltered annuity program (the Program) for all eligible employees. The Program consists of a Tax Sheltered Annuity (TSA) and Thrift Plan, which are both defined contribution plans administered by VOYA. Each year, participants may contribute to the TSA plan a percentage of pretax annual compensation, not to exceed total allowed tax-deferred contributions to all benefit plans based upon current statutory limits for employees younger than 50 years of age and for employees 50 years of age and older. The Authority contributes to the Thrift Plan a percentage of the participant's contribution to the TSA plan as established by the Board of Directors. Effective January 1, 2001, the Authority contributes 75% of the first 6% of compensation that a participant contributes to the TSA plan. During fiscal years 2017 and 2016, the Authority contributed \$3,074,399 and \$3,140,528, respectively, and participants contributed \$5,622,529 and \$5,520,891, respectively, to the Program.

The provisions and contribution requirements were established by, and may be amended by, the Authority.

6. OTHER ACCRUED LIABILITIES

Other accrued liabilities at September 30 consisted of the following:

	<u>2017</u>	<u>2016</u>
Accrued medical malpractice insurance	\$ 2,951,068	\$ 3,192,416
Accrued retirement plan	2,305,060	2,995,908
Other accrued liabilities	<u>4,142,221</u>	<u>5,725,066</u>
	<u>\$ 9,398,349</u>	<u>\$ 11,913,390</u>

7. COMMITMENTS

The Authority has lease agreements for office space and medical and office equipment, which are being accounted for as operating leases. Lease expense for the years ended September 30, 2017 and 2016, was \$3,040,245 and \$3,366,127, respectively. Future noncancelable commitments under these leases are as follows:

2018	\$ 1,812,590
2019	1,633,431
2020	1,008,386
2021	837,513
2022	<u>326,607</u>
	<u>\$ 5,618,527</u>

THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

8. SELF-INSURANCE

Beginning January 1, 2003, the Authority became self-insured for professional and general liability coverage. For claims reported prior to January 1, 2003, the Authority maintained a claims made policy with Medical Assurance, Inc. The Authority has established a self-insurance reserve fund based on actuarial funding recommendations determined by an independent actuary. The balance of the self-insurance reserve fund at September 30, 2017 and 2016, is approximately \$3,384,000 and \$3,346,000, respectively, and is included in Board-designated funds in the accompanying balance sheets. At September 30, 2017 and 2016, the Authority has accrued approximately \$2,951,000 and \$3,192,000, respectively, related to reported and incurred but not reported (IBNR) claims covered under the self-insurance policy.

In addition to being self-insured for professional and general liability, the Authority is self-insured for employee health insurance and workers' compensation. Amounts accrued are based on actuarial determined calculations. Amounts accrued are included in other accrued liabilities.

9. SALE OF SENIOR HOUSING FACILITIES

In March 2016, the Authority sold three senior housing facilities to a prospective buyer. The prospective buyer purchased Camellia Place, Azalea Place, and Magnolia Place (together with all other structures, systems, fixtures, and utilities associated with and used in the operation of said facilities; the land and the improvements; and real property) for an approximate amount of \$16,240,000. The Authority recognized a gain on the sale of \$11,073,235 in the 2016 statement of revenues and expenses.

10. FAIR VALUE MEASUREMENT

The following information is presented in accordance with the disclosure requirements of GASB Statement No. 72, *Fair Value Measurement and Application*.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Authority for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 – Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available; therefore, allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

**THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

10. FAIR VALUE MEASUREMENT – CONTINUED

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at September 30, 2017 and 2016.

Cash and cash equivalents and certificates of deposit: the carrying amount approximates fair value because of the short maturity of these instruments.

U.S. Treasury securities, corporate bonds and corporate stocks: fair value is based on quoted market prices in an active market for identical assets and liabilities as of the reporting date and are categorized in Level 1 of the fair value hierarchy.

Government securities: fair value is based on prices obtained from independent pricing services and are reflected within Level 2, as they are based on observable pricing for similar assets and/or other market observable inputs.

Interest rate swap obligation: fair value is based on using observable inputs, such as quotations received from the counterparty, dealers or brokers whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depend upon the contractual terms of, and specific risks inherent in, the instrument, as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk and correlations of such inputs. The interest rate swap obligation have inputs that can generally be corroborated by market data and are, therefore, classified within Level 2.

THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

10. FAIR VALUE MEASUREMENT – CONTINUED

The following tables set forth by level, within the fair value hierarchy, the Authority's financial instruments carried at fair value as of September 30:

Assets	September 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 143,170	\$ 143,170	\$ -	\$ -
Certificates of deposit	1,905,334	1,905,334	-	-
Debt securities:				
U.S. Treasury securities	57,797,742	57,797,742	-	-
Corporate Bonds	51,896,011	51,896,011	-	-
Corporate stocks	6,383,720	6,383,720	-	-
Government securities:				
Federal Home Loan Mortgage	834,866	-	834,866	-
Federal Nat'l Mortgage Assn	1,621,049	-	1,621,049	-
Tennessee Valley Authority	301,009	-	301,009	-
Total assets at fair value	<u>\$ 120,882,901</u>	<u>\$ 118,125,977</u>	<u>\$ 2,756,924</u>	<u>\$ -</u>
Liabilities				
Interest rate swap obligation	<u>\$ (12,156,897)</u>	<u>\$ -</u>	<u>\$ (12,156,897)</u>	<u>\$ -</u>

THE EAST ALABAMA HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

10. FAIR VALUE MEASUREMENT – CONTINUED

Assets	September 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 1,165,606	\$ 1,165,606	\$ -	\$ -
Certificates of deposit	1,897,455	1,897,455	-	-
Debt securities:				
U.S. Treasury securities	92,316,572	92,316,572	-	-
Corporate Bonds	80,451,732	80,451,732	-	-
Corporate stocks	6,338,640	6,338,640	-	-
Government securities:				
Federal Home Loan Mortgage	1,152,601	-	1,152,601	-
Federal Nat'l Mortgage Assn	2,673,952	-	2,673,952	-
Tennessee Valley Authority	305,061	-	305,061	-
Total assets at fair value	<u>\$ 186,301,619</u>	<u>\$ 182,170,005</u>	<u>\$ 4,131,614</u>	<u>\$ -</u>
Liabilities				
Interest rate swap obligation	<u>\$ (16,632,939)</u>	<u>\$ -</u>	<u>\$ (16,632,939)</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

**THE EAST ALABAMA HEALTH CARE AUTHORITY
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
SERVICE AND EARNINGS DEPARTMENTS' EXPENSES		
Salaries	\$ 143,364,490	\$ 134,961,650
Benefits	38,772,839	33,872,179
Nonmedical supplies	3,862,995	3,883,724
Food and dietary supplies	2,575,795	2,750,068
Equipment rental	2,651,699	3,363,721
Medical specialists' fees	12,582,231	11,285,456
Repairs and maintenance	17,725,804	15,921,389
Medical supplies/drugs/film	62,954,846	58,485,879
Purchased services	27,825,242	24,065,747
Utilities and telephone	6,241,641	5,841,230
Insurance	1,212,417	1,206,647
Audit, consulting, and legal fees	1,734,175	4,738,848
Education, travel, dues, and other	<u>6,361,882</u>	<u>6,346,954</u>
Total service and earnings departments' expenses	<u>327,866,056</u>	<u>306,723,492</u>
CAPITAL EXPENSES		
Depreciation	18,431,062	18,374,190
Amortization	<u>(140,264)</u>	<u>(137,530)</u>
Total capital expenses	<u>18,290,798</u>	<u>18,236,660</u>
TOTAL OPERATING EXPENSES	<u><u>\$ 346,156,854</u></u>	<u><u>\$ 324,960,152</u></u>

See independent auditors' report.

**THE EAST ALABAMA HEALTH CARE AUTHORITY
MEMBERS OF THE AUTHORITY BOARD (UNAUDITED)
SEPTEMBER 30, 2017**

Name and Address	Title	Expiration of Term
Joel Pittard, M.D. 425 Cross Creek Road Auburn, AL 36832	Chairman	2018
Lucinda Cannon 302 North 9 th Street Opelika, AL 36801	Vice-Chairman	2022
Bob Dumas 1635 Bradford Lane Auburn, AL 36830	Secretary-Treasurer	2020
J. Stephen Lock, M.D. 501 North Tenth Street Opelika, AL 36801	Member	2022
Chris Nunn 1515 Waverly Parkway Opelika, AL 36801	Member	2020
Larry Fillmer 80 Lee Road 100 Opelika, AL 36804	Member	2018
David Smalley, M.D. 1647 Lauren Lane Auburn, AL 36830	Member	2018
C. Wayne Alderman 1842 Creekwood Trail Auburn, AL 36830	Member	2022
Gainer Lanier 300 West 10 th Street West Point, GA 31833	Member	2021
William H. Scott, III (Bill) 208 North 18 th Street Lanett, AL 36863	Member	2019
Open Board Position	Member	2020

**THE EAST ALABAMA HEALTH CARE AUTHORITY
SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)
JANUARY 2018**

Coverage	Amount	Insurer	Expiration Date
Property:			
Blanket #1 coverage – buildings, business personal property, business income/extra expense	\$669,216,000	Vigilant Insurance Co.	10/1/2018
Accounts Receivable	\$20,000,000	Vigilant Insurance Co.	10/1/2018
Valuable Papers	\$20,000,000	Vigilant Insurance Co.	10/1/2018
Equipment Breakdown	Included	Vigilant Insurance Co.	10/1/2018
Debris Removal	\$167,304,000	Vigilant Insurance Co.	10/1/2018
Liability:			
Professional for hospital	As required by law	Self-Insured	N/A
General:			
Bodily injury	As required by law	Self-Insured	N/A
Property damage	As required by law	Self-Insured	N/A
Automobile:			
Hospital	\$1,000,000	State Farm Insurance	6/22/2018
Dandyland	\$1,000,000	National Casualty Company	8/7/2018
EAMC-Lanier, LLC	\$1,000,000	Auto-Owners Ins. Co.	2/1/2019
Ambulance – Liability	\$1,000,000	Arch Insurance	7/22/2018
Health Plus Fitness Center	\$500,000	National Ind. Co. of the South	10/26/2018
EAMC/Unity Wellness/Passenger Vans	\$500,000	National Fire & Marine	6/30/2018
Portable Equipment – East AL EMS	\$580,000	Arch Insurance	7/22/2018
Workers' compensation	As required by law	Self-Insured	N/A
Out of State Employees – WC	\$1,000,000/\$1,000,000/ \$1,000,000	Continental Casualty Co.	01/01/2019
Directors, Officers, Entity, EPL, Regulatory Liab.	\$11,000,000	Beazley Insurance Co. Inc.	10/1/2018
ERISA Bond	\$1,000,000	Hartford Insurance Group	5/22/2018
AL Medicaid Bond (EAMC-Lanier, LLC)	\$75,000	Liberty Insurance Co.	2/1/2018
Crime	\$2,500,000	Beazley Insurance Co. Inc.	10/1/2018
Cyber Liability	\$5,000,000	Syndicate 2623/623 at Lloyd's	10/1/2018
Environmental site liability	\$2,000,000	Illinois Union Ins. Co.	10/1/2018
Underground storage tank liability	\$1,000,000	Illinois Union Ins. Co.	10/1/2018
Other general and professional liability:			
East AL Health Services LLC – Unity Wellness	\$1,000,000	Landmark American Ins. Co.	11/7/2018
East AL Health Services LLC – Healthplus	\$1,000,000	Philadelphia Insurance	11/7/2018
East Alabama Medical Center (Med. Mal)	\$1,000,000	Mag Mutual	8/1/2018
East AL EMS LLC	\$1,000,000	Colony Insurance Co.	11/7/2018
East AL HomeMed LLC – Opelika	\$1,000,000	Benchmark Insurance Co.	12/1/2018
East Alabama Apothecary, LLC	\$1,000,000	Landmark American Ins. Co.	2/1/2018

This statement is intended only as a descriptive summary. No expression of opinion as to the adequacy of the coverage or fulfillment of statutory requirements is intended.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

The Board of Directors
The East Alabama Health Care Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The East Alabama Health Care Authority (the Authority) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Warren Averett, LLC". The signature is written in a cursive, flowing style.

Birmingham, Alabama
January 25, 2018

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APPENDIX C

FORM OF INDENTURE, AND EXECUTED COPIES OF MASTER INDENTURE AND MORTGAGE

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TRUST INDENTURE

Dated May 1, 2018

Between

THE EAST ALABAMA HEALTH CARE AUTHORITY

and

REGIONS BANK

Relating to the issuance of

**[\$Amount]
Health Care Facilities Bonds, Series 2018A**

by

The East Alabama Health Care Authority

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TRUST INDENTURE

THIS TRUST INDENTURE dated May 1, 2018, is entered into by THE EAST ALABAMA HEALTH CARE AUTHORITY, an Alabama public corporation (the “Authority”), and REGIONS BANK, an Alabama banking corporation (the “Trustee”).

Recitals

A. The Authority has duly authorized the issuance of its [\$Amount] aggregate principal amount of Health Care Facilities Bonds, Series 2018A (the “Bonds”) pursuant to this Indenture.

B. The Bonds are being issued for the purpose of financing the cost of certain capital improvements (the “Capital Improvements”) to the healthcare facilities of the Authority identified in *Exhibit 9.3(d)*.

C. The Authority has entered into a Master Trust Indenture dated April 1, 2012, as heretofore amended and supplemented (the “Master Indenture”), with Regions Bank, as trustee (the “Master Trustee”). The Authority is authorized to issue obligations (“Master Indenture Obligations”) under the Master Indenture to evidence or secure debt and other liabilities of the Authority. As security for its obligations under this Indenture, the Authority has issued a Master Indenture Obligation (the “Series 2018A Master Indenture Obligation”) under the Master Indenture. The Master Indenture provides for the formation of an “Obligated Group” that may include the Authority and one or more other entities that are jointly and severally liable for the payment of all Obligations issued under the Master Indenture; however, as of the date of delivery of this Indenture no Obligated Group has been formed, and the Authority is currently the only member of the “Obligated Group” for purposes of the Master Indenture.

D. The Master Indenture Obligations are secured by a pledge of the revenues of the Authority and by a portion of the proceeds of a special tax. As additional security for the Master Indenture Obligations and certain other parity debt of the Authority, the Authority has executed a Mortgage and Security Agreement dated June 1, 2002 (as heretofore amended and supplemented, the “Mortgage”), in favor of Regions Bank, as collateral agent (the “Collateral Agent”), whereby the Collateral Agent has been granted a mortgage on the property and interests in property described therein (the “Mortgaged Property”).

E. The Bonds and all other payment obligations under this Indenture are secured by the Trust Estate established under this Indenture, which includes (i) payments by the Authority pursuant to the Series 2018A Master Indenture Obligation, and (ii) money and investments in the funds and accounts established under this Indenture.

F. All things have been done which are necessary to make the Bonds, when executed by the Authority and authenticated and delivered by the Trustee hereunder, the valid obligations of the Authority, and to constitute this Indenture a valid trust indenture for the security of the Bonds, in accordance with the terms of the Bonds and this Indenture.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

It is hereby covenanted and declared that all the Bonds are to be authenticated and delivered and the property subject to this Indenture is to be held and applied by the Trustee, subject to the covenants, conditions and trusts hereinafter set forth, and the Authority does hereby covenant and agree to and with the Trustee, for the equal and proportionate benefit (except as otherwise expressly provided herein) of all Bondholders as follows:

ARTICLE 1

Definitions and Other Provisions of General Application

SECTION 1.1 Definitions

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires, the following terms shall have the meaning indicated:

“Acquisition Costs” means the costs of acquiring, constructing and installing the Capital Improvements, including, without limitation, any rebate due to the United States Treasury with respect to the Bonds pursuant to Section 148(f) of the Internal Revenue Code.

“Acquisition Fund” means the fund established pursuant to *Section 9.3*.

“Act of Bankruptcy” means the filing of a petition in bankruptcy (or the other commencement of a bankruptcy or similar proceeding) by or against a person under any applicable bankruptcy, insolvency, reorganization, or similar law, now or hereafter in effect.

“Affiliate” of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, “control” when used with respect to any specified person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Authority” means The East Alabama Health Care Authority, an Alabama public corporation, until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Authority” means such successor corporation.

“Authorized Denominations” means \$5,000 or any multiple thereof.

“Authorized Representative of the Authority” means the chairman, the vice chairman or the secretary of the Authority, or any other officer or agent of the Authority authorized by the governing body of the Authority to act as “Authorized Representative of the Authority” for purposes of the Bond Documents.

“Bond Documents” means the Bonds, the Indenture, and the 2018A Master Indenture Obligation.

“Bond Payment Date” means each date on which Debt Service is payable on the Bonds, including any date fixed for redemption of Bonds.

“Bond Register” means the register or registers for the registration and transfer of Bonds maintained by the Authority pursuant to *Section 4.2(c)*.

“Bondholder” when used with respect to any Bond means the owner of such Bond.

“Bonds” means the bonds issued pursuant to this Indenture.

“Book Entry System” means the book entry system maintained by DTC for the registration, transfer, exchange and payment of debt obligations maintained by DTC.

“Business Day” means any day other than a Saturday, a Sunday, or a day on which the Trustee is authorized to be closed under general law or regulation applicable in the place where the Trustee performs its obligations under the Indenture.

“Callable Bonds” means Bonds that are subject to optional redemption.

“Capital Improvements” means the improvements and additions to the Authority’s health care facilities being financed by the Bonds, more particularly described in *Exhibit 9.3(d)*.

“Collateral Agent” means Regions Bank, an Alabama banking corporation, and its successors and assigns, in its capacity as collateral agent under the Mortgage.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement entered into by the Authority in connection with the issuance of the Bonds.

“Costs of Issuance” means the expenses incurred in connection with the issuance of the Bonds, including legal, consulting, accounting and underwriting fees and expenses.

“Costs of Issuance Fund” means the fund established pursuant to *Section 9.2*.

“Debt Service” means the principal, redemption premium (if any) and interest payable on the Bonds.

“Debt Service Fund” means the fund established pursuant to *Section 9.1*.

“Defaulted Interest” has the meaning assigned in *Section 4.2(l)*.

“Defeased”, when used with respect to Indenture Indebtedness, has the meaning assigned in *Section 14.1*.

“DTC” means The Depository Trust Company, and its successors and assigns.

“Enabling Law” means Section 22-21-310 et seq. of the Code of Alabama 1975.

“Event of Default” has the meaning assigned in *Section 11.1*. An Event of Default shall “exist” if an Event of Default shall have occurred and be continuing.

“Favorable Tax Opinion” means an Opinion of Counsel stating in effect that the proposed action, together with any other changes with respect to the Bonds made or to be made in connection with such action, will not cause interest on the Bonds to become includible in gross income of the Bondholders for purposes of federal income taxation.

“Federal Securities” means noncallable, nonprepayable, direct obligations of, or obligations the full and timely payment of which is guaranteed by, the United States of America.

“Financing Participants” means the Authority, the Trustee, and the Collateral Agent.

“Fitch” means Fitch Ratings, Inc.

“Holder”, when used with respect to any Bond, means the owner of such Bond.

“Indenture” means this instrument as originally executed or as it may from time to time be supplemented, modified or amended by one or more indentures or other instruments supplemental hereto entered into pursuant to the applicable provisions hereof.

“Indenture Funds” means any fund or account established pursuant to this Indenture.

“Indenture Indebtedness” means all indebtedness of the Authority at the time secured by this Indenture, including without limitation (a) all Debt Service on the Bonds and (b) all reasonable fees, charges and disbursements of the Trustee for services performed and disbursements made under this Indenture.

“Independent”, when used with respect to any person, means a person who (i) does not have any direct financial interest or any material indirect financial interest in any Financing Participant or any Affiliate of a

Financing Participant, (ii) does not serve as a member of the governing body of any Financing Participant or any Affiliate of a Financing Participant, and (iii) is not employed by any Financing Participant or any Affiliate of a Financing Participant.

“Interest Payment Date”, when used with respect to any installment of interest on a Bond, means the date specified in this Indenture as the date on which such installment of interest is due and payable.

“Master Indenture” means the Master Trust Indenture dated as of April 1, 2012, between the Authority and the Master Trustee, as heretofore amended and supplemented and as further supplemented by the Master Indenture Supplement, which authorizes the Series 2018A Master Indenture Obligation.

“Master Indenture Obligations” means all obligations issued under the Master Indenture.

“Master Indenture Supplement” means the Second Supplement to Master Indenture dated May 1, 2018 between the Authority and the Master Trustee, authorizing the issuance of the Series 2018A Master Indenture Obligation.

“Master Trustee” means Regions Bank, an Alabama banking corporation, and its successors and assigns, in its capacity as trustee under the Master Indenture.

“Maturity Date”, when used with respect to any Bond, means the date specified herein in this Indenture as the date on which principal of such Bond is due and payable.

“Moody’s” means Moody’s Investors Service, Inc.

“Mortgage” means the Mortgage and Security Agreement dated June 1, 2002, executed by the Authority in favor of the Master Trustee.

“Mortgaged Property” means the property and interests in property mortgaged and assigned to the Master Trustee pursuant to the Mortgage.

“Obligor Bonds” means Bonds registered in the name of (or in the name of a nominee for) the Authority, or any Affiliate of the Authority. The Trustee may assume that no Bonds are Obligor Bonds unless it has actual notice to the contrary.

“Office of the Trustee” means the office of the Trustee for hand delivery of notices, as specified pursuant to *Section 15.1*.

“Opinion of Counsel” means an opinion from an attorney or firm of attorneys with experience in the matters to be covered in the opinion. Except as otherwise expressly provided in this Indenture, the attorney or attorneys rendering such opinion may be counsel for one or more of the Financing Participants, including counsel in the full-time employment of a Financing Participant.

“Outstanding”, when used with respect to Bonds means, as of the date of determination, all Bonds authenticated and delivered under this Indenture, except:

- (a) Bonds cancelled by the Trustee or delivered to the Trustee for cancellation;
- (b) Bonds for whose payment or redemption money in the necessary amount has been deposited with the Trustee in trust for the Holders of such Bonds, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and
- (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under this Indenture;

provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Obligor Bonds shall be disregarded and deemed not to be Outstanding. Obligor Bonds which have been pledged in good faith may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that Bonds registered in the name of such pledgee as beneficial owner would not be considered Obligor Bonds.

"Post-Default Rate" means (a) when used with respect to any payment of Debt Service on any Bond, the interest rate applicable to such Bond on the date such Debt Service became due plus 2.0% (200 basis points), and (b) when used with respect to all other payments due under this Indenture, a variable rate equal to the Trustee's prime or base rate plus 2.0% (200 basis points), in each case computed on the basis of a 365 or 366-day year, as the case may be, for actual days elapsed.

"Qualified Investments" means:

(a) direct obligations of, or obligations the full and timely payment of which is guaranteed by, the United States of America, including unit investment trusts and mutual funds that invest solely in such obligations,

(b) bonds, debentures, notes or other obligations issued or guaranteed by any federal agency if such obligations are (i) backed by the full faith and credit of the United States of America or (ii) rated by at least one Rating Agency in one of the three highest rating categories assigned by such Rating Agency,

(c) money market funds rated by at least one Rating Agency in one of the three highest rating categories assigned by such Rating Agency,

(d) certificates of deposit or other bank deposits that are described in one of the following clauses: (i) certificates of deposit or bank deposits issued by, or made with, a bank whose unsecured, long-term obligations are rated by at least one Rating Agency in one of the three highest rating categories assigned by such Rating Agency, or (ii) certificates of deposit or bank deposits secured at all times by collateral described in paragraphs (a) and (b) above that is held by the Trustee or by a third party custodian acceptable to the Authority and the Trustee with a perfected first security interest in the collateral,

(e) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the FDIC,

(f) investment agreements, including guaranteed investment contracts, repurchase agreements and forward purchase agreements, provided that (i) any securities purchased or held pursuant to such agreement are otherwise Qualified Investments under this Indenture, (ii) the counterparty's long-term debt obligations are rated by at least one Rating Agency in one of the three highest rating categories assigned by such Rating Agency, and (iii) the securities, if purchased, are owned by the Authority or the Trustee and are held by the Trustee or by a third party custodian acceptable to the Authority and the Trustee or, if held as collateral, are held by the Trustee or a third party custodian acceptable to the Authority and the Trustee with a perfected first security interest in such collateral,

(g) commercial paper rated, at the time of purchase, not less than "Prime-1" by Moody's or not less than "A-1" by S & P, and

(h) bonds or notes issued by any state, county or municipality which are rated by at least one Rating Agency in one of the three highest rating categories assigned by such Rating Agency.

For purposes of this definition, rating categories are determined without regard to qualifiers, such as "+" or "1" (for example, ratings of "A-1", "A-2", "A-" and "A+" are considered part of the same rating category). Any investment requiring a rating shall be a Qualified Investment if the required rating is applicable on the date such investment is made. If the Authority receives notice from the Trustee that the required rating is no longer applicable to any such investment, or if the Authority has actual knowledge that the required rating is no longer applicable, the Authority

shall promptly give written instructions for liquidation of such investment and shall give written directions for reinvestment of the proceeds of such investment in another investment that is a Qualified Investment.

“Rating Agency” means Moody’s, S & P, Fitch and any other nationally recognized securities rating agency.

“Regular Record Date”, when used with respect to the payment of interest on the Bonds, means the 15th day (whether or not a Business Day) of the month next preceding each Interest Payment Date for such Bond.

“Responsible Officer” when used with respect to the Trustee shall mean the chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice-president, any trust officer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and who, in any event is located at the principal corporate trust office of the Trustee and shall also mean, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject, and with respect to any signature on or authentication of Bonds by the Trustee, the term “Responsible Officer” shall also include any authorized signers of the Trustee.

“S & P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC.

“Series 2018A Master Indenture Obligation” means the Master Indenture Obligation issued by the Authority to secure the obligations of the Authority under this Indenture.

“Special Record Date” for the payment of any Defaulted Interest on the Bonds means a date fixed by the Trustee pursuant to *Section 4.2(l)*.

“Tax Certificate and Agreement” means that certain Tax Certificate and Agreement entered into by the Authority in connection with the issuance of the Bonds.

“Term Bonds” means Bonds subject to scheduled mandatory redemption pursuant to *Section 7.1(b)*.

“Trust Estate” shall have the meaning assigned in *Section 3.1*.

“Trustee” means Regions Bank, an Alabama banking corporation, until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Trustee” means such successor.

SECTION 1.2 General Rules of Construction

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) Defined terms in the singular shall include the plural as well as the singular, and vice versa.

(b) The definitions in the recitals to this instrument are for convenience only and shall not affect the construction of this instrument.

(c) All accounting terms not otherwise defined herein have the meaning assigned to them, and all computations herein provided for shall be made, in accordance with generally accepted accounting principles. All references herein to “generally accepted accounting principles” refer to such principles as they exist at the date of application thereof.

(d) All references in this instrument to designated “Articles”, “Sections” and other subdivisions are to the designated Articles, Sections and subdivisions of this instrument as originally executed.

(e) The terms “herein”, “hereof” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

(f) All references in this instrument to a separate instrument are to such separate instrument as the same may be amended or supplemented from time to time pursuant to the applicable provisions thereof.

(g) The term “person” shall include any individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization and any government or any agency or political subdivision thereof.

(h) The term “including” means “including without limitation” and “including, but not limited to”.

SECTION 1.3 Effect of Action by Bondholders

Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in reliance thereon, whether or not notation of such action is made upon such Bond.

SECTION 1.4 Effect of Headings and Table of Contents

The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.5 Date of Indenture

The date of this Indenture is intended as and for a date for the convenient identification of this Indenture and is not intended to indicate that this Indenture was executed and delivered on said date.

SECTION 1.6 Separability Clause

If any provision in this Indenture or in the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.7 Governing Law

This Indenture shall be construed in accordance with and governed by the laws of the State of Alabama.

SECTION 1.8 Counterparts

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 1.9 Designation of Time for Performance

Except as otherwise expressly provided herein, any reference in this Indenture to the time of day means the time of day in the city where the Trustee maintains its place of business for the performance of its obligations under this Indenture.

ARTICLE 2

Source of Payment

SECTION 2.1 Source of Payment of Bonds and Other Obligations

The Bonds and all other payment obligations under this Indenture (i) are general obligations of the Authority for the payment of which its full faith and credit are hereby pledged, and (ii) are payable out of payments by the Authority pursuant to the Series 2018A Master Indenture Obligation.

SECTION 2.2 Sponsoring Entity Exempt From Liability

The Bonds and any other payment obligations under this Indenture shall not constitute or give rise to an indebtedness or liability of, and shall not constitute a charge against the general credit or taxing powers of, Lee County, Alabama.

SECTION 2.3 Incorporators, Officers and Directors of the Authority Exempt from Individual Liability

No recourse under or upon any covenant or agreement of this Indenture, or of any Bonds, or for any claim based thereon or otherwise in respect thereof, shall be had against any past, present or future incorporator, officer or director of the Authority, or of any successor, either directly or through the Authority, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the Bonds issued hereunder are solely corporate obligations, and that no personal liability whatever shall attach to, or is or shall be incurred by, any incorporator, officer or director of the Authority or any successor, or any of them, because of the issuance of the Bonds, or under or by reason of the covenants or agreements contained in this Indenture or in any Bonds or implied therefrom.

ARTICLE 3

Security for Payment

SECTION 3.1 Pledge and Assignment

To secure the payment of Debt Service on the Bonds and all other Indenture Indebtedness and the performance of the covenants contained in this Indenture and the Bonds, and to declare the terms and conditions on which the Bonds are secured, and in consideration of the premises and of the purchase of the Bonds by the Holders thereof, the Authority hereby pledges and assigns to the Trustee, and grants to the Trustee a security interest in, the following property:

(a) **Indenture Funds.** Money and investments from time to time on deposit in, or forming a part of, the Indenture Funds.

(b) **Series 2018A Master Indenture Obligation.** All right, title and interest of the Authority in and to the Series 2018A Master Indenture Obligation, including all payments by the Authority pursuant to the Series 2018A Master Indenture Obligation, and all distributions to the holder of the Series 2018A Master Indenture Obligation of proceeds from the exercise of remedies under the Master Indenture or the Mortgage.

(c) **Other Property.** Any and all property of every kind or description which may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien of this Indenture as additional security by the Authority or anyone on its part or with its consent, or which pursuant to any of the provisions hereof may come into the possession or control of the Trustee or a receiver appointed pursuant to this Indenture; and the Trustee is hereby authorized to receive any and all such property as and for additional security for the obligations secured hereby and to hold and apply all such property subject to the terms hereof.

TO HAVE AND TO HOLD all such property, rights and privileges (collectively called the “Trust Estate”) unto the Trustee and its successors and assigns;

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the Holders from time to time of the Bonds (without any priority of any such Bond over any other such Bond).

PROVIDED, HOWEVER, that money and investments in the Indenture Funds may be applied for the purposes and on the terms and conditions set forth in this Indenture.

ARTICLE 4

Registration, Transfer, Exchange and Payment of the Bonds

SECTION 4.1 The Book Entry System

(a) The ownership, transfer, exchange and payment of Bonds shall be governed by the Book Entry System administered by DTC until the Book Entry System is terminated pursuant to **Section 4.1(c)**.

(b) While Bonds are in the Book Entry System, the following provisions shall govern for purposes of this Indenture and shall supersede any contrary provisions of this Indenture:

(1) DTC shall be the registered Holder of the Bonds on the Bond Register maintained by the Trustee pursuant to **Section 4.2(c)**.

(2) Notwithstanding the fact that DTC may hold one or more Bond certificates for purposes of the Book Entry System, the term “Bond” means each separate security credited to a beneficial owner (or entitlement holder) pursuant to the Book Entry System, and the term “Holder” means the person identified pursuant to the Book Entry System as the beneficial owner of the related security.

(3) The terms and limitations of this Indenture with respect to each separate Bond shall be applicable to each separate security credited to a beneficial owner under the Book Entry System.

(4) All payments of Debt Service on the Bonds shall be made by the Trustee through the Book Entry System, and payments by such method shall be valid and effective fully to satisfy and discharge the Authority’s obligations with respect to such payments.

(5) The Authority and the Trustee shall not have any responsibility or obligation to any DTC participant or any beneficial owner with respect to (a) the accuracy of any records maintained by DTC or any participant; (b) the payment by DTC or any participant of any amount due to any beneficial owner in respect of the principal of, purchase price of, redemption price of, premium (if any) and interest on the Bonds; (c) the delivery or timeliness of delivery by DTC or any participant of any notice due to any beneficial owner which is required or permitted under the terms of this Indenture to be given to the Bondholders; (d) the selection of the beneficial owners to receive payment in the event of any partial redemption of the Bonds; or (e) any consent given or other action taken by DTC or its nominee, as Bondholder.

(c) The Trustee may, in its discretion, discontinue the Book Entry System in accordance with the rules and regulations of the Book Entry System.

(d) If the Book Entry System is discontinued, (i) a physical certificate or physical certificates shall be executed, authenticated and delivered to each beneficial owner, or entitlement holder, under the Book Entry System in accordance with such person’s ownership of Bonds, (ii) such certificates shall be registered in the Bond Register maintained by the Trustee, and (iii) the remaining provisions of this Article shall govern the registration, transfer, exchange and payment of Bonds.

SECTION 4.2 Alternate Provisions Regarding Payment, Registration, Transfer and Exchange of Bonds

(a) If the Book Entry System is discontinued, the provisions of this Section shall control the registration, transfer, exchange and payment of Bonds.

(b) Payment of Debt Service on the Bonds shall be made as follows:

(1) Payment of interest on the Bonds which is due on any Interest Payment Date shall be made by check or draft mailed by the Trustee to the persons entitled thereto at their addresses appearing in the Bond Register. Such payments of interest shall be deemed timely made if so mailed on the Interest Payment Date (or, if such Interest Payment Date is not a Business Day, on the Business Day next following such Interest Payment Date).

(2) Payment of the principal of (and premium, if any, on) the Bonds and payment of accrued interest on the Bonds due upon redemption on any date other than an Interest Payment Date shall be made only upon surrender thereof at the Office of the Trustee.

(3) Upon the written request of any Bondholder holding an aggregate principal amount of not less than \$1,000,000 of Bonds, the Trustee shall make payments of Debt Service by wire transfer, provided that (i) such request contains adequate instructions for the method of payment, and (ii) payment of the principal of (and redemption premium, if any, on) such Bonds and payment of the accrued interest on such Bonds due upon redemption on any date other than an Interest Payment Date shall be made only upon surrender of such Bonds to the Trustee.

(c) The Authority shall cause to be kept at the Office of the Trustee a register (herein sometimes referred to as the "Bond Register") in which, subject to such reasonable regulations as it may prescribe, the Authority shall provide for the registration of Bonds and registration of transfers of Bonds entitled to be registered or transferred as herein provided. The Trustee is hereby appointed as agent of the Authority for the purpose of registering Bonds and transfers of Bonds as herein provided.

(d) Upon surrender for transfer of any Bond at the Office of the Trustee, the Authority shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same maturity and interest rate, of any Authorized Denominations and of a like aggregate principal amount.

(e) At the option of the Holder, Bonds may be exchanged for other Bonds of the same maturity and interest rate, of any Authorized Denominations and of a like aggregate principal amount, upon surrender of the Bonds to be exchanged at the Office of the Trustee. Whenever any Bonds are so surrendered for exchange, the Authority shall execute, and the Trustee shall authenticate and deliver, the Bonds which the Bondholder making the exchange is entitled to receive.

(f) All Bonds surrendered upon any exchange or transfer provided for in this Indenture shall be promptly cancelled by the Trustee.

(g) All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the Authority and entitled to the same security and benefits under this Indenture as the Bonds surrendered upon such transfer or exchange.

(h) Every Bond presented or surrendered for transfer or exchange shall contain, or be accompanied by, all necessary endorsements for transfer.

(i) No service charge shall be made for any transfer or exchange of Bonds, but the Authority may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

(j) The Authority shall not be required (i) to transfer or exchange any Bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Bond so selected for redemption in whole or in part.

(k) Interest on any Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the person in whose name that Bond is registered at the close of business on the Regular Record Date for such Interest Payment Date.

(l) Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest shall be paid by the Authority to the persons in whose names such Bonds are registered at the close of business on a special record date (herein called a "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Authority shall notify the Trustee of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and at the same time the Authority shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this subsection provided and not to be deemed part of the Trust Estate. Thereupon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Authority of such Special Record Date and, in the name and at the expense of the Authority, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Bondholder at his address as it appears in the Bond Register not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Bonds are registered on such Special Record Date.

(m) Subject to the foregoing provisions of this Section, each Bond delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

(n) All Bonds surrendered for payment, redemption, transfer or exchange, shall be promptly cancelled by the Trustee. The Trustee may destroy cancelled certificates. No Bond shall be authenticated in lieu of or in exchange for any Bond cancelled as provided in this Section, except as expressly provided by this Indenture.

SECTION 4.3 Persons Deemed Owners

(a) If the Book Entry System is in effect, the ownership of Bonds shall be determined pursuant to the rules and regulations of the Book Entry System.

(b) If the Book Entry System is terminated, the registered Holder of each Bond shall be treated as the owner of such Bond for purposes of this Indenture.

SECTION 4.4 Trustee as Paying Agent

Debt Service on the Bonds shall be payable on behalf of the Authority by the Trustee, which has been designated as the paying agent of the Authority for purposes of this Indenture.

SECTION 4.5 Payments Due on Non-Business Days

Except as otherwise expressly provided by this Indenture, if any payment on the Bonds is due on a day which is not a Business Day, such payment may be made on the first succeeding day which is a Business Day with the same effect as if made on the day such payment was due.

SECTION 4.6 Currency for Payment

Payment of Debt Service on the Bonds shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

ARTICLE 5

Terms for Bonds and Disposition of Proceeds

SECTION 5.1 Title and Terms

(a) **Title and Amount.** The Bonds shall be entitled “Health Care Facilities Bonds, Series 2018A”. The aggregate principal amount of the Bonds which may be Outstanding is limited to [\$Amount].

(b) **Authorized Denominations.** The Bonds shall be in Authorized Denominations.

(c) **Form and Number.** The Bonds shall be issuable as registered bonds without coupons in Authorized Denominations. The Bonds shall be numbered separately from 1 upward. In order to facilitate the Book Entry System, a single physical certificate for all Bonds of the same maturity and interest rate shall be delivered to the Trustee. The Bonds and the certificate of authentication shall be substantially as set forth in *Exhibit 5.1(c)*, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture.

(d) **Maturity Dates and Interest Rates.** The Bonds shall mature in years and amounts and shall bear interest as follows:

Year of Maturity (_____ 1)	Principal Amount Maturing	Applicable Interest Rate	Initial CUSIP Number
		0.00%	

(e) **Date.** The Bonds shall be dated as of the date of initial delivery of the Bonds.

(f) **Interest Payment Dates.** Interest on the Bonds shall be payable in arrears on _____ 1 and _____ 1 in each year, beginning _____ 1, ____.

(g) **Person to Whom Interest Payable.** If the Book Entry System is in effect, the Trustee shall pay interest to DTC, and interest payments shall be distributed by DTC in accordance with the rules and regulations of DTC. If the Book Entry System is terminated, the interest due on any Interest Payment Date for the Bonds shall be payable to the Bondholders as of the Regular Record Date for such Interest Payment Date.

(h) **Computation of Interest Accrual.** The Bonds shall bear interest from their date, or the most recent date to which interest has been paid or duly provided for, at the applicable rate per annum set forth above. Interest shall be computed on the basis of a 360-day year with 12 months of 30 days each.

(i) **Interest on Overdue Payments.** Interest shall be payable on overdue principal on the Bonds and (to the extent legally enforceable) on any overdue installment of interest on the Bonds at the Post-Default Rate.

(j) **Execution and Authentication.** Physical certificates evidencing the Bonds shall be executed on behalf of the Authority by its Chairman or Vice Chairman under its corporate seal reproduced thereon and attested by its Secretary. The signature of any of these officers on the physical certificates may be manual or, to the extent permitted by law, facsimile. Physical certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Authority shall bind the Authority, notwithstanding that such individuals or any of them shall have ceased to hold such offices prior to the authentication and delivery of such physical certificates or shall not have held such offices at the date of such physical certificates. No physical certificate shall be secured by, or be entitled to any lien, right or benefit under, this Indenture or be valid or obligatory for any purpose, unless there appears on such physical certificate a certificate of authentication substantially in the form provided for herein, executed by the Trustee by manual signature, and such certificate upon any physical certificate shall be conclusive evidence, and the only evidence, that such physical certificate has been duly authenticated and delivered hereunder.

SECTION 5.2 Proceeds From Sale of Bonds

The proceeds from the sale of the Bonds to the original purchaser or purchasers thereof shall be applied as follows:

- (a) The amount to be used for Costs of Issuance shall be deposited in the Costs of Issuance Fund.
- (b) The amount to be used for Acquisition Costs shall be deposited in the Acquisition Fund.

The amount of Bond proceeds to be applied to each purpose identified in this **Section 5.2** shall be specified by written directions from an Authorized Representative of the Authority delivered to the Trustee.

ARTICLE 6

Purchase and Remarketing of Bonds

The Bonds are not subject to optional or mandatory tender for purchase by the Holders, except as provided in **Section 7.9**. The principal of each Bond is due and payable only on the Maturity Date for such Bond. Neither the Authority nor any other Financing Participant has any obligation to purchase Bonds from the Holders prior to the Maturity Date.

ARTICLE 7

Redemption of Bonds

SECTION 7.1 Redemption Provisions

The Bonds shall be subject to redemption prior to maturity as follows:

(a) **Optional Redemption.** Any Bond that matures after _____, _____ may be redeemed in whole or in part on any Business Day on or after _____, _____ at a redemption price equal to 100% of the principal amount redeemed plus accrued interest thereon to the date of redemption.

(b) **Scheduled Mandatory Redemption of Term Bonds.** Term Bonds are subject to scheduled mandatory redemption as follows:

- (1) Bonds with a stated maturity in _____ and an interest rate of ____% shall be redeemed, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to

the redemption date, or shall mature on dates and in principal amounts (after credit as provided below) as follows:

<u>% Term Bonds Maturing in _____</u>	
Redemption Date	Principal Amount to be Redeemed
(_____ 1)	

(maturity)

(2) Bonds with a stated maturity in _____ and an interest rate of __% shall be redeemed, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, or shall mature on dates and in principal amounts (after credit as provided below) as follows:

<u>% Term Bonds Maturing in _____</u>	
Redemption Date	Principal Amount to be Redeemed
(_____ 1)	

(maturity)

Not later than the date on which notice of scheduled mandatory redemption is to be given to Holders of Term Bonds, the Trustee shall select the affected Term Bonds for scheduled mandatory redemption by lot; provided, however, that the Authority may, upon written direction delivered to the Trustee not less than 3 days prior to the date notice of such redemption is to be given to Holders, direct that any or all of the following amounts be credited against the principal amount of Term Bonds scheduled for redemption on such date: (i) the principal amount of Term Bonds of the same maturity and interest rate delivered by the Authority to the Trustee for cancellation and not previously claimed as a credit; (ii) the principal amount of Term Bonds of the same maturity and interest rate previously redeemed (other than Term Bonds redeemed pursuant to the provisions requiring scheduled mandatory redemption) and not previously claimed as a credit; and (iii) the principal amount of Term Bonds of the same maturity and interest rate otherwise Defeased and not previously claimed as a credit.

(c) **Optional Redemption Upon Damage, Destruction or Condemnation of Operating Assets.**
The Bonds may be redeemed in whole or in part on any Business Day at the option of the Authority at a redemption price equal to 100% of the principal amount of Bonds to be redeemed plus accrued interest thereon to the redemption date if, and to the extent that, the net proceeds of any insurance or condemnation award resulting from damage, destruction or condemnation of operating assets of the Authority exceed the cost of any repairs or replacements to its operating assets which the Authority elects to make with such proceeds.

SECTION 7.2 Mandatory Redemption

Bonds shall be redeemed in accordance with the applicable mandatory redemption provisions without any direction from or consent by the Authority. Unless the date fixed for such mandatory redemption is otherwise specified by this Indenture, the Trustee shall select the date for mandatory redemption, subject to the provisions of this Indenture with respect to the permitted period for such redemption.

SECTION 7.3 Election to Redeem

The election to exercise any right of optional redemption shall be evidenced by notice from an Authorized Representative of the Authority to the Trustee not less than 3 days prior to the date when notice of such redemption must be given to affected Holders (unless a shorter notice is acceptable to the Trustee). An election to redeem shall specify (i) the principal amount and maturity of Bonds to be redeemed (and, if less than all Bonds of a maturity are to be redeemed and the Bonds of such maturity have more than one applicable interest rate, the maturity and interest rate of Bonds to be redeemed), (ii) the redemption date, and (iii) any conditions to such redemption specified in accordance with the provisions of *Section 7.5(d)*.

SECTION 7.4 Selection by Trustee of Bonds to be Redeemed

(a) Except as otherwise provided in the specific redemption provisions for the Bonds, if less than all Bonds Outstanding are to be redeemed, the principal amount of Bonds of each maturity and interest rate to be redeemed may be specified in the notice of election to redeem, or, in the absence of specifications in such notice, shall be selected by the Trustee by lot or by such other method as the Trustee shall deem fair and appropriate; provided, however, that the principal amount of Bonds of each maturity and interest rate to be redeemed may not be larger than the principal amount of Bonds of such maturity and interest rate then eligible for redemption and may not be smaller than the smallest Authorized Denomination.

(b) Except as otherwise provided in the specific redemption provisions for the Bonds, if less than all Bonds with the same maturity and interest rate are to be redeemed, the particular Bonds of such maturity and interest rate to be redeemed shall be selected by the Trustee from the Outstanding Bonds of such maturity and interest rate then eligible for redemption by lot or by such other method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (in Authorized Denominations) of the principal of Bonds of such maturity and interest rate of a denomination larger than the smallest Authorized Denomination.

(c) The Trustee shall promptly notify the Authority of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

(d) For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond which has been or is to be redeemed.

SECTION 7.5 Notice of Redemption

(a) Notice of redemption shall be given to affected Bondholders not less than 20 days prior to the redemption date. If the Book Entry System is in effect, such notice shall be given to DTC by such method as shall be specified in the rules and regulations of the Book Entry System. If the Book Entry System has been terminated, such notice shall be given by registered mail.

(b) All notices of redemption shall state:

- (1) the redemption date,
- (2) the redemption price,

(3) the principal amount of Bonds to be redeemed, and, if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(4) that on the redemption date the redemption price of each of the Bonds to be redeemed will become due and payable and that the interest thereon shall cease to accrue from and after said date, and

(5) any conditions to such redemption specified in accordance with the provisions of **Section 7.5(d)**.

(c) Notice of optional redemption of Bonds to be redeemed shall be given by the Authority or, at the Authority's request, by the Trustee on behalf of the Authority. Notice of redemption of Bonds in accordance with the mandatory redemption provisions of the Bonds shall be given by the Trustee in the name of the Authority without any notice to, or consent of, the Authority.

(d) A notice of optional redemption may state that the redemption of Bonds is contingent upon specified conditions, such as receipt of a specified source of funds, or the occurrence of specified events. If the conditions for such redemption are not met, the Authority shall not be required to redeem the Bonds (or portions thereof) identified in such notice, and any Bonds surrendered on the specified redemption date shall be returned to the Holders of such Bonds.

SECTION 7.6 Deposit of Redemption Price

On the applicable redemption date, an amount of money sufficient to pay the redemption price of all the Bonds which are to be redeemed on that date shall be deposited with the Trustee, unless the notice of redemption specified contingencies that were not met on the redemption date. Such money shall be held in trust for the benefit of the persons entitled to such redemption price and shall not be deemed to be part of the Trust Estate.

SECTION 7.7 Bonds Payable on Redemption Date

If notice of redemption is given and any conditions to such redemption specified pursuant to **Section 7.5(d)** are met, the Bonds to be redeemed shall become due and payable on the redemption date at the applicable redemption price and from and after such date (unless the Authority shall default in the payment of the redemption price) such Bonds shall cease to bear interest.

SECTION 7.8 Bonds Redeemed in Part

(a) If the Book Entry System is in effect, partial redemption of any Bond shall be effected in accordance with the Book Entry System.

(b) If the Book Entry System has been terminated, any Bond which is to be redeemed only in part shall be surrendered at the Office of the Trustee with all necessary endorsements for transfer, and the Authority shall execute and the Trustee shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds of the same maturity and interest rate and of any Authorized Denomination or Denominations as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond surrendered.

SECTION 7.9 Purchase of Callable Bonds in Lieu of Redemption

The Authority shall have the option to purchase Callable Bonds in lieu of optional redemption. If a Callable Bond has been called for optional redemption the Authority may exercise its right of purchase by delivery to the Trustee on or prior to the Business Day preceding the optional redemption date of written notice from the Authority specifying that the Callable Bonds shall not be redeemed, but instead shall be purchased pursuant to this Section. Upon delivery of such notice from the Authority, the Callable Bonds shall not be redeemed, but shall instead be subject to mandatory tender on the date that would have been the optional redemption date at a purchase price equal to the redemption price that would have been payable with respect to such Callable Bonds. The

Authority's option to purchase pursuant to this Section shall be effective whether or not the notice of optional redemption sent to Bondholders indicates that the Authority has exercised, or intends to exercise, such option. No further or additional notice to Bondholders shall be required in connection with the purchase in lieu of redemption. The Callable Bonds purchased pursuant to this Section (i) shall not be cancelled or retired, but shall continue to be outstanding, (ii) shall be delivered to, or as directed by, the Authority, and (iii) shall continue to bear interest at the rate provided for in this Indenture.

ARTICLE 8

No Additional Bonds

This Indenture authorizes the issuance of Bonds described in *Article 5*. No additional bonds may be issued pursuant to this Indenture.

ARTICLE 9

Indenture Funds

SECTION 9.1 Debt Service Fund

(a) There is hereby established a special trust fund which shall be designated the "Debt Service Fund". The Trustee shall be the depository, custodian and disbursing agent for the Debt Service Fund.

(b) The Authority shall make deposits to the Debt Service Fund at times and in amounts sufficient to pay Debt Service on the Bonds.

(c) On each Bond Payment Date money in the Debt Service Fund shall be applied by the Trustee to pay Debt Service on the Bonds.

(d) If money is on deposit in the Debt Service Fund on any Bond Payment Date sufficient to pay Debt Service on the Bonds due and payable on such Date, but the Holder of any Bond that matures on such Date or that is subject to redemption on such Date fails to surrender such Bond to the Trustee for payment of Debt Service due and payable on such Date, the Trustee shall segregate and hold in trust for the benefit of the person entitled thereto money sufficient to pay the Debt Service due and payable on such Bond on such Date. Money so segregated and held in trust shall not be a part of the Trust Estate and shall not be invested, but shall constitute a separate trust fund for the benefit of the persons entitled to such Debt Service.

SECTION 9.2 Costs of Issuance Fund

(a) There is hereby established with the Trustee a trust fund which shall be designated the "Costs of Issuance Fund". A deposit to the Costs of Issuance Fund is to be made pursuant to *Section 5.2*.

(b) Money in the Costs of Issuance Fund shall be paid out by the Trustee from time to time for the purpose of paying Costs of Issuance with respect to the Bonds upon delivery to the Trustee of a requisition substantially in the form attached as *Exhibit 9.2(b)*, executed by an Authorized Representative of the Authority.

(c) After an Authorized Representative of the Authority certifies to the Trustee that money remaining in the Costs of Issuance Fund is not needed to pay Costs of Issuance with respect to the Bonds, any balance remaining in the Costs of Issuance Fund shall be transferred to the Acquisition Fund or the Debt Service Fund, as directed by an Authorized Representative of the Authority.

SECTION 9.3 Acquisition Fund

(a) There is hereby established with the Trustee a trust fund which shall be designated the "Acquisition Fund". A deposit to the Acquisition Fund is to be made pursuant to *Section 5.2*.

(b) Money in the Acquisition Fund shall be paid out by the Trustee from time to time for the purpose of paying Acquisition Costs (including reimbursement of the Authority for any such costs paid by it) upon delivery to the Trustee of a requisition substantially in the form attached as ***Exhibit 9.2(b)***, executed by an Authorized Representative of the Authority.

(c) After an Authorized Representative of the Authority certifies to the Trustee that remaining proceeds of the Bonds are not needed to pay Acquisition Costs, any balance remaining in the Acquisition Fund shall be deposited in the Debt Service Fund and shall be applied to the redemption of as many Bonds as possible on the next date on which the Bonds are subject to redemption and for which the required notice of redemption can be given, and the balance remaining, if any, after such redemption shall be applied to the payment of Debt Service on the Bonds on the next ensuing Bond Payment Date.

(d) The Capital Improvements are described in ***Exhibit 9.3(d)***. The Authority may cause changes or amendments to be made in the description of the Capital Improvements and may add items to, or delete items from, the list of Capital Improvements; provided that (i) the Authority delivers to the Trustee a certificate of an Authorized Representative of the Authority specifying such changes, amendments, additions or deletions, (ii) the Authority delivers to the Trustee an Opinion of Counsel stating in effect that the Capital Improvements, after giving effect to such changes, amendments, additions or deletions, qualify for financing under the Enabling Law, and (iii) the Authority delivers to the Trustee a Favorable Tax Opinion.

SECTION 9.4 Investment of Indenture Funds

(a) Except as otherwise expressly provided in this Indenture, any money held as part of an Indenture Fund shall be invested or reinvested in Qualified Investments by the Trustee in accordance with the written instructions of the Authority, to the extent that such investment is, in the opinion of the Trustee, feasible and consistent with the purposes for which such Fund was created. Any investment made with money on deposit in an Indenture Fund shall be held by or under control of the Fund custodian and shall be deemed at all times a part of the Indenture Fund where such money was on deposit, and the interest and profits realized from such investment shall be credited to such Fund and any loss resulting from such investment shall be charged to such Fund.

(b) Any investment of money in the Indenture Funds may be made by the Trustee through its own bond department, investment department or other commercial banking department providing investment services.

(c) The Trustee shall follow the written instructions of the Authority with respect to investments of the Indenture Funds as provided in this Section, but the Trustee shall not be responsible for (i) determining that any such investment complies with the arbitrage limitations imposed by Section 148 of the Internal Revenue Code, or (ii) calculating the amount of, or making payment of, any rebate due to the United States under Section 148(f) of the Internal Revenue Code.

SECTION 9.5 Application of Funds After Indenture Indebtedness Defeased

After all Indenture Indebtedness has been Defeased, any money or investments remaining in the Indenture Funds or otherwise constituting part of the Trust Estate shall be paid to the Authority if no Event of Default exists.

ARTICLE 10

Representations and Covenants

SECTION 10.1 General Representations

The Authority makes the following representations and warranties as the basis for the undertakings on its part herein contained:

(a) Under the provisions of the Enabling Law and its organization documents, it has the power to consummate the transactions described in the Bond Documents to which it is a party.

(b) The Bond Documents to which it is a party constitute legal, valid and binding obligations of the Authority and are enforceable against it in accordance with the terms of such Bond Documents, except as enforcement thereof may be limited by (i) bankruptcy, insolvency, or other similar laws affecting the enforcement of creditors' rights and (ii) general principles of equity, including the exercise of judicial discretion in appropriate cases.

SECTION 10.2 Encumbrances on Trust Estate

The Authority will not create or permit the creation of any pledge, lien, charge or encumbrance of any kind on the Trust Estate or any part thereof prior to or on a parity of lien with this Indenture.

SECTION 10.3 Payment of Bonds

(a) The Authority will, from funds constituting part of the Trust Estate, duly and punctually pay, or cause to be paid, the Debt Service on the Bonds as and when the same shall become due and will duly and punctually deposit, or cause to be deposited, in the Indenture Funds the amounts required to be deposited therein, all in accordance with the terms of the Bonds and this Indenture.

(b) The Authority will not extend or consent to the extension of the time for payment of Debt Service on the Bonds, unless such extension is consented to by the Holder of the Bond affected.

SECTION 10.4 Inspection of Records

The Authority will at any and all times, upon the request of the Trustee, afford and procure a reasonable opportunity for the Trustee by its representatives to inspect any books, records, reports and other papers of the Authority relating to the performance by the Authority of its covenants in this Indenture, and the Authority will furnish to the Trustee any and all information as the Trustee may reasonably request with respect to the performance by the Authority of its covenants in this Indenture.

SECTION 10.5 Advances by Trustee

If the Authority shall fail to perform any of its covenants in this Indenture, the Trustee may, but shall not be required, at any time and from time to time, to make advances to effect performance of any such covenant on behalf of the Authority. Any money so advanced by the Trustee, together with interest at the Post-Default Rate, shall be repaid upon demand and such advances shall be secured under this Indenture prior to the Bonds.

SECTION 10.6 Corporate Existence; Merger, Consolidation, Etc.

(a) The Authority will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

(b) The Authority may consolidate with or merge into any other corporation or transfer its property substantially as an entirety to another person if:

(1) the corporation formed by such consolidation or into which the Authority is merged or the person which acquires by conveyance or transfer the Authority's property substantially as an entirety (the "Successor") shall execute and deliver to the Trustee an instrument in form recordable and acceptable to the Trustee containing an assumption by such Successor of the due and punctual payment of the Debt Service on the Bonds and the performance and observance of every covenant and condition of the Bond Documents to be performed or observed by the Authority; and

(2) the Authority shall deliver to the Trustee a Favorable Tax Opinion.

(c) Upon any consolidation or merger or any conveyance or transfer of the Authority's property substantially as an entirety in accordance with this Section, the Successor shall succeed to, and be substituted for, and may exercise every right and power of, the Authority under this Indenture with the same effect as if such Successor had been named as the Authority herein.

SECTION 10.7 Compliance with the Tax Certificate and Agreement

The Authority will comply with the covenants and agreements on its part contained in the Tax Certificate and Agreement.

ARTICLE 11

Defaults and Remedies

SECTION 11.1 Events of Default

Any one or more of the following shall constitute an event of default (an “Event of Default”) under this Indenture (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (a) failure to pay (i) the interest on any Bond when such interest becomes due and payable, or (ii) the principal of (or premium, if any, on) any Bond when such principal (or premium, if any) becomes due and payable, whether at its stated maturity, by declaration of acceleration or call for redemption or otherwise; or
- (b) an Act of Bankruptcy by the Authority; or
- (c) default in the performance, or breach, of any covenant or warranty of the Authority in this Indenture (other than a covenant or warranty a default in the performance or breach of which is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 30 days after notice of such default or breach, stating that such notice is a “notice of default” hereunder, has been given to the Authority by the Trustee, or to the Authority and the Trustee by the Holders of at least 10% in principal amount of the Outstanding Bonds, unless, in the case of a default or breach that cannot be cured by the payment of money, the Authority initiates efforts to correct such default or breach within 30 days from the receipt of such notice and diligently pursues such action until the default or breach is corrected; or
- (d) the occurrence of an event of default, as therein defined, under the Master Indenture or the Mortgage and the expiration of the applicable notice period or grace period, if any.

SECTION 11.2 Remedies

(a) **Acceleration of Maturity.** If an Event of Default exists, the Trustee or the Holders of not less than 25% in principal amount of the Bonds Outstanding may declare the principal of all the Bonds and the interest accrued thereon to be due and payable immediately, by notice to the Authority (and to the Trustee, if given by Bondholders), and upon any such declaration such Debt Service shall become immediately due and payable. At any time after such a declaration of acceleration has been made pursuant to this Section, the Holders of a majority in principal amount of the Bonds Outstanding may, by notice to the Authority and the Trustee, rescind and annul such declaration and its consequences if

- (1) the Authority has deposited with the Trustee a sum sufficient to pay
 - (A) all overdue installments of interest on all Bonds,
 - (B) the principal of (and premium, if any, on) any Bonds which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Bonds,

(C) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate or rates prescribed therefor in the Bonds, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(2) all Events of Default, other than the non-payment of the principal of Bonds which has become due solely by such declaration of acceleration, have been cured or have been waived as provided in **Section 11.10**.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

(b) **Rights and Remedies Cumulative.** No right or remedy herein conferred upon or reserved to the Trustee or to the Bondholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

(c) **Remedies Subject to Applicable Law.** All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Indenture invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law.

SECTION 11.3 Application of Money Collected

Any money collected by the Trustee pursuant to this Article and any other sums then held by the Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

(a) **First:** To the payment of all undeducted amounts due the Trustee under **Section 12.7**;

(b) **Second:** To the payment of the whole amount then due and unpaid upon the Outstanding Bonds for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue principal (and premium, if any) and on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal (and premium, if any) and interest, without any preference or priority, ratably according to the aggregate amount so due; provided, however, that payments with respect to Obligor Bonds shall be made only after all other Bonds have been Defeased; and

(c) **Third:** To the payment of the remainder, if any, to the Authority or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

SECTION 11.4 Trustee May Enforce Claims without Possession of Bonds

All rights of action and claims under this Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses,

disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Bonds in respect of which such judgment has been recovered.

SECTION 11.5 Limitation on Suits

No Holder of any Bond shall have any right to institute any proceeding, judicial or otherwise, under or with respect to this Indenture, or for the appointment of a receiver or trustee or for any other remedy hereunder, unless

- (a) such Holder has previously given notice to the Trustee of a continuing Event of Default;
- (b) the Holders of not less than 25% in principal amount of the Outstanding Bonds shall have made request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;
- (c) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;
- (d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (e) no direction inconsistent with such request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Bonds.

it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the lien of this Indenture or the rights of any other Holders of Bonds, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all Outstanding Bonds.

SECTION 11.6 Unconditional Right of Bondholders to Receive Principal, Premium and Interest

Notwithstanding any other provision in this Indenture, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the Maturity Date expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 11.7 Restoration of Positions

If the Trustee or any Bondholder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Trustee or to such Bondholder, then and in every such case the Authority, the Trustee and the Bondholders shall, subject to any determination in such proceeding, be restored to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Bondholders shall continue as though no such proceeding had been instituted.

SECTION 11.8 Delay or Omission Not Waiver

No delay or omission of the Trustee or of any Bondholder to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Bondholders, as the case may be.

SECTION 11.9 Control by Bondholders

The Holders of a majority in principal amount of the Outstanding Bonds shall have the right, during the continuance of an Event of Default,

(a) to require the Trustee to proceed to enforce this Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds or otherwise, and

(b) to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee hereunder, including the power to direct or withhold directions for acceleration of the maturity of the Bonds pursuant to *Section 11.2(a)*; provided that

(1) such direction shall not be in conflict with any rule of law or this Indenture,

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(3) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Bondholders not taking part in such direction.

SECTION 11.10 Waiver of Past Defaults

(a) Before any judgment or decree for payment of money due has been obtained by the Trustee, the Holders of not less than a majority in principal amount of the Outstanding Bonds may, by notice to the Trustee and the Authority, on behalf of all Bondholders waive any past default hereunder or under any other Bond Document and its consequences, except a default

(1) in the payment of Debt Service on any Bond, or

(2) in respect of a covenant or provision hereof which under *Article 13* cannot be modified or amended without the consent of the Holder of each Outstanding Bond affected.

(b) Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 11.11 Suits to Protect the Trust Estate

The Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of this Indenture and to protect its interests and the interests of the Bondholders in the Trust Estate and in the rents, issues, profits, revenues and other income arising therefrom, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security hereunder or be prejudicial to the interests of the Bondholders or the Trustee.

ARTICLE 12

The Trustee

SECTION 12.1 Certain Duties and Responsibilities of Trustee

(a) Except during the continuance of an Event of Default,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) If an Event of Default exists, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) The Trustee shall not incur liability for its action or inaction with respect to the performance of its duties and obligations under this Indenture unless such action or inaction constitutes willful misconduct or gross negligence under the circumstances. The liability of the Trustee for such action or inaction shall be further limited as follows:

(1) the Trustee shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Trustee was grossly negligent in ascertaining the pertinent facts;

(2) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture;

(3) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it;

(4) the Trustee shall have no obligation to file financing statements or continuation statements;

(5) the Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees; and

(6) the Trustee's immunities and protections and rights to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the discharge of this Indenture, and final payment of the Bonds.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 12.2 Notice of Defaults

(a) If a notice event described in **Section 12.2(b)** exists, the Trustee shall notify Bondholders of such event within 30 days after the Trustee becomes aware of its existence; provided, however, that the Trustee shall be protected in withholding such notice if (1) the notice event has been cured or waived or otherwise ceases to exist before such notice is given; or (2) the Trustee determines in good faith that the withholding of such notice is in the interest of Bondholders.

(b) For purposes of this Section, the following shall constitute "notice events":

- (1) the occurrence of an Event of Default; and
- (2) any event which is, or after notice or lapse of time or both would become, an Event of Default.

(c) Unless a Responsible Officer of the Trustee shall be specifically notified in writing of an Event of Default by the Authority or by the Holders of more than twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds, the Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure to pay the principal or interest on the Bonds when due. All notices or other instruments required to be delivered to the Trustee must, in order to be effective, be delivered at the Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default except as aforesaid.

SECTION 12.3 Certain Rights of Trustee

In addition to, or by way of clarification of, the rights, immunities, protections and privileges afforded to the Trustee in *Section 12.1*:

- (a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;
- (b) any request or direction of the Authority mentioned herein shall be sufficiently evidenced by a certificate or order executed by an Authorized Representative of the Authority;
- (c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a certificate executed by an Authorized Representative of the Authority;
- (d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Trustee hereunder in good faith and in reliance thereon;
- (e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Bondholders pursuant to this Indenture, unless such Bondholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.
- (f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books and records of the Authority, personally or by agent or attorney; and
- (g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 12.4 Not Responsible for Recitals

The recitals contained herein and in the Bonds, except the certificate of authentication on the Bonds, shall be taken as the statements of the Authority, and the Trustee assumes no responsibility for their correctness. The

Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the title of the Authority thereto or as to the security afforded thereby or hereby, or as to the validity or sufficiency of this Indenture or of the Bonds.

SECTION 12.5 May Hold Bonds

The Trustee in its individual or any other capacity, may become the owner or pledgee of Bonds and may otherwise deal with the Authority with the same rights it would have if it were not Trustee.

SECTION 12.6 Money Held in Trust

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent expressly provided in this Indenture or required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise provided in *Article 9*.

SECTION 12.7 Compensation and Reimbursement

(a) The Authority agrees to pay to the Trustee, or to reimburse the Trustee for, but solely from the Trust Estate:

(1) reasonable compensation for all services rendered by the Trustee hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust); and

(2) all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Trustee's gross negligence or bad faith.

(b) As security for the performance of the obligations of the Authority under this Section, the Trustee shall be secured under this Indenture by a lien prior to the Bonds, and for the payment of such compensation, expenses, reimbursements and indemnity the Trustee shall have the right to use and apply any money held by it as a part of the Trust Estate.

(c) To the extent permitted by applicable law, the Authority shall indemnify the Trustee or any predecessor Trustee against any and all losses, claims, damages, penalties, fines, liabilities or expenses, including incidental and out-of-pocket expenses and reasonable attorney's fees (for purposes of this Article, collectively, "losses") incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Authority (including this Section 12.7) and defending itself against any claim (whether asserted by the Authority or any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent such losses may be attributable to its gross negligence, bad faith or willful misconduct. The Trustee shall notify the Authority promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Authority shall not relieve the Authority of its obligations hereunder. The Trustee may have separate counsel if the Trustee has been reasonably advised by counsel that there may be one or more legal defenses available to it that are different from or additional to those available to the Authority and in the reasonable judgment of such counsel it is advisable for the Trustee to engage separate counsel, and the Authority shall pay the reasonable fees and expenses of such separate counsel.

(d) The obligations of the Authority under this Section 12.7 shall survive the satisfaction and discharge of this Indenture, the resignation or removal of the Trustee and payment in full of the Bonds.

SECTION 12.8 Corporate Trustee Required; Eligibility

There shall at all times be a Trustee hereunder which shall (i) be a commercial bank or trust company organized and doing business under the laws of the United States of America or of any state, (ii) be authorized under

such laws to exercise corporate trust powers, (iii) be subject to supervision or examination by federal or state authority, and (iv) have an investment grade rating for its long-term deposits from each Rating Agency that provides a rating on the Bonds or, if the Bonds are not rated, by any Rating Agency.

SECTION 12.9 Resignation and Removal; Appointment of Successor

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under **Section 12.10**.

(b) The Trustee may resign at any time by giving notice thereof to the Authority. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) (i) the Trustee may be removed at any time by the Holders of a majority in principal amount of the Outstanding Bonds by notice delivered to the Trustee, the Authority.

(d) If at any time:

(1) the Trustee shall cease to be eligible under **Section 12.8** and shall fail to resign after request therefor by the Authority or by any Bondholder who has been a bona fide Holder of a Bond for at least 6 months, or

(2) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case (i) the Authority may remove the Trustee, or (ii) any Bondholder who has been a bona fide Holder of a Bond for at least 6 months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, a successor Trustee shall be appointed by the Authority. In case all or substantially all of the Trust Estate shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee may similarly appoint a successor to fill such vacancy until a new Trustee shall be so appointed by the Bondholders. If, within 1 year after such resignation, removal or incapability or the occurrence of such vacancy, a successor Trustee shall be appointed by the Holders of a majority in principal amount of the Outstanding Bonds, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Authority or by such receiver or trustee. If no successor Trustee shall have been so appointed by the Authority, the Authority or the Bondholders and accepted appointment in the manner hereinafter provided, any Bondholder who has been a bona fide Holder of a Bond for at least 6 months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Authority shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee, to the Bondholders.

SECTION 12.10 Acceptance of Appointment by Successor

(a) Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Authority and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Trustee; but, on request of the Authority or the successor Trustee, such retiring Trustee shall, upon payment of its

charges, execute and deliver an instrument conveying and transferring to such successor Trustee upon the trusts herein expressed all the estates, properties, rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its lien, if any, provided for in **Section 12.7**. Upon request of any such successor Trustee, the Authority shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such estates, properties, rights, powers and trusts.

(b) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article, to the extent operative.

SECTION 12.11 Merger, Conversion, Consolidation or Succession to Business

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, to the extent operative, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Bonds shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Bonds so authenticated with the same effect as if such successor Trustee had itself authenticated such Bonds.

ARTICLE 13

Amendment of Bond Documents

SECTION 13.1 General Requirements for Amendments

The Trustee may, on behalf of the Bondholders, from time to time enter into, or consent to, an amendment of any Bond Document only as permitted by this Article.

SECTION 13.2 Amendments Without Consent of Bondholders

An amendment of the Bond Documents for any of the following purposes may be made, or consented to, by the Trustee without the consent of the Holders of any Bonds:

(a) to correct or amplify the description of any property at any time subject to the lien of any Bond Document, or better to assure, convey and confirm unto any secured party any property subject or required to be subjected to the lien of any Bond Document, or to subject to the lien of any Bond Document, additional property; or

(b) to evidence the succession of another person to any Financing Participant and the assumption by any such successor of the covenants of such Financing Participant (provided that the requirements of the related Bond Document for such succession and assumption are otherwise satisfied); or

(c) to add to the covenants of any Financing Participant for the benefit of Bondholders and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants an event of default under the specified Bond Documents permitting the enforcement of all or any of the several remedies provided therein; provided, however, that with respect to any such covenant, such amendment may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available upon such default; or

(d) to surrender any right or power conferred upon any Financing Participant other than rights or powers for the benefit of Bondholders; or

(e) to cure any ambiguity or to correct any inconsistency, provided such action shall not adversely affect the interests of the Bondholders; or

(f) to appoint a separate agent of the Authority or the Trustee to perform any one or more of the following functions: (i) registration of transfers and exchanges of Bonds or (ii) payment of Debt Service on the Bonds; provided, however, that any such agent must be a bank or trust company with long-term obligations, at the time such appointment is made, in one of the three highest rating categories of at least one Rating Agency.

SECTION 13.3 Amendments Requiring Consent of All Affected Bondholders

An amendment of the Bond Documents for any of the following purposes may be entered into, or consented to, by the Trustee only with the consent of the Holder of each Bond affected:

(a) to change the stated Maturity Date of the principal of, or any installment of interest on, any Bond, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which, any Bond, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated Maturity Date thereof (or, in the case of redemption, on or after the redemption date); or

(b) to reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose Holders is required for any amendment of the Bond Documents, or the consent of whose Holders is required for any waiver provided for in the Bond Documents; or

(c) to modify or alter the provisions of the proviso to the definition of the term “Outstanding”; or

(d) to modify any of the provisions of this Section or *Section 11.10*, except to increase any percentage provided thereby or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby; or

(e) to permit the creation of any lien ranking prior to or on a parity with the lien of this Indenture with respect to any of the Trust Estate or terminate the lien of this Indenture on any property at any time subject hereto or deprive the Holder of any Bond of the security afforded by the lien of this Indenture; or

(f) to eliminate, reduce or delay the obligation of the Authority to make payments at times and in amounts sufficient to pay Debt Service on the Bonds.

SECTION 13.4 Amendments Requiring Majority Consent of Bondholders

An amendment of the Bond Documents for any purpose not described in *Sections 13.2* or *13.3* may be entered into, or consented to, by the Trustee only with the consent of the Holders of a majority in principal amount of Bonds Outstanding.

SECTION 13.5 Discretion of Trustee

The Trustee may in its discretion determine whether or not any Bonds would be affected by any amendment of the Bond Documents and any such determination shall be conclusive upon the Holders of all Bonds, whether theretofore or thereafter authenticated and delivered hereunder. The Trustee shall not be liable for any such determination made in good faith.

SECTION 13.6 Trustee Protected by Opinion of Counsel

In executing or consenting to any amendment permitted by this Article, the Trustee shall be entitled to receive, and, subject to *Section 12.1*, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Indenture.

SECTION 13.7 Amendments Affecting Trustee's Personal Rights

The Trustee may, but shall not be obligated to, enter into any amendment that affects the Trustee's own rights, duties or immunities under the Bond Documents.

SECTION 13.8 Effect on Bondholders

Upon the execution of any amendment under this Article, every Holder of Bonds theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 13.9 Reference in Bonds to Amendments

Bonds authenticated and delivered after the execution of any amendment under this Article shall, if required by such amendment or by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such amendment. New Bonds so modified as to conform to any such amendment shall, if required by such amendment or by the Trustee, be prepared and executed by the Authority and authenticated and delivered by the Trustee in exchange for Outstanding Bonds.

SECTION 13.10 Amendments Not to Affect Tax Exemption

No amendment may be made to the Bond Documents unless the Trustee receives a Favorable Tax Opinion.

ARTICLE 14

Defeasance

SECTION 14.1 Payment of Indenture Indebtedness; Satisfaction and Discharge of Indenture

(a) Whenever all Indenture Indebtedness has been Defeased, then (i) this Indenture and the lien, rights and interests created hereby shall cease, determine and become null and void (except as to any surviving rights of transfer or exchange of Bonds herein or therein provided for), and (ii) the Trustee shall, upon the request of the Authority, execute and deliver a termination statement and such instruments of satisfaction and discharge as may be necessary and pay, assign, transfer and deliver to the Authority or upon the order of the Authority, all cash and securities then held by it hereunder as a part of the Trust Estate.

(b) A Bond shall be deemed "Defeased" if

(1) such Bond has been cancelled by the Trustee or delivered to the Trustee for cancellation, or

(2) such Bond shall have matured or been called for redemption and, on such Maturity Date or redemption date, money for the payment of Debt Service on such Bond is held by the Trustee in trust for the benefit of the person entitled thereto, or

(3) a trust for the payment of such Bond has been established in accordance with *Section 14.2*.

(c) Indenture Indebtedness other than Debt Service on the Bonds shall be deemed "Defeased" whenever the Authority has paid, or made provisions satisfactory to the Trustee for payment of, all such Indenture Indebtedness.

SECTION 14.2 Trust for Payment of Debt Service

(a) The Authority may provide for the payment of any Bond by establishing a trust for such purpose with the Trustee and depositing therein cash and/or Federal Securities which (assuming the due and punctual payment of the principal of and interest on such Federal Securities, but without reinvestment) will provide funds sufficient to pay the Debt Service on such Bond as the same becomes due and payable until the Maturity Date or redemption of such Bond; provided, however, that:

(1) Such Federal Securities must not be subject to redemption prior to their respective maturities at the option of the issuer of such Securities.

(2) If such Bond is to be redeemed prior to its Maturity Date, either (i) the Trustee shall receive evidence that notice of such redemption has been given in accordance with the provisions of this Indenture and such Bond or (ii) the Authority shall confer on the Trustee irrevocable authority for the giving of such notice.

(3) Prior to the establishment of such trust the Trustee must receive a Favorable Tax Opinion.

(4) Prior to the establishment of such trust, the Trustee must receive verification satisfactory to the Trustee demonstrating that the principal and interest payments on the Federal Securities in such trust, without reinvestment, together with the cash balance in such trust remaining after purchase of such Securities, will be sufficient to make the required payments from such trust.

(b) Any trust established pursuant to this Section may provide for payment of less than all Bonds outstanding or less than all Bonds of any remaining maturity.

(c) If any trust provides for payment of less than all Bonds of the same maturity and interest rate, the Bonds of such maturity and interest rate to be paid from the trust shall be selected by the Trustee by lot by such method as shall provide for the selection of portions (in Authorized Denominations) of the principal of Bonds of such maturity and interest rate of a denomination larger than the smallest Authorized Denomination. Such selection shall be made within 7 days after such trust is established. This selection process shall be in lieu of the selection process otherwise provided with respect to redemption of Bonds. After such selection is made, Bonds that are to be paid from such trust (including Bonds issued in exchange for such Bonds pursuant to the transfer or exchange provisions of this Indenture) shall be identified by a separate CUSIP number or other designation satisfactory to the Trustee. The Trustee shall notify Holders whose Bonds (or portions thereof) have been selected for payment from such trust and shall direct such Bondholders to surrender their Bonds to the Trustee in exchange for Bonds with the appropriate designation. The selection of Bonds for payment from such trust pursuant to this Section shall be conclusive and binding on the Financing Participants.

(d) Cash and/or Federal Securities deposited with the Trustee pursuant to this Section shall not be a part of the Trust Estate but shall constitute a separate, irrevocable trust fund for the benefit of the Holder of the Bond to be paid from such fund.

ARTICLE 15

Miscellaneous

SECTION 15.1 Notices to Financing Participants

(a) Notices and other communications to Financing Participants pursuant to this Indenture must be in writing except as otherwise expressly provided in this Indenture. Any specific reference in this Indenture to "written notice" shall not be construed to mean that any other notice may be oral, unless such oral notice is specifically permitted by this Indenture under the circumstances.

(b) Notices and other communications pursuant to this Indenture may be delivered by any method provided in the directions for notices attached as **Exhibit 15.1(b)**. A Financing Participant may change its directions for notices by giving notice to the other Financing Participants.

(c) Any notice shall be deemed given when actually received by the Financing Participant to whom the notice is addressed. In addition, any notice sent by registered mail shall be deemed received 3 days after such notice is deposited in the United States mail, addressed as provided in the notice directions included in **Exhibit 15.1(b)** or, if the designated Financing Participant has delivered a change notice, as specified in such change notice.

(d) Notice to any Financing Participant required by this Indenture may be waived in writing by such Financing Participant, either before or after the event, and such waiver shall be the equivalent of such notice.

SECTION 15.2 Notices to Bondholders

(a) Notices and other communications to Bondholders pursuant to this Indenture must be in writing except as otherwise expressly provided in this Indenture. Any specific reference in this Indenture to “written notice” shall not be construed to mean that any other notice may be oral, unless such oral notice is specifically permitted by this Indenture under the circumstances.

(b) If the Book Entry System is in effect, notices and other communications to Bondholders may be delivered to DTC. If the Book Entry System is terminated, notices and other communications to Bondholders may be delivered to such Holders at their address as it appears in the Bond Register.

(c) Any notice to Bondholders shall be deemed given when sent by registered mail, addressed as provided in the Bond Register.

(d) In any case where notice to Bondholders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Bondholder shall affect the sufficiency of such notice with respect to other Bondholders.

(e) Notice to any Bondholder required by this Indenture may be waived in writing by such Bondholder, either before or after the event, and such waiver shall be the equivalent of such notice.

SECTION 15.3 Successors and Assigns

All covenants and agreements in this Indenture by the Authority shall bind its successors and assigns, whether so expressed or not.

SECTION 15.4 Benefits of Indenture

Nothing in this Indenture or in the Bonds, express or implied, shall give to any person, other than (i) the parties hereto and their successors hereunder, and (ii) the Holders of the Outstanding Bonds, any benefit or legal or equitable right, remedy or claim under this Indenture.

SECTION 15.5 Holders of Bonds and Series 2018A Master Indenture Obligation

Except as otherwise expressly provided by this Indenture or the Master Indenture, the Holder of each Bond shall be deemed to be the holder of a corresponding principal amount of the Series 2018A Master Indenture Obligation for purposes of any vote, consent, or other action required or permitted by the holders of Master Indenture Obligations.

IN WITNESS WHEREOF, the Authority and the Trustee have caused this instrument to be duly executed by their duly authorized officers.

[Signature pages follow]

THE EAST ALABAMA HEALTH CARE AUTHORITY

By: _____

Title: _____

REGIONS BANK

By: _____

Title: _____

EXHIBIT 5.1(c)

Form of Bonds

The East Alabama Health Care Authority

Health Care Facilities Bonds, Series 2018A

Number:

Maturity Date:

Interest Rate:

Date of Initial Delivery of Bonds:

CUSIP:

The East Alabama Health Care Authority, an Alabama public corporation (the “Authority”, which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to

_____ ,
or registered assigns, the principal sum of

_____ **DOLLARS**

on the Maturity Date specified above and to pay interest hereon from the date of initial delivery of this Bond, or the most recent date to which interest has been paid or duly provided for, until the principal hereof shall become due and payable at the applicable interest rate specified above; provided, however, that all such payments shall be limited obligations of the Authority payable solely from the sources hereinafter identified.

Authorizing Document

This Bond has been issued pursuant to a Trust Indenture dated May 1, 2018 (the “Indenture”), between the Authority and Regions Bank, an Alabama banking corporation (the “Trustee”, which term includes any successor trustee under the Indenture). The bonds issued pursuant to the Indenture are referred to herein as the “Bonds”. Capitalized terms not otherwise defined herein shall have the meaning assigned in the Indenture. The provisions of the Indenture are hereby incorporated by reference as if fully set forth in this Bond.

Source of Payment

The Bonds and all other payment obligations under the Indenture (i) are general obligations of the Authority for the payment of which its full faith and credit is hereby pledged, and (ii) are payable out of payments by the Authority pursuant to the Series 2018A Master Indenture Obligation.

Security for Payment

Payment of the Bonds is secured by the Trust Estate established under the Indenture, which includes (i) all right and title and interest of the Authority in and to the Series 2018A Master Indenture Obligation, and (ii) money and investments in the funds and accounts established under the Indenture.

Bond Documents

Copies of the Bond Documents are on file at the Office of the Trustee, and reference is hereby made to such instruments for a description of the properties pledged and assigned, the nature and extent of the security, the respective rights thereunder of the Holders of the Bonds and the Financing Participants, and the terms upon which the Bonds are, and are to be, authenticated and delivered.

Transfer, Registration, Exchange and Payment Provisions

The ownership, transfer, exchange and payment of Bonds shall be governed by the Book Entry System administered by DTC until the Book Entry System is terminated pursuant to the terms and conditions of the Indenture. If the Book Entry System is terminated, the Indenture provides alternate provisions for the ownership, transfer, exchange and payment of Bonds.

Computation of Interest Accrual

Interest on this Bond shall be computed on the basis of on the basis of a 360-day year with 12 months of 30 days each.

Interest Payment Dates

Interest on Bonds is payable in arrears on _____ 1 and _____ 1 in each year, beginning _____ 1, 2018.

Regular Record Date for Interest Payments

If the Book Entry System is in effect, the Trustee shall pay interest on this Bond to DTC, and interest shall be distributed to the Holder of this Bond in accordance with the rules and regulations of DTC. If the Book Entry System is terminated, the interest due on any Interest Payment Date with respect to this Bond shall be payable to the Holder of this Bond on the Regular Record Date for such Interest Payment Date, which shall be *[specify from Indenture]*.

Interest on Overdue Payments

Interest shall be payable on overdue principal on this Bond and (to the extent legally enforceable) on any overdue installment of interest on this Bond at the Post-Default Rate specified in the Indenture.

Authorized Denominations

Bonds may be issued in denominations of \$5,000 or any multiple thereof.

Currency of Payment

Payment of Debt Service on this Bond shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

Redemption Prior to Maturity

This Bond will be subject to redemption prior to its Maturity Date as follows:

[Specify applicable redemption provisions from Section 7.1.]

If less than all Bonds outstanding are being redeemed, the Indenture provides procedures for selection of Bonds to be redeemed.

Notice of redemption shall be given to affected Bondholders not less than 20 days prior to the redemption date in the manner provided in the Indenture.

A notice of optional redemption may state that the redemption of Bonds is contingent upon specified conditions, such as receipt of a specified source of funds, or the occurrence of specified events. If the conditions for such redemption are not met, the Authority shall not be required to redeem the Bonds (or portions thereof) identified in such notice, and any Bonds surrendered on the specified redemption date shall be returned to the Holders of such Bonds.

On the applicable redemption date, an amount of money sufficient to pay the redemption price of all the Bonds which are to be redeemed on that date shall be deposited with the Trustee, unless the notice of redemption specified contingencies that were not met on the redemption date. Such money shall be held in trust for the benefit of the persons entitled to such redemption price and shall not be deemed to be part of the Trust Estate.

If notice of redemption is given and any conditions to such redemption are met, the Bonds to be redeemed shall become due and payable on the redemption date at the applicable redemption price, and from and after such date (unless the Authority shall default in the payment of the redemption price) such Bonds shall cease to bear interest.

If the Book Entry System is in effect, partial redemption of any Bond shall be effected in accordance with the Book Entry System. If the Book Entry System has been terminated, any Bond which is to be redeemed only in part shall be surrendered at the Office of the Trustee with all necessary endorsements for transfer, and the Authority shall execute and the Trustee shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds of the same maturity and interest rate and of any Authorized Denomination or Denominations as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond surrendered.

The Indenture permits the Authority to purchase Bonds that have been called for optional redemption in lieu of retiring such Bonds on the redemption date. No notice to Bondholders is required in connection with a purchase in lieu of redemption.

Remedies

If an "Event of Default", as defined in the Indenture, shall occur, the principal of all Bonds then Outstanding may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The Holder of this Bond shall have no right to enforce the provisions of the Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default thereunder, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

Amendments

The Indenture permits the amendment of the Bond Documents and waivers of past defaults under such Documents and the consequences of such defaults, in certain circumstances without consent of Bondholders and in other circumstances with the consent of all Bondholders or a specified percentage of Bondholders. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued in exchange for this Bond or in lieu of this Bond, whether or not notation of such consent or waiver is made upon this Bond.

Exoneration of Incorporators, Directors and Officers of the Authority

No recourse under or upon any covenant or agreement of the Indenture, or of any Bonds, or for any claim based thereon or otherwise in respect thereof, shall be had against any past, present or future incorporator, officer or director of the Authority, or of any successor, either directly or through the Authority, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being

expressly understood that the Indenture and the Bonds are solely corporate obligations, and that no personal liability whatever shall attach to, or is or shall be incurred by, any incorporator, officer or director of the Authority or any successor, or any of them, because of the issuance of the Bonds, or under or by reason of the covenants or agreements contained in the Indenture or in any Bonds or implied therefrom.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Authority has caused this Bond to be duly executed under its corporate seal.

Dated: Date of initial delivery of this Bond identified above.

The East Alabama Health Care Authority

By: _____
Chairman

[SEAL]

Attest:

Secretary

Certificate of Authentication

This is one of the Bonds referred to in the within-mentioned Indenture.

Date of authentication: _____

Regions Bank,
as Trustee

By _____
Authorized Officer

Assignment

For value received, _____ hereby sell(s), assign(s) and transfer(s) unto [Please insert name and taxpayer identification number] _____ this Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney to transfer this Bond on the books of the within named Authority at the office of the within named Trustee, with full power of substitution in the premises.

Dated: _____

NOTE: The name signed to this assignment must correspond with the name of the payee written on the face of the within bond in all respects, without alteration, enlargement or change whatsoever.

Signature Guaranteed:

(Bank or Trust Company)

By _____
(Authorized Officer)

*Signature(s) must be guaranteed by an eligible guarantor institution which is a member of the recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

EXHIBIT 9.2(b)

Requisition

To: Regions Bank, as trustee under
the Indenture referred to below No. _____

Re: [\$Amount] Health Care Facilities Bonds, Series 2018A, issued by The East Alabama Health Care
Authority pursuant to a Trust Indenture dated May 1, 2018 (the "Indenture")

Capitalized terms not otherwise defined herein shall have the meanings assigned in the Indenture.

Request for Payment by the Authority

The Authority hereby requests payment from [] the Costs of Issuance Fund or [] the Acquisition Fund
of \$ _____ to

Name of payee: _____

Address of payee: _____

Such payment will be made for the following purpose(s):

(Describe purpose in reasonable detail.)

The Authority hereby certifies that: (a) such payment is for Costs of Issuance if the payment is to be made from the Costs of Issuance Fund or Acquisition Costs (if the payment is to be made from the Acquisition Fund), (b) no Event of Default exists, and (c) such payment will not cause or result in the violation of any covenant contained in the Tax Certificate and Agreement.

Dated: _____.

THE EAST ALABAMA HEALTH CARE AUTHORITY

By: _____
Authorized Representative of the Authority

EXHIBIT 9.3(d)

Description of Capital Improvements

The Capital Improvements will include all or portions of (i) a cancer center to be located on the Authority's main campus in Opelika, Alabama, (ii) a multi-story building to be located in the City of Auburn, Alabama to house a freestanding emergency department, ambulatory surgery center, and related health care facilities, and (iii) miscellaneous capital improvements during the next three years, including building renovation and expansion projects and new or replacement equipment for its health care facilities, whether at the main campus in Opelika, Alabama, or at any other location where the Authority operates health care facilities.

EXHIBIT 15.1(b)

Directions for Notices

The East Alabama Health Care Authority

Mailing address:	2000 Pepperell Parkway Opelika, Alabama 36802
Hand delivery or courier delivery address:	2000 Pepperell Parkway Opelika, Alabama 36802
Email address:	sam_price@eamc.org

Regions Bank (as Trustee)

Mailing address:	Regions Bank – Corporate Trust 1900 5 th Avenue North, 26 th Floor Birmingham, Alabama 35203
Hand delivery or courier delivery address:	Regions Bank – Corporate Trust 1900 5 th Avenue North, 26 th Floor Birmingham, Alabama 35203
Email address:	patti.maner@regions.com

MASTER TRUST INDENTURE

**Dated as of
April 1, 2012**

Between

**THE EAST ALABAMA HEALTH CARE AUTHORITY,
(as an Obligated Group Member)**

and

**REGIONS BANK
(as Trustee)**

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EXHIBIT 15.3 – Directions for Notices

MASTER TRUST INDENTURE

THIS MASTER TRUST INDENTURE dated as of April 1, 2012 is entered into by **THE EAST ALABAMA HEALTH CARE AUTHORITY**, an Alabama public corporation (the "Authority"), and **REGIONS BANK**, an Alabama banking corporation, as trustee (the "Trustee").

Recitals

A. The Authority is authorized by law to issue obligations for lawful and proper corporate purposes. The Authority has duly authorized the creation, execution and delivery from time to time of its obligations of substantially the tenor hereinafter provided (the "Obligations"), issuable in one or more series; and to secure the Obligations and to provide for their authentication and delivery by the Trustee, the Authority has duly authorized the execution and delivery of this Indenture.

B. The Authority has heretofore entered into a Trust Indenture dated as of April 15, 1991 (the "1991 Indenture") with Regions Bank (formerly First Alabama Bank), Birmingham, Alabama, as trustee thereunder (in such capacity, the "1991 Indenture Trustee"), and pursuant to the 1991 Indenture has heretofore issued its bonds payable solely from (i) the revenues derived by the Authority from the hospital and health care system and facilities of the Authority then or thereafter existing, including without limitation that certain then existing hospital and health care facility located in the City of Opelika, Alabama, and known as East Alabama Medical Center (such revenues being referred to collectively in the 1991 Indenture as the "Gross Receipts"), (ii) seventy-five percent (75%) of the annual proceeds of the Special Tax (such portion of the Special Tax being referred to in the 1991 Indenture as the "Pledged Tax Proceeds"), and (iii) from certain other specified revenues of the Authority more particularly identified in the 1991 Indenture as part of the trust estate thereunder. The Authority is not in default under the 1991 Indenture and no such default is imminent.

C. The 1991 Indenture provides for the issuance of Parity Bonds and Other Senior Debt payable from, and secured on an equal and proportionate basis by a pledge and assignment of, the Gross Receipts and the Pledged Tax Proceeds. There are no Parity Bonds outstanding under the 1991 Indenture. The Other Senior Debt outstanding under the 1991 Indenture is as follows:

(1) Health Care Facilities Bonds, Series 2008-A1 (the "Series 2008-A1 Bonds") in the principal amount of \$585,000 and Health Care Facilities Bonds, Series 2008-A2 (the "Series 2008-A2 Bonds" and, together with the Series 2008-A1 Bonds, the "Series 2008-A Bonds") in the principal amount of \$26,430,000, which were issued pursuant to that certain Trust Indenture dated March 1, 2008 (the "Series 2008-A Indenture") between the Authority and Regions Bank, as trustee; and

(2) Health Care Facilities Bonds, Series 2008-B1 (the "Series 2008-B1 Bonds") in the principal amount of \$6,895,000 and Health Care Facilities Bonds, Series 2008-B3 (the "Series 2008-B3 Bonds" and, together with the Series 2008-B1 Bonds, the "Series 2008-B Bonds") in the principal amount of \$40,000,000, which were issued pursuant to that certain Trust Indenture dated March 15, 2008 (the "Series 2008-B Indenture") between the Authority and Regions Bank, as trustee.

The Authority intends that all Obligations issued under this Indenture will constitute "Other Senior Debt" for purposes of the 1991 Indenture, so long as the 1991 Indenture is outstanding, and that such Obligations will be on a parity with the Parity Bonds and Other Senior Debt with respect to such lien.

D. The Authority has entered into that certain Mortgage and Security Agreement dated June 1, 2002 (the "Mortgage"), whereby the Authority has granted in favor of Regions Bank, as collateral agent, a lien on certain of its assets that are not part of the trust estate under the 1991 Indenture in order to secure all bonds issued under the 1991 Indenture and Other Secured Obligations as described in the Mortgage. The lien of the Mortgage secures the Series 2008-A Bonds, Series 2008-B Bonds and all Other Secured Obligations (as designated pursuant to the terms of the Mortgage) on a parity basis. As Obligations are issued under this Indenture, the Authority will execute and deliver supplements to the Mortgage, pursuant to which the Authority will designate such Obligations as Other Secured Obligations.

E. The Authority wishes to provide for the formation of an "Obligated Group", as herein defined, that may include the Authority and one or more other entities that are jointly and severally liable for the payment of all Obligations issued under this Indenture and the performance of all covenants and agreements contained in this Indenture. If an Obligated Group is formed, the Authority and all such entities will be collectively referred to in this Indenture as "Members" of the Obligated Group. As of the date of delivery of this Indenture, no Obligated Group has been formed, the Authority is the only entity obligated under this Indenture and all references to the Obligated Group shall mean the Authority.

F. The Obligations and all other payment obligations under this Indenture are general obligations of the Authority for the payment of which the Authority's general credit is pledged.

G. All things have been done which are necessary to make the Obligations, when executed by the Authority and authenticated and delivered by the Trustee as in this Indenture provided, the valid obligations of the Obligated Group, and to constitute this Indenture a valid indenture and agreement according to its terms.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That in order to declare the terms and conditions upon which Obligations of each series are authenticated, issued and delivered, and in consideration of the premises and of the purchase and acceptance of Obligations of each series by the Holders thereof, the Authority covenants and agrees with the Trustee, for the equal and proportionate benefit of the respective Holders from time to time of Obligations of each series, as follows:

ARTICLE 1

**Definition of Terms, Construction and
Certain General Provisions**

SECTION 1.1 Definition of Terms

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular.

(2) All accounting terms not otherwise defined herein have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with generally accepted accounting principles, including principles related to consolidation of accounts of entities that are controlled by the Authority or that operate for the benefit of the Authority. To the extent that generally accepted accounting principles require the inclusion of accounts of such consolidated entities within accounts of the Authority, calculations required under financial covenants of this Indenture with respect to revenues, income and assets of the Authority shall include account balances of such consolidated entities. All

references herein to “generally accepted accounting principles” refer to such principles as they exist at the date of applicability thereof.

(3) The term “this Indenture” means this instrument as originally executed or as it may from time to time be supplemented, modified or amended by one or more indentures or other instruments supplemental hereto entered into pursuant to the applicable provisions hereof.

(4) All references in this instrument to a separate instrument are to such separate instrument as the same has heretofore or may hereafter be supplemented, modified or amended from time to time pursuant to the applicable provisions thereof.

(5) All references in this instrument to designated “Articles”, “Sections” and other subdivisions of this instrument are to the designated Articles, Sections and subdivisions of this instrument as originally executed.

(6) The terms “herein”, “hereof” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

(7) The term “person” shall include any individual, business entity (including without limitation any corporation, partnership, joint venture, limited liability company, association, trust, or unincorporated organization) and any government or any agency or political subdivision thereof.

“**Accelerated Payments**”, when used with respect to a Secured Hedge Agreement, shall mean payments under such Secured Hedge Agreement other than Regularly Scheduled Payments. Amounts due as a result of early termination, amounts due upon default and acceleration, indemnification payments, tax gross-up payments, expenses incurred as a result of default, interest payments at a post-default rate, or other similar payments constitute Accelerated Payments.

“**Act of Bankruptcy**” shall mean the filing of a petition in bankruptcy (or the other commencement of a bankruptcy or similar proceeding) by or against a person under any applicable bankruptcy, insolvency, reorganization, or similar law, now or hereafter in effect.

“**Affiliate**” shall mean any corporation (private or nonprofit), partnership, joint venture, association, trust, limited liability company or other business entity directly or indirectly controlling or controlled by or under direct or indirect common control with the Authority. For purposes of this definition, “control” when used with respect to any person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, the power to elect directors or trustees, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“**Ancillary Commitment**” shall mean a commitment made or incurred by a Member that is an obligation for the payment of money pursuant to (i) a Contingent Debt Liability, (ii) a Hedge Agreement, (iii) a reimbursement obligation with respect to credit support of Debt incurred by the Member, (iv) a guaranty agreement, or (v) any other type of contractual commitment requiring the payment of money by the Member.

“**Ancillary Commitment Document**” shall mean a contract or other document that evidences or provides for the obligations of a Member pursuant to any Ancillary Commitment.

“**Ancillary Obligations**” shall mean Obligations issued by the Obligated Group to secure a Member’s obligations under any Ancillary Commitment, such Obligations to be issued substantially in the form specified in *Section 3.1(a)(3)*.

“Authority” shall mean The East Alabama Health Care Authority, an Alabama public corporation, until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter **“the Authority”** shall mean such successor corporation.

“Balloon Date” means the date on which 20% or more of Balloon Debt matures (or, if such Debt is considered Balloon Debt because 20% or more of such Debt matures over a series of maturity dates within a 12-month period, the first maturity date in the series).

“Balloon Debt” shall mean Long-Term Debt 20% or more of the original principal amount of which matures during any 12-month period. For purposes of this definition, the principal amount of Long-Term Debt with scheduled mandatory redemption requirements shall be deemed to mature at times and in amounts corresponding to such scheduled mandatory redemption requirements.

“Book Value”, when used in connection with an asset of any entity, shall mean the value of such asset as shown on the balance sheet of such entity. For depreciable assets, Book Value shall be net of accumulated depreciation.

“Collateral Agent” shall mean Regions Bank, or any successor thereto, in its capacity as collateral agent under the Mortgage.

“Completion Debt” shall mean Debt incurred by the Obligated Group for the purpose of financing the completion of facilities for which the Authority has already incurred Debt (the **“original Debt”**) if the Obligated Group expected in good faith when the original Debt was incurred that the proceeds of such original Debt, together with any funds of the Obligated Group dedicated to the completion of such facilities, would be sufficient for the completion of such facilities. The expectations of the Obligated Group may be established by a certificate of the chief executive officer or chief financial officer of the Obligated Group Representative.

“Conduit Issuer” shall mean an entity that issues bonds or other evidence of indebtedness to provide financing for the benefit of a Member and makes the proceeds of such indebtedness available to such Member pursuant to a loan agreement, lease agreement or other similar instrument.

“Consultant” shall mean a person qualified to pass upon questions relating to the financial affairs of health care facilities and having a favorable reputation for skill and experience in the financial affairs of health care facilities, who shall be appointed by the Obligated Group Representative and acceptable to the Trustee.

“Counsel” shall mean a person qualified to practice law in any State of the United States or in the District of Columbia, who shall be appointed by the Obligated Group Representative and acceptable to the Trustee.

“County” means Lee County, Alabama.

“Credit Facility” shall mean a letter of credit, insurance policy, standby purchase agreement, guaranty agreement or other credit enhancement with respect to (i) Obligations issued under this Indenture, (ii) Related Debt of any Member of the Obligated Group, (iii) any bonds or other obligations of a Conduit Issuer with respect to which a Member of the Obligated Group has incurred Related Debt, or (iv) any Ancillary Obligation of a Member of the Obligated Group.

“Current Annual Debt Service Coverage Ratio” shall mean ratio (expressed as a percentage) of Net Income Available for Debt Service of the Obligated Group for the Fiscal Year in question to Current Annual Debt Service Requirements of the Obligated Group for such Fiscal Year.

“Current Annual Debt Service Requirements” shall mean the interest expense and scheduled principal payments for the Fiscal Year in question on all Debt of the Obligated Group. For purposes of determining Current Annual Debt Service Requirements (i) principal (and related premium, if any) paid in connection with the exercise by a Member of the Obligated Group of optional redemption or optional prepayment rights is not included in principal payments, (ii) payments of principal on Debt made with the proceeds of Refunding Debt shall be excluded from principal payments, (iii) principal and interest payments on Guaranteed Debt shall be included in Current Annual Debt Service Requirements only to the extent that such payments are made by a Member of the Obligated Group, (iv) interest expense shall be adjusted by payments and receipts on Hedge Agreements allocable to Debt of the Obligated Group if such payments and receipts constitute Regularly Scheduled Payments with respect to the Hedge Agreement, and (v) payment of principal on Short-Term Debt shall be excluded from principal payments.

“Days’ Cash on Hand” shall mean the quotient of (i) unrestricted cash and marketable securities divided by (ii) one day of operating expenses, calculated as follows:

(1) Unrestricted cash and marketable securities shall include all cash and marketable securities that the governing body of a Member of the Obligated Group could, in its discretion, apply to the payment of Debt (including without limitation funds designated on a Member’s financial statements for capital acquisition) without violating any lien or other security agreement or applicable law, but shall not include (i) trustee-held funds (other than funds held for payment of scheduled debt service payments) or (ii) funds on deposit with a lender to the Obligated Group pending disbursement.

(2) Marketable securities shall be valued at fair market value as of the date of determination.

(3) Annual operating expenses shall be calculated based on total operating expenses of the Obligated Group for the latest Fiscal Year preceding the date of determination for which audited financial statements are available, less depreciation, amortization, bad debt and other non-cash items that may be included on financial statements as operating expenses.

(4) One day of operating expenses shall be calculated by dividing annual operating expenses by 365.

“Debt” shall mean (i) all indebtedness, whether or not represented by bonds, notes (including without limitation Obligations issued hereunder) or other securities, for the repayment of borrowed money, (ii) all capitalized leases, installment sale agreements and other similar obligations for the payment of the purchase price of property or assets purchased and (iii) all guaranties, endorsements, assumptions and other contingent liabilities in respect of, or to purchase or otherwise acquire, indebtedness of others. For purposes of this Indenture, interest rate swaps or exchanges and other similar agreements shall not be considered “Debt”.

“Debt Obligations” shall mean Direct Debt Obligations and Related Debt Obligations.

“Direct Debt Obligations” shall mean Obligations that are issued by the Obligated Group to evidence and secure the Obligated Group’s obligation for repayment of indebtedness for borrowed money, such Obligations to be substantially in the form specified in *Section 3.1(a)(1)*.

“Electronic Means”, when used with respect to the delivery of notices, shall mean telecopy, telegraph, telex, facsimile transmission, or other similar electronic means of communication.

“Event of Default” shall have the meaning set forth in *Article 7* hereof. An Event of Default shall “exist” if an Event of Default shall have occurred and be continuing.

“Financing Participants” shall mean the Obligated Group and the Trustee.

“Fiscal Year”, when used with respect to any entity, shall mean the fiscal year of such entity, as established from time to time by requisite corporate action. All Members of the Obligated Group shall adopt the same Fiscal Year.

“Gross Receipts” shall mean all gross receipts, revenues, income, rents, royalties, benefits and other moneys received by or on behalf of the Obligated Group, including, without limitation, contributions, donations and pledges, whether in the form of cash, securities or other personal property, gross revenues derived from the operation of the facilities of the Obligated Group, and all rights to receive the same, whether in the form of accounts, contract rights, chattel paper, instruments, rights under agreements with insurance companies, or other rights, and the proceeds thereof, and any insurance thereon, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the Obligated Group; provided, however, that Gross Receipts shall not include (i) contributions, donations and pledges received by the Obligated Group that are restricted to uses other than payment of debt service on Obligations, (ii) money and investments set aside for, or otherwise committed to, obligations or liabilities to employees of the Obligated Group or its Affiliates or third parties (including without limitation self-insurance trusts and compensation or benefit plans or arrangements for employees, such as rabbi trusts and split dollar life insurance) or (iii) cash and investments acquired or received by the Obligated Group prior to the exercise of remedies by the Trustee pursuant to *Section 2.3(b)*.

“Guaranteed Debt” shall mean the Debt of another person with respect to which any member of the Obligated Group has any contingent liability by virtue of a guaranty, endorsement, assumption or agreement to purchase or otherwise acquire.

“Hedge Agreement” shall mean a contract entered into to modify the risk of interest rate changes with respect to Debt, including without limitation an interest rate swap, an interest rate cap, a futures contract, a forward contract or an option.

“Holder” shall mean the person in whose name a particular Obligation is registered in the Register.

“Hospital Bond Amendment” shall mean Section 215.03 of the Official Recompilation of the Constitution of Alabama of 1901, as amended (formerly Amendment No. 76 to the Constitution of Alabama of 1901), which amendment authorizes the designation of the Authority as the agency of the County with respect to public hospital facilities and authorizes the issuance of obligations by the Authority payable from, and secured by a pledge of, 75% of the annual proceeds of the Special Hospital Tax.

“Indenture” shall mean this instrument as originally executed or as it may from time to time be supplemented, modified or amended by one or more indentures or other instruments supplemental hereto entered into pursuant to the applicable provisions hereof.

“Independent”, when used with respect to any person, shall mean a person who is not an officer, employee or member of the Board of Directors of the Authority.

“Index Rate” shall mean the “Bond Buyer Revenue Bond Index” rate for 30-year tax-exempt revenue bonds, as published by *The Bond Buyer* on any date selected by the Obligated Group that is within 30 days prior to the date of such determination; provided, however, that if *The Bond Buyer* (or a successor publication) ceases to publish such rate, the Index Rate shall be such other index as the Obligated Group Representative shall, with the approval of the Trustee, designate as comparable to the Bond Buyer Revenue Bond Index.

“Lien” shall mean any mortgage, pledge, encumbrance, security interest, assignment or other charge of any kind, including without limitation any conditional sale agreement or other title retention agreement.

“Long-Term Debt” shall mean Debt that matures more than one year after the date of the original creation or assumption of such Debt (or that is renewable or extendable to a maturity of more than one year at the option of the obligor).

“Maximum Annual Debt Service” shall mean the maximum aggregate amount of principal and interest payable during the then current or any subsequent Fiscal Year on Long-Term Debt of the Obligated Group and Guaranteed Debt of the Obligated Group that is Long-Term Debt, projected, at the option of the Obligated Group, either in accordance with the assumptions contained in paragraph (a) or in accordance with the assumptions contained in paragraph (b):

(a) The principal and interest payable in each Fiscal Year on all Long-Term Debt of the Obligated Group and Guaranteed Debt of the Obligated Group that is Long-Term Debt may be projected in accordance with the following assumptions:

(1) The interest payable on any Long-Term Debt incurred to finance the acquisition or construction of operating assets shall be excluded from interest payable until such operating assets are placed in service, if and to the extent that funds dedicated to the payment of such interest are held by or under the control of a person other than the Obligated Group or an Affiliate of the Obligated Group.

(2) The principal amount of Long-Term Debt required to be redeemed in any Fiscal Year shall be deemed to be payable in such Fiscal Year rather than the Fiscal Year of its stated maturity.

(3) With respect to Long-Term Debt bearing interest at a variable rate, the amount of interest payable during any period for which the actual rate cannot be determined shall (except as otherwise provided below with respect to Put Debt or Balloon Debt) be projected using the Index Rate; provided, however, that if a Hedge Agreement is entered into that in effect provides a fixed rate for any portion of such Debt, the Obligated Group may project the interest payments on such portion of the Debt for the period in question (or, if shorter, the remaining term of the Hedge Agreement) by using the fixed rate payable under the Hedge Agreement. If the variable rate payable under such Hedge Agreement is not expected to be substantially the same as the variable rate payable under the related Debt, the Obligated Group shall adjust the fixed rate payable under the Hedge Agreement by the difference reasonably expected in the two variable rates (for example, if the variable rate under the Hedge Agreement is 67% of LIBOR and the variable rate on the Debt is 67% of LIBOR plus 50 basis points, the fixed rate on the Hedge Agreement shall be adjusted upward by 50 basis points).

(4) With respect to Put Debt and Balloon Debt, debt service payable on such Debt after the next Put Date or the Balloon Date, as appropriate, shall be projected assuming (i) that the principal balance of such Debt on the date of determination will be refinanced, (ii) that such principal balance will be payable over a term of 30 years (or any shorter term selected by the Obligated Group), (iii) that such principal balance will bear interest at the Index Rate, (iv) that debt service on such Debt after the date of determination will be payable in equal annual installments sufficient to pay both principal and interest.

(5) With respect to Guaranteed Debt that is Long-Term Debt, the amount of principal and interest payable during each Fiscal Year (the “annual debt service requirements”) on such Debt shall be projected assuming (i) that the principal balance of such Debt is refinanced on the date of determination over a term of 30 years (or any shorter term selected by the Obligated Group), (ii) that such principal balance will bear interest at the Index Rate, and (iii) that debt service on such Debt after the date of determination will be payable in equal annual installments sufficient to pay both principal and interest. After projecting the annual debt service requirements on such Guaranteed Debt, the percentage of the annual debt service requirements on such Debt included in annual debt service requirements of the Obligated Group shall be as follows:

(A) If the Obligated Group has paid, directly or indirectly, any principal or interest on such Guaranteed Debt at any time during the 24-month period next preceding such determination, 100% of the annual debt service requirements on such Guaranteed Debt shall be included.

(B) If the Obligated Group has not paid, directly or indirectly, any principal or interest on such Guaranteed Debt at any time during the 24-month period next preceding such determination, 20% of the annual debt service requirements on such Guaranteed Debt shall be included.

(6) If cash or Escrow Securities have been deposited in escrow or trust in an amount that, together with earnings thereon (but without reinvestment), is sufficient to pay the principal of or interest on Debt (or any portion thereof) as it comes due, such principal or interest (or portion thereof), as the case may be, shall not be included in the calculation of Maximum Annual Debt Service.

(b) The principal and interest payable in each Fiscal Year on all Long-Term Debt of the Obligated Group and, to the extent provided in paragraph (b)(2), Guaranteed Debt of the Obligated Group that is Long-Term Debt may be projected in accordance with the following assumptions:

(1) The amount of principal and interest payable during each Fiscal Year on such Debt after the date of determination shall be projected assuming (i) that the principal balance of such Debt on the date of determination will be refinanced, (ii) that such principal balance will be payable over a term of 30 years (or any shorter term selected by the Obligated Group), (iii) that such principal balance will bear interest at the Index Rate, (iv) that debt service on such Debt after the date of determination will be payable in equal annual installments sufficient to pay both principal and interest.

(2) If the Obligated Group has paid, directly or indirectly, any principal or interest on such Guaranteed Debt at any time during the 24-month period next preceding such determination, 100% of the principal balance of such Guaranteed Debt shall be

included in the projection. If the Obligated Group has not paid, directly or indirectly, any principal or interest on such Guaranteed Debt at any time during the 24-month period next preceding such determination, only 20% of the principal balance on such Debt shall be included in the projection.

(3) If cash or Escrow Securities have been deposited in escrow or trust in an amount that, together with earnings thereon (but without reinvestment), is sufficient to pay the principal of such Debt (or any portion thereof) and the interest thereon as it comes due, such principal (or portion thereof), as the case may be, shall not be included in such projection.

“Member” or “Obligated Group Member” or “Member of the Obligated Group” shall mean all entities that are Obligated Entities under this Indenture. On the date of delivery of this Indenture, the Authority is the only Member of the Obligated Group. An entity (other than the Authority) may cease to be a Member of the Obligated Group, and an entity may become a Member of the Obligated Group, under the terms and conditions of *Article 12*.

“Mortgage” shall mean that certain Mortgage and Security Agreement dated June 1, 2002, executed by the Authority in favor of the Collateral Agent.

“Net Income Available for Debt Service” shall mean the excess of (i) revenues (after adjustments, discounts or contractual allowances) and gains and (ii) taxes paid to the Authority (including, without limitation, the proceeds of the Special Tax) over (iii) expenses and losses other than depreciation, amortization and interest; provided, however, that extraordinary items of income or loss, unrealized gains or losses on investments and Hedge Agreements, losses from impairment of the value of assets and losses on early extinguishment of debt shall be excluded from the computation of “Net Income Available for Debt Service”.

“1991 Indenture” means that certain Trust Indenture dated April 15, 1991, as amended and supplemented by (i) a First Supplemental Indenture dated January 1, 1993, (ii) a Second Supplemental Indenture dated January 1, 1994, (iii) a Third Supplemental Indenture dated May 1, 1998, and (iv) a Fourth Supplemental Indenture dated June 1, 2002, between the Authority and the 1991 Indenture Trustee.

“1991 Indenture Trustee” means Regions Bank, an Alabama banking corporation (formerly known as First Alabama Bank at the time of the original execution and delivery of the 1991 Indenture), in its capacity as trustee under the 1991 Indenture, or any successor thereto.

“Obligated Group” shall mean the Authority and all other persons that are Members of the Obligated Group under this Indenture.

“Obligated Group Representative” shall mean the Authority, acting in its capacity as representative of the Obligated Group pursuant to *Section 12.5*.

“Obligation” shall mean any Debt Obligation or Ancillary Obligation issued, authenticated and delivered under this Indenture. References to Obligations of a series shall mean the Obligations issued pursuant to a single related Supplemental Indenture.

“Obligationholder” shall mean the Holder of an Obligation.

“Office of the Trustee” shall mean the office of the Trustee for hand delivery of notices and other documents, as specified pursuant to *Section 15.3*.

“Officer’s Certificate” shall mean a certificate signed by the President of the Obligated Group Representative, or any other officer or agent of the Obligated Group Representative authorized to execute such certificate by the Board of Directors or President of the Obligated Group Representative.

“Operating Revenue” shall mean the total operating revenue of the Obligated Group (after adjustments, discounts or contractual allowances under Medicare, Medicaid, Blue Cross and similar programs) during the period in question, for its own account, from the conduct of its business.

“Opinion of Counsel” shall mean a written opinion of counsel who may (except as otherwise expressly provided in this Indenture) be counsel for the Authority and shall be acceptable to the Trustee.

“Other Senior Debt” shall mean any bonds, notes, certificates of indebtedness or other obligations for the payment of money that are issued or incurred by the Authority in accordance with the applicable provisions of the 1991 Indenture and that are, under certain circumstances, entitled to a charge, lien or claim on the Gross Receipts and Pledged Tax Proceeds on a parity with the charge, lien or claim of other obligations thereon, but if and only if there is endorsed on the appropriate and applicable Other Senior Debt Document the legend prescribed in the 1991 Indenture. The Series 2008-A Bonds and the Series 2008-B Bonds are the only outstanding Other Senior Debt.

“Other Senior Debt Document” shall mean, with respect to Other Senior Debt, the resolution, indenture or other similar document authorizing such bonds, notes, certificates of indebtedness or other obligations and specifying the terms and conditions thereof.

“Outstanding”, when used with respect to Obligations, shall mean, as of the date of determination, all Obligations authenticated and delivered under this Indenture, except:

- (1) Obligations cancelled by the Trustee or delivered to the Trustee for cancellation;
- (2) Obligations for whose payment or redemption money in the necessary amount has been deposited with the Trustee in trust for the Holders of such Obligations, provided that, if such Obligations are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;
- (3) Obligations with respect to Related Debt which have been paid or legally defeased in accordance with the terms of the Related Debt Document; and
- (4) Obligations in exchange for or in lieu of which other Obligations have been authenticated and delivered under this Indenture;

provided, however, that in determining whether the Holders of the requisite principal amount of Obligations Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Obligations owned by the Authority or any Affiliate of the Authority shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Obligations which the Trustee knows to be so owned shall be disregarded. Obligations so owned which have been pledged in good faith may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee’s right so to act with respect to such Obligations and that the pledgee is not the Authority or any Affiliate of the Authority.

“Parity Bonds” means any bonds issued by the Authority in accordance with the applicable provisions of the 1991 Indenture pursuant to a supplement to the 1991 Indenture. There are no Parity Bonds outstanding under the 1991 Indenture.

“Permitted Encumbrances” shall mean those encumbrances enumerated in *Section 7.3* of this Indenture.

“Pledged Tax Proceeds” means 75% of the annual proceeds of the Special Hospital Tax paid to the Authority, which is that portion of the proceeds of the Special Hospital Tax authorized by law to be pledged to the payment of obligations of the Authority.

“Pro Forma Debt Service Coverage Ratio” shall mean the ratio (expressed as a percentage) of Net Income Available for Debt Service of the Obligated Group for the Fiscal Year in question to Maximum Annual Debt Service Requirements of the Obligated Group.

“Purchase Money Mortgage” shall mean a Lien held by any person (whether or not the seller of the assets subject to such Lien) on fixed assets acquired or constructed by a Member of the Obligated Group after the date of delivery of this instrument and granted contemporaneously with such acquisition or construction, which Lien secures all or a portion of the related purchase price or construction costs of such assets.

“Put Date” means a date on which an obligor may be required to purchase Put Debt.

“Put Debt” shall mean Debt that the obligor may be required to purchase from the holder prior to the maturity of such Debt, including (i) Debt that may be tendered for purchase at the option of the holder of such Debt and (ii) Debt that must be tendered for purchase under the terms of such Debt.

“Refunding Debt” shall mean any Long-Term Debt issued for the purpose of refunding or refinancing outstanding Long-Term Debt. Refunding Debt that does not meet the requirements of this definition may be issued under a separate paragraph in *Section 7.4(a)*.

“Register” shall mean the register or registers for the registration and transfer of Obligations maintained by the Obligated Group pursuant to *Section 5.1*.

“Regularly Scheduled Payments”, when used with respect to Secured Hedge Agreements, means payments scheduled for regular payment on specified dates or at specified intervals. Amounts due as a result of early termination, amounts due upon default and acceleration, indemnification payments, tax gross-up payments, expenses incurred as a result of default, interest payments at a post-default rate, or other similar payments do not constitute Regularly Scheduled Payments.

“Reimbursement Obligation” shall mean an obligation on the part of a Member to reimburse the obligor under a Credit Facility for amounts paid by such obligor with respect to any Debt of such Member.

“Related Debt” shall mean Debt of a Member (other than Direct Debt Obligations) that is evidenced by a note, bond or other form of indebtedness for borrowed money issued pursuant to a Related Debt Document. Related Debt may include a loan agreement, lease agreement or other similar instrument that constitutes Debt of such Member and is delivered to a Conduit Issuer.

“Related Debt Document” shall mean any indenture, loan agreement, or other similar instrument evidencing Related Debt incurred by a Member or Members of the Obligated Group.

“Related Debt Obligation” shall mean an Obligation issued by the Obligated Group to secure Related Debt, such Obligations to be substantially in the form specified in *Section 3.1(a)(2)*.

“Responsible Officer of the Trustee” shall mean (i) any corporate trust officer or other officer of the Trustee customarily performing functions similar to those performed by a corporate trust officer, (ii) any officer of the Trustee to whom any corporate trust matter is referred because of his knowledge of, and familiarity with, a particular matter, and (iii) any other officer or agent of the Trustee designated in writing and authorized to act with respect to a particular matter by the governing body of the Trustee.

“Secured Hedge Agreement” shall mean a Hedge Agreement that is secured by an Obligation issued pursuant to *Section 3.2*.

“Secured Payments” shall mean (i) principal, interest and premium (if any) on Obligations, (ii) payments due on Related Debt and Guaranteed Debt to the extent secured by Obligations issued under this Indenture, and (iii) to the extent and in the order of priority provided in *Section 3.2* and *Section 7.9*, payments on Secured Hedge Agreements.

“Senior Bond Indentures” shall mean the 1991 Indenture and the Other Senior Debt Documents.

“Senior Bonds” shall mean the Parity Bonds and Other Senior Debt.

“Short-Term Debt” shall mean Debt that matures by its terms within 1 year after the date of original creation or assumption of such Debt (and is not renewable at the option of the obligor to a date later than 1 year after the date of original creation or assumption of such Debt).

“Special Hospital Tax” means the special ad valorem tax of 2-1/2 mills levied on taxable property in Lee County, Alabama for public hospital purposes pursuant to the Special Tax Amendment and a special election in the County held on December 13, 1949.

“Special Tax Amendment” means Section 215.02 of the Official Recompilation of the Constitution of Alabama of 1901, as amended (formerly Amendment No. 72 to the Constitution of Alabama of 1901), which amendment authorizes the levy of the Special Hospital Tax by the County.

“Subordinated Debt” shall mean Debt payment of which is, by the terms of such Debt and any instrument evidencing or securing the same, effectively subordinated in right of payment to the Obligations as follows:

(1) If no Event of Default exists, regularly scheduled payments of principal and interest on such Subordinated Debt shall be permitted.

(2) If an Event of Default exists (including without limitation an Act of Bankruptcy with respect to any Member), all payments of principal and interest on such Subordinated Debt shall be deferred until payment in full of all amounts due on the Obligations.

“Supplemental Indenture” shall mean any indenture supplemental to, and authorized and executed pursuant to the terms of, this Indenture.

“Trust Estate” shall mean all property and rights of every kind and description, whether real, personal or mixed, and whether tangible or intangible, hereby and hereafter (by Supplemental Indenture or otherwise) granted, bargained, sold, aliened, remised, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed to the Trustee, or intended, agreed or covenanted so to be, together with all appurtenances thereto appertaining.

“Trustee” shall mean Regions Bank, an Alabama banking corporation, in its capacity as trustee under this Indenture, until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter **“Trustee”** shall mean such successor Trustee.

SECTION 1.2 Date of Indenture

The date of this Indenture is intended as and for a date for the convenient identification of this Indenture and is not intended to indicate that this Indenture was executed and delivered on said date, this Indenture being executed on the dates of the respective acknowledgments hereto attached.

SECTION 1.3 Separability Clause

If any provision in this Indenture or the Obligations shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.4 Effect of Headings and Table of Contents

The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

ARTICLE 2

Source of Payment and Security

SECTION 2.1 Source of Payment of Obligations

(a) The Obligations and all other payment obligations under this Indenture shall be general obligations of the Authority for the payment of which its general credit is pledged.

(b) The Obligations and all other payment obligations of the Members of the Obligated Group under this Indenture shall be joint and several, each Member agreeing to be individually liable for payment of all obligations of the Obligated Group.

SECTION 2.2 Pledge and Assignment

To secure the payment of debt service on the Obligations and the performance of the covenants set forth herein and in the Obligations, and to declare the terms and conditions on which the Obligations are secured, and in consideration of the premises and of the acceptance of the Obligations by the Holders thereof, the Obligated Group by these presents does grant, bargain, sell, alien, remise, release, convey, assign, transfer, hypothecate, pledge, set over, grant a security interest in and confirm to the Trustee, all right, title and interest of the Obligated Group in the following:

(a) **Pledged Tax Proceeds.** The Pledged Tax Proceeds.

(b) **Gross Receipts.** The Gross Receipts.

(c) **Mortgage and Security Agreement.** Proceeds of the collateral under the Mortgage and Security Agreement that are transferred by the Collateral Agent to the Trustee.

(d) **Other Property.** Any and all property of every kind or description which may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien of this

Indenture as additional security by the Authority or anyone on its part or with its consent, or which pursuant to any of the provisions hereof may come into the possession or control of the Trustee or a receiver appointed pursuant to this Indenture; and the Trustee is hereby authorized to receive any and all such property as and for additional security for the obligations secured hereby and to hold and apply all such property subject to the terms hereof.

TO HAVE AND TO HOLD all such property, rights and privileges (collectively called the “Trust Estate”) unto the Trustee and its successors and assigns;

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the Holders from time to time of the Obligations (without any priority of any such Obligation over any other such Obligation).

PROVIDED, HOWEVER, that (i) the lien on the Pledged Tax Proceeds and the Gross Receipts is on a parity with the pledge and assignment for the benefit of Parity Bonds and Other Senior Debt under the terms of the 1991 Indenture and (ii) the lien of the Mortgage is a parity lien with respect to Parity Bonds and Other Senior Debt under the terms of the 1991 Indenture and all Other Secured Obligations under the terms of the Mortgage.

PROVIDED, FURTHER, that (i) this pledge and assignment is made only to the extent permitted by law (including applicable regulations) and to the extent that this pledge and assignment does not have the effect of making any Member of the Obligated Group ineligible or unqualified to become or continue as a provider of services under any third party payor reimbursement program or contract (including without limitation the Medicare and Medicaid programs), (ii) the Trustee, by accepting this pledge and assignment, agrees that it will not take any action or exercise any right or remedy that would have the effect of making any Member of the Obligated Group ineligible or unqualified to become or continue as a provider of services under any such program or contract and that it will take such action (without the consent of any other party) as shall be necessary to preserve the eligibility or qualification of the Obligated Group Members under any such program or contract (including without limitation disavowal or release of any purported pledge or assignment that would have the effect of making any Member of the Obligated Group ineligible or disqualified); *provided however*, that the Trustee will not be in default of this provision until and unless a Member of the Obligated Group provides the Trustee with written notice of the need to take an action (an “Action Notice”) or written notice of the need to refrain from taking an action (a “Refrain Notice”) and the Trustee fails to take the specified action within 30 days of receipt of an Action Notice or fails to refrain from taking the action outlined in a Refrain Notice.

SECTION 2.3 Application of Gross Receipts and Pledged Tax Proceeds

(a) If no Event of Default exists, the Obligated Group may use the Gross Receipts and the Pledged Tax Proceeds for any lawful purpose.

(b) If an Event of Default exists, subject to the provisions of **Section 2.2**, (i) the Obligated Group shall, upon demand of the Trustee, deposit all Gross Receipts and Pledged Tax Proceeds with the Trustee immediately upon receipt by the Obligated Group, and (ii) the Trustee may direct all third parties from whom any Gross Receipts and Pledged Tax Proceeds are due or payable to pay such Gross Receipts and Pledged Tax Proceeds directly to the Trustee and may exercise any other rights with respect to the Gross Receipts and Pledged Tax Proceeds as may be available to a secured party under provisions of applicable law. All Gross Receipts and Pledged Tax Proceeds received by the Trustee shall be held in a segregated account in the possession of the Trustee and shall be available to the Obligated Group for payment of necessary operating expenses incurred in the ordinary course of business upon such reasonable requisition or withdrawal procedures as the Trustee shall establish.

SECTION 2.4 Mortgage

(a) The Authority has heretofore delivered the Mortgage to the Collateral Agent as additional security for the payment of the bonds issued and outstanding under the 1991 Indenture and all Other Secured Obligations designated by the Authority under the terms of the Mortgage. The Trustee's rights and remedies under the Mortgage shall be governed by the terms of the Mortgage and this Indenture. Any proceeds received or collected by the Trustee pursuant to the Mortgage shall be part of the Trust Estate.

(b) The Mortgage permits the release of the lien of the Mortgage under terms and conditions of the Mortgage.

SECTION 2.5 No Additional Parity Debt or Other Senior Debt; Termination of 1991 Indenture

(a) The Authority covenants and agrees that it shall not issue any additional Parity Debt or cause any debt or other obligations of the Authority to be designated as "Other Senior Debt" under the terms of the 1991 Indenture except for Obligations issued under this Indenture.

(b) Obligations issued under this Indenture will be secured as Other Senior Debt under the 1991 Indenture so long as the Authority's Series 2008-A Bonds and the Series 2008-B Bonds are outstanding. Thereafter Obligations issued under this Indenture will no longer be secured under the 1991 Indenture, which shall be terminated, but shall continue to be secured under this Indenture and the Mortgage.

(c) After the Series 2008-A Bonds and Series 2008-B Bonds are no longer outstanding, the Authority shall cause the 1991 Indenture to be terminated and satisfied.

ARTICLE 3

Terms for Issuance of Obligations

SECTION 3.1 General Terms and Types of Obligations

(a) The following types of Obligations may be issued under this Indenture:

(1) **Direct Debt Obligations.** The Obligated Group may issue Obligations (which Obligations may be in the form of bonds or notes) that evidence the Obligated Group's obligation for repayment of indebtedness for borrowed money (referred to in this Indenture as "Direct Debt Obligations"). The form of Direct Debt Obligations shall be a note substantially as provided in *Exhibit 3.1(a)(1)*, with such appropriate changes or variations as are required or permitted by this Indenture.

(2) **Related Debt Obligations.** The Obligated Group may issue Obligations that secure the obligations of a Member (or Members) issued or incurred with respect to Related Debt under a separate Related Debt Document (referred to in this Indenture as "Related Debt Obligations"). The form of Related Debt Obligations shall be substantially as provided in *Exhibit 3.1(a)(2)*, with such appropriate changes or variations as are required or permitted by this Indenture.

(3) **Ancillary Obligations.** The Obligated Group may issue Obligations that secure the obligations of a Member (or Members) issued or incurred with respect to an Ancillary Commitment under a separate Ancillary Commitment Document. The form of Ancillary

Obligations shall be substantially as provided in *Exhibit 3.1(a)(3)*, with such appropriate changes or variations as are required or permitted by this Indenture.

(b) The terms of each Obligation shall be specified in the related Supplemental Indenture that authorizes the issuance of such Obligation. The amount of Obligations that may be issued under this Indenture is not limited, except as provided in the covenants set forth herein and in the related Supplemental Indenture for any separate Obligations to be issued under that Supplemental Indenture.

(c) Any Supplemental Indenture relating to Direct Debt Obligations shall specify the terms of issuance for such Obligations, including the following: the aggregate principal amount, the series designation, the Maturity or Maturities of principal, the interest rate or rates (or provisions for the determination thereof), the Authorized Denominations, the Interest Payment Dates for such Obligations, the redemption provisions with respect to such Obligations, and the form of such Obligations, which shall be consistent with the form of Obligations specified in *Exhibit 3.1(a)(1)*. The terms of issuance for such Direct Debt Obligations must be consistent with the general terms of this Indenture relating to Direct Debt Obligations.

(d) Any Supplemental Indenture relating to Related Debt Obligations and Ancillary Obligations may adopt by reference the payment provisions of the Related Debt Document or Ancillary Commitment Document pursuant to which the Obligated Group issues or incurs the Related Debt or the related Ancillary Commitment.

SECTION 3.2 Obligations to Secure Hedge Agreements

(a) The Authority may issue Obligations to secure its Regularly Scheduled Payments under Secured Hedge Agreements. Any such Obligation may adopt by reference the Regularly Scheduled Payment terms of the Secured Hedge Agreement.

(b) The Holders of Obligations issued pursuant to this Section will be secured equally and proportionately with the Holders of all other Obligations issued under this Indenture with respect to Regularly Scheduled Payments; provided, however, that for purposes of determining whether the Holders of the requisite amount of Obligations Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder (including any request, demand, authorization, direction, notice, consent or waiver pursuant to the remedy provisions of *Article 7* or an amendment pursuant to *Article 10*), Obligations issued pursuant to this Section shall be excluded.

(c) The obligation of the Obligated Group to make any Accelerated Payment under a Secured Hedge Agreement shall be subject and subordinate to the payment of Obligations under this Indenture.

(d) The provisions of any Obligation issued pursuant to this Section and the related Supplemental Indenture may provide that such Obligation may not be transferred to any person other than the holder of the Secured Hedge Agreement, or a trustee or other legal representative for such holder.

(e) Obligations issued pursuant to this Section do not constitute Debt and may be incurred without regard to provisions of this Indenture restricting or limiting the issuance or incurrence of Debt.

SECTION 3.3 Conditions Precedent to Issuance of Obligations

(a) Prior to the issuance of any Obligations, the Obligated Group shall deliver to the Trustee the following:

(1) **Proceedings.** A certified copy of the proceedings taken by the Obligated Group authorizing such Obligations.

(2) **Supplemental Indenture.** A Supplemental Indenture duly executed on behalf of the Obligated Group by the Obligated Group Representative and containing (to the extent applicable) (i) a description of the Obligations proposed to be issued, including the information required in this *Article 3*, (ii) a statement of the purpose or purposes for which such Obligations are to be issued, (iii) a representation that no Indenture Default exists, (iv) the identity of the person or persons to whom such Obligations will be issued and (v) any other matters deemed appropriate by the Obligated Group and not inconsistent with the terms of this Indenture.

(3) **Executed Obligations.** The Obligations duly executed on behalf of the Obligated Group by the Obligated Group Representative, for authentication by the Trustee.

(4) **Certificate Regarding Additional Debt.** If such Obligations constitute Debt Obligations, a certificate by an Authorized Representative of the Obligated Group Representative stating in effect that the Obligated Group is entitled to issue or incur such Debt pursuant to an identified exception contained in *Section 7.4*, together with any documents or opinions required for compliance with such exception.

(5) **Opinion of Counsel.** An Opinion of Counsel stating in effect (with such qualifications and assumptions as the Trustee may deem appropriate) that (i) such Obligations are valid and binding obligations of the Obligated Group in accordance with their terms and are entitled to the benefit and security of this Indenture equally and proportionately with all other Obligations Outstanding under the Indenture, (ii) the Indenture (as so supplemented) constitutes a valid and binding obligation of the Obligated Group in accordance with its terms, and (iii) the issuance of such Obligation complies with the registration requirements of the Securities Act of 1933 or that such registration is not required.

(6) **Conditions of Mortgage.** Evidence that the conditions of the Mortgage for the Obligation to be an Other Secured Obligation under the Mortgage have been met.

(7) **Conditions of Senior Bond Indentures.** If any Senior Bond Indenture is effective when such Obligations are issued, (i) the Authority shall also deliver any documentation required by the Senior Bond Indentures for issuing or incurring Other Senior Debt, and (ii) the related Supplemental Indenture shall include an endorsement (as an exhibit or otherwise), in the form required by the Senior Bond Indentures, confirming that the Obligations authorized by such Supplemental Indenture are also Other Senior Debt for purposes of the Senior Bond Indenture. After all Senior Bonds are no longer outstanding (or are defeased) and no Senior Bond Indenture is effective as a lien on the Gross Receipts or the Pledged Tax Proceeds, it shall not be necessary for Obligations issued under this Indenture to be qualified or designated as Other Senior Debt.

(b) Upon receipt of the documents required by the provisions of this Section to be furnished to it, the Trustee shall, unless it has cause to believe that any of the statements set out in such documents is incorrect, thereupon execute and deliver the Supplemental Indenture so presented and shall authenticate such Obligations and deliver the same upon written order executed by the Obligated Group Representative. Any Obligations issued pursuant to and in compliance with the terms of this Indenture shall be entitled to the benefit and protection of this Indenture equally and proportionately with all other Obligations issued hereunder.

SECTION 3.4 Execution and Authentication

(a) The Obligations shall be executed on behalf of the Obligated Group Representative by an Authorized Officer of the Obligated Group Representative. The signature of the officers executing such Obligations may be manual or, to the extent permitted by law, facsimile.

(b) No Obligation shall be secured by, or be entitled to any lien, right or benefit under, this Indenture or be valid or obligatory for any purpose, unless there appears on such Obligation a certificate of authentication substantially in the form provided for herein, executed by the Trustee by manual signature, and such certificate upon any Obligation shall be conclusive evidence, and the only evidence, that such Obligation has been duly authenticated and delivered hereunder.

(c) In case any officer of the Authority who shall have signed any of the Obligations shall cease to be such an officer before the Obligations so signed shall have been authenticated and delivered by the Trustee, or disposed of by the Authority, such Obligations nevertheless may be authenticated and delivered or disposed of as though the person who signed such Obligations had not ceased to be such an officer of the Authority; and any Obligations may be signed on behalf of the Authority by such persons as, at the actual date of the execution of such Obligation, shall be proper officers of the Authority, although at the date of the execution of this Indenture any such person was not such an officer.

ARTICLE 4

Registration, Exchange and General Provisions Regarding the Obligations

SECTION 4.1 Registration, Transfer and Exchange

(a) The Obligated Group shall cause to be kept at the Office of the Trustee a register (herein sometimes referred to as the "Register") in which, subject to such reasonable regulations as it may prescribe, the Obligated Group shall provide for the registration of Obligations and registration of transfers of Obligations entitled to be registered or transferred as herein provided. The Trustee is hereby appointed as agent of the Obligated Group for the purpose of registering Obligations and transfers of Obligations as herein provided.

(b) Upon surrender for registration of transfer of any Obligation at the Office of the Trustee, the Obligated Group Representative shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Obligations of like tenor and amount.

(c) At the option of the Holder, Direct Debt Obligations may be exchanged for other Direct Debt Obligations of the same series and Maturity, of any Authorized Denominations and of a like aggregate principal amount, upon surrender of the Direct Debt Obligations to be exchanged at the Office of the Trustee. Whenever any Direct Debt Obligations are so surrendered for exchange, the Obligate Group Representative shall execute, and the Trustee shall authenticate and deliver, the Direct Debt Obligations which the Obligationholder making the exchange is entitled to receive.

(d) All Obligations surrendered upon any exchange or registration of transfer provided for in this Indenture shall be promptly cancelled by the Trustee.

(e) All Obligations issued upon any registration of transfer or exchange of Obligations shall be the valid obligations of the Obligated Group and entitled to the same security and benefits under this Indenture as the Obligations surrendered upon such registration of transfer or exchange.

(f) Every Obligation presented or surrendered for transfer or exchange shall contain, or be accompanied by, all necessary endorsements for transfer.

(g) No service charge shall be made for any registration of transfer or exchange of Obligations, but the Obligated Group may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Obligations.

(h) The Obligated Group shall not be required (1) to register the transfer of or to exchange any Direct Debt Obligation during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Direct Debt Obligations and ending at the close of business on the day of such mailing, or (2) to transfer or exchange any Direct Debt Obligation so selected for redemption in whole or in part.

SECTION 4.2 Mutilated, Destroyed, Lost and Stolen Obligations

(a) If (1) any mutilated Obligation is surrendered to the Trustee, or the Obligated Group and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Obligation, and (2) there is delivered to the Obligated Group and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Obligated Group or the Trustee that such Obligation has been acquired by a bona fide purchaser, the Obligated Group shall execute and upon its request the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Obligation, a new Obligation of like tenor and amount, bearing a number not contemporaneously outstanding.

(b) Upon the issuance of any new Obligation under this Section, the Obligated Group may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith.

(c) Every new Obligation issued pursuant to this Section in lieu of any destroyed, lost or stolen Obligation shall constitute an original additional contractual obligation of the Obligated Group, whether or not the destroyed, lost or stolen Obligation shall be at any time enforceable by anyone, and shall be entitled to all the security and benefits of this Indenture equally and ratably with all other Outstanding Obligations.

(d) The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Obligations.

SECTION 4.3 Payment of Interest on Direct Debt Obligations; Interest Rights Preserved

(a) Interest on any Direct Debt Obligation which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the person in whose name that Direct Debt Obligation is registered at the close of business on the Regular Record Date for such Interest Payment Date.

(b) Any interest on any Direct Debt Obligation which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest shall be paid by the Obligated Group to the persons in whose names such Direct Debt Obligations are registered at the close of business on a special record date (herein called a "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Obligated Group shall notify the Trustee of the amount of Defaulted Interest proposed to be paid on each Direct Debt Obligation and the date of the proposed payment (which

date shall be such as will enable the Trustee to comply with the next sentence hereof), and at the same time the Obligated Group shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this subsection provided and not to be deemed part of the Trust Estate. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Obligated Group of such Special Record Date and, in the name and at the expense of the Obligated Group, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of a Direct Debt Obligation at his address as it appears in the Register not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Direct Debt Obligations are registered on such Special Record Date.

(c) Subject to the foregoing provisions of this Section, each Direct Debt Obligation delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Direct Debt Obligation shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Direct Debt Obligation and each such Direct Debt Obligation shall bear interest from such date that neither gain nor loss in interest shall result from such registration of transfer, exchange or substitution.

SECTION 4.4 Persons Deemed Owners

The Obligated Group and the Trustee may treat the person in whose name any Obligation is registered as the owner of such Obligation for the purpose of receiving payment on such Obligation and for all other purposes whatsoever whether or not such Obligation is overdue, and, to the extent permitted by law, neither the Obligated Group nor the Trustee shall be affected by notice to the contrary.

SECTION 4.5 Trustee as Paying Agent

Except as otherwise provided herein, all Obligations shall be payable at the Office of the Trustee. The Trustee is hereby appointed agent of the Obligated Group for the purpose of making payment on the Obligations.

SECTION 4.6 Payments Due on Non-Business Days

If any payment on the Obligations is due on a day which is not a Business Day, such payment may be made on the first succeeding day which is a Business Day with the same effect as if made on the day such payment was due.

SECTION 4.7 Cancellation

All Obligations surrendered for payment, redemption, registration of transfer or exchange, shall be promptly cancelled by the Trustee. The Trustee may destroy cancelled certificates. No Obligation shall be authenticated in lieu of or in exchange for any Obligation cancelled as provided in this Section, except as expressly provided by this Indenture.

SECTION 4.8 Book-Entry Only Obligations

The provisions of any Supplemental Indenture authorizing any series of Direct Debt Obligations may provide that such Obligations shall be issued in book-entry only form.

ARTICLE 5

General Provisions Regarding Redemption of Direct Debt Obligations

SECTION 5.1 Specific Redemption Provisions

The terms of the related Supplemental Indenture authorizing any series of Direct Debt Obligations shall specify the specific redemption provisions with respect to such series.

SECTION 5.2 Mandatory Redemption

Direct Debt Obligations shall be redeemed in accordance with the applicable mandatory redemption provisions without any direction from or consent by the Obligated Group. Unless the date fixed for such mandatory redemption is otherwise specified by this Indenture, the Trustee shall select the date for mandatory redemption, subject to the provisions of this Indenture with respect to the permitted period for such redemption.

SECTION 5.3 Election to Redeem

The election of the Obligated Group to exercise any right of optional redemption shall be evidenced by notice to the Trustee from the Obligated Group Representative. The notice of election to redeem must be received by the Trustee at least 60 days prior to the date fixed for redemption (unless a shorter notice is acceptable to the Trustee) and shall specify (a) the principal amount of Direct Debt Obligations to be redeemed (if less than all Direct Debt Obligations Outstanding are to be redeemed pursuant to such option) and (b) the redemption date, subject to the provisions of this Indenture with respect to the permitted period for such redemption.

SECTION 5.4 Selection by Trustee of Direct Debt Obligations to be Redeemed

(a) Except as otherwise provided in the specific redemption provisions for the Direct Debt Obligations, if less than all Direct Debt Obligations Outstanding are to be redeemed, the principal amount of Direct Debt Obligations of each series and Maturity to be redeemed may be specified by the Obligated Group by notice delivered to the Trustee not less than 60 days before the date fixed for redemption (unless a shorter notice is acceptable to the Trustee), or, in the absence of timely receipt by the Trustee of such notice, shall be selected by the Trustee by lot or by such other method as the Trustee shall deem fair and appropriate; provided, however, that the principal amount of Direct Debt Obligations of each Maturity to be redeemed may not be larger than the principal amount of Direct Debt Obligations of such Maturity then eligible for redemption and may not be smaller than the smallest Authorized Denomination.

(b) Except as otherwise provided in the specific redemption provisions for the Direct Debt Obligations, if less than all Direct Debt Obligations with the same series and Maturity are to be redeemed, the particular Direct Debt Obligations of such series and Maturity to be redeemed shall be selected by the Trustee not less than 30 nor more than 60 days prior to the redemption date from the Outstanding Direct Debt Obligations of such series and Maturity then eligible for redemption by lot or by such other method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (in Authorized Denominations) of the principal of Direct Debt Obligations of such Maturity of a denomination larger than the smallest Authorized Denomination.

(c) The Trustee shall promptly notify the Obligated Group of the Direct Debt Obligations selected for redemption and, in the case of any Direct Debt Obligation selected for partial redemption, the principal amount thereof to be redeemed.

(d) For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Direct Debt Obligations shall relate, in the case of any Direct Debt Obligation redeemed or to be redeemed only in part, to the portion of the principal of such Direct Debt Obligation which has been or is to be redeemed.

SECTION 5.5 Notice of Redemption

(a) Unless waived by the Holders of all Direct Debt Obligations then Outstanding to be redeemed, notice of redemption shall be given by registered or certified mail, mailed not less than 30 nor more than 60 days prior to the redemption date, to each Holder of Direct Debt Obligations to be redeemed, at his address appearing in the Register.

(b) All notices of redemption shall state:

(1) the redemption date,

(2) the redemption price,

(3) the principal amount of Direct Debt Obligations to be redeemed, and, if less than all Outstanding Direct Debt Obligations are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Direct Debt Obligations to be redeemed,

(4) that on the redemption date the redemption price of each of the Direct Debt Obligations to be redeemed will become due and payable and that the interest thereon shall cease to accrue from and after said date, and

(5) the place or places where the Direct Debt Obligations to be redeemed are to be surrendered for payment of the redemption price.

(c) Notice of redemption of Direct Debt Obligations to be redeemed at the option of the Obligated Group shall be given by the Obligated Group or, at the Obligated Group's request, by the Trustee in the name and at the expense of the Obligated Group. Notice of redemption of Direct Debt Obligations in accordance with the mandatory redemption provisions of the Direct Debt Obligations shall be given by the Trustee in the name and at the expense of the Obligated Group.

(d) The Obligated Group and the Trustee shall, to the extent practical under the circumstances, comply with the standards set forth in Securities and Exchange Commission's Exchange Act Release No. 23856 dated December 3, 1986, regarding redemption notices, provided that their failure to do so shall not in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed in this Section.

SECTION 5.6 Deposit of Redemption Price

On the applicable redemption date, an amount of money sufficient to pay the redemption price of all the Direct Debt Obligations which are to be redeemed on that date shall be deposited with the Trustee. Such money shall be held in trust for the benefit of the persons entitled to such redemption price and shall not be deemed to be part of the Trust Estate.

SECTION 5.7 Direct Debt Obligations Payable on Redemption Date

(a) Notice of redemption having been given as aforesaid, the Direct Debt Obligations to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the Obligated Group shall default in the payment of the redemption price) such Direct Debt Obligations shall cease to bear interest. Upon surrender of any such Direct Debt Obligation for redemption in accordance with said notice such Direct Debt Obligation shall be paid by the Obligated Group at the redemption price. Installments of interest due on or prior to the redemption date shall be payable to the Holders of the Direct Debt Obligations registered as such on the relevant Record Dates according to the terms of such Direct Debt Obligations.

(b) If any Direct Debt Obligation called for redemption shall not be paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the redemption date at the Post-Default Rate.

SECTION 5.8 Direct Debt Obligations Redeemed in Part

Unless otherwise provided herein, any Direct Debt Obligation which is to be redeemed only in part shall be surrendered at the Office of the Trustee with all necessary endorsements for transfer, and the Obligated Group shall execute and the Trustee shall authenticate and deliver to the Holder of such Direct Debt Obligation, without service charge, a new Direct Debt Obligation or Direct Debt Obligations of the same series and Maturity and of any Authorized Denomination or Denominations as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Direct Debt Obligation surrendered.

ARTICLE 6

Funds for Payment or Security of Obligations

SECTION 6.1 Funds for Payment or Security of Specified Obligations

Any Supplemental Indenture may establish a debt service fund, a reserve fund, or any similar fund for the payment or security of specified Obligations, and such fund may be held by the Trustee under the terms of such Supplemental Indenture; provided, however, that the establishment of any such fund must comply with the provisions of *Section 7.3* of this Indenture with respect to the creation of liens or encumbrances on property of the Obligated Group that are not for the benefit of all Obligations issued under this Indenture. Any such fund shall be for the sole security and benefit of the specified Obligations.

SECTION 6.2 Funds for Payment or Security of All Obligations

Any Supplemental Indenture may establish a fund for the payment or security of all Obligations issued under this Indenture, and such fund may be held by the Trustee under the terms of such Supplemental Indenture. The establishment of any such fund need not comply with the provisions of *Section 7.3*.

SECTION 6.3 Credit Facilities for Obligations

The Authority may deliver to the Trustee, and the Trustee may accept, a Credit Facility solely for the benefit of any series of Obligations, or any portion of such series. The terms of the Supplemental Indenture authorizing the issuance of such Obligations (i) may grant to the obligor under such Credit Facility the right to exercise any rights or powers, or to grant or withhold any consent, on behalf of the Holders of Obligations secured by such Credit Facility and (ii) may provide that such obligor shall be

subrogated to the rights of the Holders of Obligations secured by such Credit Facility if, and to the extent that, such obligor is not paid or reimbursed for amounts paid or advanced to Obligationholders under the terms of such Credit Facility.

ARTICLE 7

Covenants of Obligated Group

SECTION 7.1 Payment of Principal, Premium and Interest

The Members of the Obligated Group will duly and punctually pay the principal, premium and interest on each Obligation on the dates, at the times and in the manner provided in such Obligation and this Indenture when and as the same become payable, whether at maturity, upon call for redemption, by acceleration of maturity or otherwise, according to the true intent and meaning hereof.

SECTION 7.2 General Covenants as to Existence and Conduct of Affairs

Each Member of the Obligated Group covenants and agrees that:

(a) **Existence and Rights.** It shall preserve its existence and all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs and shall be qualified to do business in each jurisdiction where its ownership of assets or the conduct of its business requires such qualification; provided, however, that nothing herein contained shall be construed to obligate it to retain or preserve any of its rights or licenses no longer used or useful in the conduct of its business.

(b) **Maintenance of Properties.** It shall at all times cause its properties used or useful in the conduct of its business to be maintained, preserved and kept in good condition, repair and working order and cause to be made all needful and proper repairs, renewals and replacements thereof; provided, however, that nothing herein contained shall be construed (i) to prevent a Member of the Obligated Group from ceasing to operate any portion of its properties, if in the judgment of such Member it is advisable not to operate the same for the time being, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such a sale or other disposition, or (ii) to obligate a Member of the Obligated Group to retain, preserve, repair, renew or replace any property, leases, rights, privileges or licenses no longer used or useful in the conduct of its business.

(c) **Compliance with Applicable Law.** It shall conduct its affairs and carry on its business and operations in such manner as to comply with, in all material respects, any and all applicable laws of the United States and the several states thereof and shall duly observe and comply with, in all material respects, all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its properties; provided, however, that nothing herein contained shall require a Member of the Obligated Group to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof shall be contested in good faith by appropriate proceedings.

(d) **Taxes and Assessments.** It shall promptly pay all taxes, assessments or other governmental charges at any time levied or assessed upon or against it or its properties; provided, however, that it shall have the right to contest such charges in good faith by appropriate proceedings, and pending such contest may delay or defer payment thereof.

(e) **Payment of Debts and Obligations.** It shall promptly pay or otherwise satisfy and discharge all obligations, indebtedness, demands and claims as and when the same become due and

payable, other than any thereof whose validity, amount or collectibility is being contested in good faith by appropriate proceedings.

(f) **Compliance with Lien or Security Documents.** It shall at all times comply with all material terms, covenants and provisions contained in any mortgages or instruments evidencing any liens at any time existing upon its properties or any part thereof securing any indebtedness incurred or assumed by it and pay or cause to be paid, or to be renewed, refunded or extended or to be taken up, by it, all bonds, notes or other evidences of indebtedness secured by any such mortgage or lien, as and when the same shall become due and payable.

(g) **Licenses and Permits.** It shall procure and maintain all necessary licenses and permits and, if such Member is a health care provider, it shall, to the extent customary for operations of such Member, maintain (i) accreditation of its health care facilities by the Joint Commission or a similar nationally recognized accrediting agency and (ii) the status of its health care facilities as a provider of health care services eligible for payment or reimbursement under Medicare, Medicaid, Blue Cross and other appropriate insurance or reimbursement programs; provided, however, that it shall not be necessary for such Member to procure or maintain any license, permit or status that, in the good faith judgment of such Member, is not essential to the successful conduct of its business.

(h) **Insurance.** It shall maintain insurance (including self-insurance or self-insurance pools or trusts) covering such risks and in such amounts as, in its judgment, is adequate and prudent to protect it and its properties and operations; provided, however, that no Member of the Obligated Group shall be self-insured with respect to risks against loss or damage to its buildings and equipment by fire or other casualty except to the extent that (i) any policy of insurance against such risks contains a deductible or self-insurance amount that such Member considers prudent and consistent with industry practice with respect to similar properties and operations and (ii) such Member or the Obligated Group Representative determines in good faith that insurance against a type or category of casualty (for example, wind insurance for "named storms") is not reasonably available or is not prudent under the circumstances and self-insurance with respect to such risk is consistent with industry practice with respect to similar properties and operations.

SECTION 7.3 Restrictions as to Creation of Liens

(a) No Member of the Obligated Group will create or suffer to be created or exist any Lien upon any of its assets now owned or hereafter acquired by it other than Permitted Encumbrances (as defined in subsection (b) of this Section), without effective provision being made, in each instance, whereby all Obligations are directly secured thereby equally and ratably with the Debt to be issued under and secured by such Lien.

(b) Permitted Encumbrances shall consist of the following:

(1) any Lien existing on the date of delivery of this Indenture; provided, that no such Lien may be extended, renewed or modified to apply to any assets of such Member not subject to such Lien on such date unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Encumbrance hereunder;

(2) Liens arising in the ordinary course of business (other than liens to secure Debt incurred by a Member of the Obligated Group), including without limitation (i) liens for taxes, assessments, or other governmental charges, provided that payment of such charge is not delinquent or payment is being contested in good faith by appropriate proceedings, (ii) pledges or deposits to secure obligations under workmen's compensation laws or similar legislation, including liens of judgments thereunder which are not currently dischargeable, (iii) pledges or

deposits to secure performance in connection with bids, tenders, contracts (other than contracts for the payment of money) or leases made in the ordinary course of business to which it is a party as lessee, (iv) pledges or deposits to secure public or statutory obligations of such Member, (v) materialmen's, mechanics', carriers', workmen's, repairmen's, or other similar liens arising in the ordinary course of business, or deposits to obtain the release of such liens, provided that payment of the amount secured by such lien is not delinquent or payment is being contested in good faith by appropriate proceedings, (vi) liens resulting from any judgment that is being contested in good faith by appropriate proceedings if execution on such judgment is effectively stayed, and pledges or deposits to secure, or provided in lieu of, any surety, stay or appeal bond with respect to any such judgment, (vii) leases made in the ordinary course of business, (viii) statutory landlords' liens under leases to which such Member is a party, (ix) zoning restrictions, easements, licenses, restrictions on the use of real property or minor irregularities in title thereto, which do not, in the opinion of such Member, materially impair the use of such property in the operation of the business of such Member or the value of such property for the purpose of such business, (x) pledges or deposits to enable such Member to maintain self-insurance or to participate in any self-insurance pools or trusts, (xi) liens on money deposited by patients or others with such Member as security for, or as prepayment of, the cost of services to be rendered by such Member, (xii) liens in favor of Medicare, Medicaid, Blue Cross and similar programs to secure the repayment by such Member of reimbursement payments in excess of contractual limitations, provided that the repayment secured by such lien is not delinquent or repayment is being contested in good faith by appropriate proceedings, and (xiii) restrictions or other liens created prior to, or as a condition of, the transfer of the affected assets to such Member by gift, grant, legacy or bequest;

(3) Purchase Money Mortgages if, after giving effect thereto and to any concurrent transactions, each such Purchase Money Mortgage secures an amount not in excess of the cost of the particular asset to which it relates and any related financing charges;

(4) any Lien on an asset acquired by such Member if such Lien was already in existence at the time of acquisition of such asset by such Member; provided, that no such Lien may be extended, renewed or modified to apply to any assets of such Member not subject to such Lien on such date unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Encumbrance hereunder;

(5) any Lien created by a Member of the Obligated Group in favor of any other Member of the Obligated Group;

(6) any Lien already in existence at the time a Member of the Obligated Group became such in accordance with the provisions of **Article 12**; provided, that no such Lien may be extended, renewed or modified to apply to any assets of such Member not subject to such Lien on such date unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Encumbrance hereunder;

(7) any Lien on money and investments on deposit in the various funds and accounts customarily established under an indenture or similar instrument providing for the issuance of Debt, including without limitation a debt service fund, a bond purchase fund, a debt service reserve fund and a fund to hold proceeds of such Debt until disbursed for the purpose for which such Debt was incurred; provided, however, that the amount of any such reserve fund may not exceed 15% of the original principal amount of the Debt secured;

(8) any Lien on property of such Member incurred for the purpose of securing Debt, if the outstanding principal amount of such Debt, together with the outstanding principal amount

of all other Debt secured pursuant to this paragraph, does not exceed 15% of the Book Value of property of the Obligated Group at the end of the Fiscal Year immediately prior to the creation of such Lien; and

(9) any Lien to secure a Member's obligations under a Hedge Agreement if the Hedge Agreement complies with the provisions of *Section 3.2* and *Section 7.9*.

SECTION 7.4 Restrictions as to Additional Debt

(a) The Obligated Group will not incur, or otherwise become liable in respect of, any additional Debt unless the additional Debt meets the requirements of one or more of the following paragraphs:

(1) **Historical Test.** The Obligated Group may incur Long-Term Debt if the Pro Forma Debt Service Coverage Ratio for the preceding Fiscal Year (taking into account the Long-Term Debt to be incurred) was not less than 120%.

(2) **Historical Test and Forecast.** The Obligated Group may incur Long-Term Debt if

(A) the Pro Forma Debt Service Coverage Ratio (without taking into account the Long-Term Debt to be incurred) for the most recently completed Fiscal Year was not less than 110%, and

(B) the Pro Forma Debt Service Coverage Ratio (taking into account the Long-Term Debt to be incurred) for each of the 2 Fiscal Years immediately following the Fiscal Year in which such Debt is incurred (or, if the acquisition or construction of facilities is being financed by such Long-Term Debt, in each of the two Fiscal Years following the Fiscal Year in which such facilities are expected to be placed in service) will be not less than 120%. Such forecast must be accompanied by one of the following: (i) if such forecast indicates that the Pro Forma Debt Service Coverage Ratio for the relevant Fiscal Years will be less than 175%, a report or certificate of an Independent Consultant in the form customary for financial feasibility studies, or (ii) if such forecast indicates that the Pro Forma Debt Service Coverage Ratio for the relevant Fiscal Years will be at least 175%, a certificate of the chief financial officer of the Obligated Group Representative stating that, to the best of such officer's knowledge, the assumptions contained in such forecast are reasonable.

If the Obligated Group shall deliver to the Trustee a report of an Independent Consultant expressing the opinion (accompanied by the Opinion of Independent Counsel as to any conclusion of law supporting such opinion) that applicable laws or governmental regulations have prevented or will prevent the Obligated Group from complying with the Current Annual Debt Service Coverage Ratio specified in *Section 7.5* and that the Obligated Group has implemented, or is in the process of implementing with reasonable diligence, to the extent feasible and lawful, the recommendations (if any) made by such Independent Consultant pursuant to *Section 7.5*, then the Pro Forma Debt Service Coverage Ratios referred to in this *Section 7.4(a)(2)* need only be equal to or greater than 100%.

(3) **Completion Debt.** The Obligated Group may incur Completion Debt.

(4) **Refunding Debt.** The Obligated Group may incur Refunding Debt.

- (5) **Subordinated Debt.** The Obligated Group may incur Subordinated Debt.
- (6) **Reimbursement Obligations.** The Obligated Group may undertake Reimbursement Obligations with respect to Debt incurred pursuant to a separate exception.
- (7) **Debt Owed to Other Members.** Any Member may incur Debt owed to another Member.
- (8) **Debt Based on Percentage of Operating Revenue.** The Obligated Group may incur Debt (including without limitation Short-Term Debt and Debt evidenced by capitalized leases, installment sale agreements and other similar obligations for the payment of the purchase price of property or assets) if the amount of Debt to be incurred pursuant to this exception, together with the outstanding principal amount of all other Debt incurred by the Obligated Group pursuant to this exception, does not exceed 20% of the Obligated Group's Operating Revenue for the most recently completed Fiscal Year for which audited financial statements are available.

(b) The Obligated Group may elect to have Debt issued pursuant to one exception contained in **Section 7.4(a)** reclassified as having been incurred under another exception of **Section 7.4(a)** by demonstrating compliance with such other exception on the assumption that such Debt is being reissued or incurred on the date of such reclassification; provided, however, that prior to any such reclassification the Obligated Group must deliver to the Trustee the documents and opinions, if any, required by the relevant exception of **Section 7.4(a)** and a certificate of the chief financial officer of the Obligated Group stating in effect that as of the date of such reclassification all other facts or conditions exist that are necessary for such Debt to be so reclassified.

(c) The Obligated Group may become liable with respect to Guaranteed Long-Term Debt on the same terms and conditions provided above with respect to direct Long-Term Debt incurred by the Obligated Group, provided that the annual debt service requirements on such Guaranteed Long-Term Debt to be included in the calculation of the relevant Pro Forma Debt Service Coverage Ratio shall be determined as provided in the definition of "Maximum Annual Debt Service". The Obligated Group may become liable with respect to Guaranteed Short-Term Debt on the same terms and conditions provided above with respect to direct Short-Term Debt incurred by the Obligated Group.

(d) This Section does not restrict or preclude the Obligated Group from incurring liabilities that do not constitute Debt or Guaranteed Debt. If the Obligated Group incurs obligations under a Hedge Agreement it must comply with the provisions of **Section 3.2** and **Section 7.9**.

SECTION 7.5 Required Current Annual Debt Service Coverage

(a) The Current Annual Debt Service Coverage Ratio of the Obligated Group for any Fiscal Year shall not be less than 100%.

(b) If the Current Annual Debt Service Coverage Ratio of the Obligated Group for any Fiscal Year is less than 110%, the Obligated Group shall retain an Independent Consultant to make recommendations to increase such Current Annual Debt Service Coverage Ratio to at least 110%, or, if applicable laws and governmental regulations will not permit the Obligated Group to maintain such Current Annual Debt Service Coverage Ratio, to the highest level permitted by such laws and regulations, but in no event shall the Current Annual Debt Service Coverage Ratio for any Fiscal Year be less than 100%. The Obligated Group will, to the extent feasible and lawful, follow the recommendations of the Independent Consultant.

SECTION 7.6 Liquidity Covenant

(a) The Obligated Group shall maintain not less than 60 Days' Cash on Hand as of the last day of each semiannual period of its Fiscal Year (each such date being a "Testing Date").

(b) If the Days' Cash on Hand as of any Testing Date is less than 75, the Obligated Group shall retain an Independent Consultant to make recommendations to increase such Days' Cash on Hand to at least 75 days or, if applicable laws and governmental regulations will not permit the Obligated Group to maintain such Days' Cash on Hand, to the highest level permitted by such laws and regulations. The Obligated Group will, to the extent feasible and lawful, follow the recommendations of the Independent Consultant.

SECTION 7.7 Sale, Lease or other Disposition of Assets

No Member of the Obligated Group shall convey, transfer, sell, lease or otherwise dispose of any of its assets unless:

- (1) such disposition is in the ordinary course of business; or
- (2) such disposition is made to a another Member of the Obligated Group; or
- (3) such disposition is made pursuant to a merger, consolidation or transfer permitted by the provisions of *Article 12*; or
- (4) the asset to be disposed of consists of property, plant or equipment and such asset is obsolete, worn out, unprofitable or unsuitable and such disposition will not materially impair the structural soundness, efficiency or economic value of the remaining operating assets of such Member; or
- (5) such Member receives consideration in an amount not less than the fair market value of the asset disposed of; or
- (6) the aggregate Book Value of the assets to be disposed of, together with the aggregate Book Value of all other assets previously disposed of pursuant to this paragraph in the same Fiscal Year, is not more than 5% of the Book Value of the assets of the Obligated Group at the end of the Fiscal Year immediately prior to such disposition; or
- (7) prior to such disposition the Obligated Group delivers to the Trustee evidence that immediately after such disposition the Obligated Group will be entitled to incur \$1 of additional Debt under the terms and conditions of *Section 7.4(a)(1)* of this Indenture.

SECTION 7.8 Filing of Financial Statements, Certificate of No Default, Other Information

(a) As soon as practicable, but in no event later than 150 days after the end of each Fiscal Year, the Authority shall deliver to the Trustee audited, consolidated financial statements for the Authority and its affiliates that include (i) a statement of revenues and expenses for such Fiscal Year, (ii) a balance sheet as of the end of such Fiscal Year, and (iii) a statement of cash flows for such Fiscal Year. The audit report shall include additional or supplemental information that provides an income statement and balance sheet for the Obligated Group alone. The audit report on such additional or supplemental information may contain qualifications consistent with general auditing practice or standards.

(b) As soon as practicable, but in no event later than 150 days after the end of each Fiscal Year, the Authority shall deliver to the Trustee a certificate of the Authority's chief executive officer stating that, except as disclosed in such certificate, such officer has obtained no knowledge of any event which, with notice or lapse of time or both, would constitute an Event of Default hereunder.

(c) If an Event of Default shall exist, the Authority shall (i) file with the Trustee such other financial statements and information concerning the operations and financial affairs of the Members of the Obligated Group as the Trustee may from time to time reasonably request and (ii) provide access to the facilities of the Obligated Group for the purpose of inspection by the Trustee during regular business hours or at such other times as the Trustee may reasonably request.

(d) The Trustee shall be under no duty to review the information provided pursuant to *Section 7.8(a)*, and the Trustee shall not be considered to have notice of the content of such information or of any Event of Default based on such content (except as may be set forth in a certificate provided pursuant to *Section 7.8(b)*).

SECTION 7.9 Hedge Agreements

(a) No Member of the Obligated Group will enter into any Hedge Agreement unless such Member's obligation to make any termination payment under such Hedge Agreement shall be subject and subordinate to the payment obligations of the Members under this Indenture and the Obligations.

(b) If no Event of Default exists under this Indenture, Accelerated Payments may be made under Secured Hedge Agreements by the Obligated Group with funds of the Obligated Group or funds pledged pursuant to secured the Secured Hedge Agreement pursuant to *Section 7.3(b)(9)*.

(c) If an Event of Default exists under this Indenture, Accelerated Payments may be made under Secured Hedge Agreements by the Obligated Group only if all amounts then due and payable with respect to all Obligations other than Obligations issued pursuant to *Section 3.2* have been paid in full.

ARTICLE 8

Remedies of the Trustee and Obligationholders in Event of Default

SECTION 8.1 Events of Default

"Event of Default", as used herein, shall mean any of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any principal, premium, interest or any other payment due on any Obligations when and as the same shall become due and payable, whether at maturity, by acceleration or otherwise, in accordance with the terms thereof or of this Indenture;

(2) default in the performance, or breach, of any covenant or agreement on the part of any Member of the Obligated Group contained in this Indenture (other than a covenant or agreement a default in the performance or breach of which is elsewhere in this Section specifically dealt with) and the continuance of such default or breach for a period of 30 days after the date on which written notice of such default or breach, requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Holders of at least 25% in aggregate principal amount of Obligations then Outstanding, unless, in

the case of a default or breach that cannot be cured by the payment of money, the Obligated Group initiates efforts to correct such default or breach within 30 days from the receipt of such notice and diligently pursues such action until the default or breach is corrected; or

(3) default in the payment of any Debt of a Member of the Obligated Group in an amount greater than 1% of Obligated Group's net assets and the expiration of any period of grace with respect thereto, or a default shall occur under any mortgage, indenture or instrument under which any such Debt of the Obligated Group may be issued or secured, which default in payment or other default shall result in such Debt becoming or being declared due and payable prior to the date on which it would otherwise become due and payable; or

(4) an Act of Bankruptcy by any Member of the Obligated Group; or

(5) the existence of any additional Event of Default specified in a Supplemental Indenture.

SECTION 8.2 Acceleration of Maturity

Upon the occurrence of an Event of Default, then and in each and every such case, unless the principal of all Obligations shall have already become due and payable, the Trustee may, and if requested by the Holders of not less than 25% in aggregate principal amount of all Obligations then Outstanding, the Trustee shall, by notice in writing to the Obligated Group declare the principal of all such Obligations to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in such Obligations contained to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of all Obligations shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered as hereinafter provided, the Obligated Group shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest upon all such Obligations and the principal and premium, if any, of all such Obligations that shall have become due otherwise than by acceleration (with interest on overdue installments of such principal and premium, if any, and, to the extent legally enforceable, on any overdue installments of interest on such Obligations at the rate provided in such Obligations to the date of such payment or deposit) and the expenses of the Trustee, and any and all Events of Default under this Indenture, other than the nonpayment of principal of and accrued interest on such Obligations that shall have become due by acceleration, shall have been remedied - then and in every such case the Holders of a majority in aggregate principal amount of all Obligations then Outstanding, by written notice to the Obligated Group and to the Trustee, may waive all Events of Default and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or affect any subsequent Event of Default, or shall impair any right consequent thereon.

SECTION 8.3 Payment of Obligations on Default

The Members of the Obligated Group covenant that in case default shall be made in the payment of any principal, premium or interest on Obligations as and when the same shall become due and payable, whether upon maturity or upon redemption or upon declaration or otherwise, - then, upon demand of the Trustee, the Obligated Group will pay to the Trustee, for the benefit of the Holders of such Obligations, the whole amount that then shall have become due and payable on all such Obligations for principal, premium and interest (with interest on overdue principal and premium and, to the extent legally enforceable, on any overdue installments of interest on such Obligations at the rate of interest provided in such Obligations); and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including a reasonable compensation to the Trustee, its agents, attorneys and counsel, and any expenses incurred by the Trustee other than as a result of its gross negligence or bad faith.

SECTION 8.4 Suit for Money Due

In case the Obligated Group shall fail forthwith to pay the amounts due under *Section 8.3* upon such demand, the Trustee, in its own name and as trustee of an express trust shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Obligated Group, and collect in the manner provided by law out of the property of the Obligated Group wherever situated the moneys adjudged or decreed to be payable. The Trustee, upon the bringing of any action or proceeding at law or in equity under this Section, as a matter of right, without notice and without giving bond to the Obligated Group, may, to the extent permitted by law, have a receiver appointed of all of the property of the Obligated Group pending such action or proceeding, with such powers as the court making such appointment shall confer.

SECTION 8.5 Proceedings in Bankruptcy

In case proceedings for the bankruptcy, reorganization or arrangement of any Member of the Obligated Group shall be pending, under the Federal Bankruptcy Code or any other applicable law relative to such Member, its creditors or its property, or in case a receiver or trustee shall have been appointed for its property, the Trustee, irrespective of whether the principal of Obligations of any series shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of *Section 8.3*, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal, premium, if any, and interest owing and unpaid in respect of Obligations of all series, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and of the Holders of the Obligations allowed in such judicial proceedings relative to such Member, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of such Holders to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to such Holders, to pay to the Trustee any amount due it for compensation and expenses, including counsel fees incurred by it up to the date of such distribution. To the extent that such payment of reasonable compensation, expenses and counsel fees out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be payable out of, any and all distributions, dividends, money, securities and other property which the Holders of the Obligations may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

SECTION 8.6 Suit by Trustee

All rights of action and rights to assert claims under any Obligation may be enforced by the Trustee without the possession of such Obligation at any trial or other proceedings instituted by the Trustee. In any proceedings brought by the Trustee (and also by proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the Holders of Obligations, and it shall not be necessary to make any Holders of Obligations parties to such proceedings.

SECTION 8.7 Application of Money Collected

Any amounts collected by the Trustee pursuant to this Article shall be applied for the equal and ratable benefit of the Holders of Obligations of all series in the order following, at the date or dates fixed

by the Trustee for the distribution of such money, upon presentation of such Obligations, and stamping thereon the payment, if only partially paid, and upon surrender thereof if fully paid:

(1) First, to the payment of costs and expenses of collection, and of all amounts payable to the Trustee under **Section 9.6**;

(2) Second, to the payment of all Secured Payments evidenced or secured by Obligations, such payments to be made ratably to the persons entitled thereto, without discrimination or preference;

(3) Third, to the payment of the remainder, if any, to the Authority, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

SECTION 8.8 Suit by Obligationholders

(a) No Holder of an Obligation shall have any right by virtue or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture or for the appointment of a receiver or trustee, or any other remedy hereunder, unless

(1) such Holder previously shall have given to the Trustee written notice of default and of the continuance thereof, as hereinbefore provided,

(2) the Holders of not less than 25% in aggregate principal amount of Obligations then Outstanding shall have made written request upon the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby,

(3) the Trustee, for 30 days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding, and

(4) no direction inconsistent with such written request shall have been given to the Trustee pursuant to **Section 8.9**;

it being understood and intended, and being expressly covenanted by the Holder of an Obligation with every other Holder of an Obligation and the Trustee, that no one or more Holders of Obligations shall have any right in any manner whatever by virtue or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any other Holder of an Obligation or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Obligations. For the protection and enforcement of the provisions of this Section, each and every Holder of an Obligation and the Trustee shall be entitled to such relief as can be given either at law or in equity.

(b) The Holder of an Obligation instituting a suit, action or proceeding in compliance with the provisions of this Section shall be entitled in such suit, action or proceeding to such amounts as shall be sufficient to cover the costs and expenses of collection, including, to the extent permitted by applicable law, a reasonable compensation to its attorneys.

(c) Notwithstanding any other provisions in this Indenture, the right of a Holder of an Obligation to receive payment of the principal of, premium, if any, and interest on such Obligation, on or

after the respective due dates expressed in such Obligation, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 8.9 Direction of Proceedings and Waiver of Defaults by Obligationholders

The Holders of a majority in aggregate principal amount of Obligations then Outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee; provided, however, that, subject to **Section 8.2**, the Trustee shall have the right to decline to follow any such direction if the Trustee, being advised by counsel, determines that the action so directed may not lawfully be taken, or if the Trustee in good faith shall, by a Responsible Officer of the Trustee, determine that the proceedings so directed would be illegal or involve it in personal liability, and provided further that nothing in this Indenture shall impair the right of the Trustee in its discretion to take any action deemed proper by the Trustee and which is not inconsistent with such direction by the Obligationholders. Prior to the declaration of the maturity of Obligations as provided in **Section 8.2**, the Holders of a majority in aggregate principal amount of Obligations then Outstanding may on behalf of the Holders of all Obligations waive any past Event of Default and its consequences, except a default in the payment of the principal of, premium, if any, or interest on such Obligations or in respect of a covenant or provision hereof which under **Article 11** cannot be modified or amended without the consent of all the Holders of such Obligations then Outstanding. In the case of any such waiver the Authority, the Trustee and the Holders of Obligations of all series shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 8.10 Delay or Omission of Trustee

No delay or omission of the Trustee, or of any holder of an Obligation, to exercise any right or power accruing upon an Event of Default, occurring and continuing as aforesaid, 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, nor shall the action of the Trustee or of the Holders of Obligations in case of any Event of Default, or in case of any Event of Default and the subsequent waiver of such Event of Default, affect or impair the rights of the Trustee or of such Holders in respect of any subsequent Event of Default or impair any right resulting therefrom; and every power and remedy given by this Indenture to the Trustee or to such Holders may be exercised from time to time and as often as may be deemed expedient by it or by them.

SECTION 8.11 Remedies Cumulative

No remedy herein conferred upon or reserved to the Trustee or the Holders of Obligations entitled to the benefits hereof is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute; and the employment of any remedy hereunder, or otherwise, shall not prevent the concurrent employment of any other appropriate remedy or remedies.

SECTION 8.12 Notice of Default

The Trustee shall, within 30 days after the occurrence of an Event of Default, or an event which upon notice or lapse of time or both would constitute such an Event of Default, mail to all Holders of Obligations notice of such Event of Default or default known to the Trustee, unless such Event of Default or default shall have been cured before the giving of such notice; and provided that, except in the case of default in the payment of the principal, premium or interest on any of the Obligations, the Trustee shall be

protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests of the holders of Obligations.

SECTION 8.13 Remedies Subject to Applicable Law

All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Indenture invalid or unenforceable under the provisions of any applicable law.

ARTICLE 9

Concerning the Trustee

SECTION 9.1 Duties and Liabilities of Trustee

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee shall not incur liability for its action or inaction with respect to the performance of its duties and obligations under this Indenture unless such action or inaction constitutes willful misconduct or gross negligence under the circumstances. Liability of the Trustee for such action or inaction shall be further limited as follows:

(1) prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default that may have occurred:

(A) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture;

(B) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Trustee, unless it shall be proved that the Trustee was grossly negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

(c) None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Unless a Responsible Officer of the Trustee shall be specifically notified in writing by a Member or the Holders of more than twenty-five percent (25%) in aggregate principal amount of Outstanding Obligations of an Event of Default, the Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder. All notices or other instruments required to be delivered to the Trustee must, in order to be effective, be delivered at the Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Indenture Default except as aforesaid.

SECTION 9.2 Reliance on Documents, Indemnification, etc.

In addition to, or by way of clarification of, the rights, immunities, protections and privileges afforded to the Trustee in *Section 9.1*:

(1) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(2) Any request, direction, order or demand of the Authority mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors of the Authority may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Authority;

(3) The Trustee may consult with counsel and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice;

(4) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders of Obligations pursuant to the provisions of this Indenture, unless such Holders shall have offered to the Trustee security or indemnity, reasonably satisfactory to the Trustee, with respect to such additional compensation as the Trustee may require for complying with such request, order or direction and against the costs, expenses (including, without limitation, fees of counsel) and liabilities which may be incurred therein or thereby;

(5) The Trustee shall not be liable for any action taken or omitted by it within the discretion or rights or powers conferred upon it by this Indenture;

(6) Prior to the occurrence of an Event of Default hereunder and after the curing of all Events of Default, the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, debenture or other paper or document, unless requested in writing so to do by the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding; provided, however, that if the payment within a reasonable time to the Trustee

of the costs, expenses and liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require indemnity, reasonably satisfactory to the Trustee, with respect to such additional compensation as the Trustee may require for complying with such request and against such costs, expenses (including, without limitation, fees of counsel) or liabilities as a condition to so proceeding; and provided further, that nothing in this paragraph (6) shall require the Trustee to give such Holders any notice other than that required by *Section 8.12*. The reasonable expense of every such investigation shall be paid by the Authority or, if paid by the Trustee, shall be repaid by the Authority upon demand;

(7) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys;

(8) The Trustee shall be under no responsibility for the approval by it in good faith of any expert for any of the purposes expressed in this Indenture;

(9) The Trustee shall have no obligation to file financing statements or continuation statements; and

(10) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and the right to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the discharge of this Indenture, and final payment of the Obligations.

SECTION 9.3 Responsibility for Recitals, Validity of Indenture, Proceeds of Obligations

The recitals contained herein, in each related Supplemental Indenture and in the Obligations (other than the certificate of authentication on such Obligations) shall be taken as the statements of the Authority, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Obligations. The Trustee shall not be accountable for the use or application by the Authority of any of such Obligations or of the proceeds of such Obligations, or for the use or application of any money paid over by the Trustee in accordance with any provision of this Indenture, or for use or application of any money received by any paying agent other than the Trustee.

SECTION 9.4 Trustee, Paying Agent or Registrar may own Obligations

The Trustee or any paying agent, or Obligation registrar, in its individual or any other capacity, may become the owner or pledgee of Obligations with the same rights it would have if it were not Trustee, paying agent, or Obligation registrar.

SECTION 9.5 Money to be Held in Trust

All money received by the Trustee shall, until used or applied as herein provided (including payment of money to the Authority under *Section 13.4*), be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder.

SECTION 9.6 Compensation and Expenses of Trustee

The Authority covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation, and the Authority will pay or reimburse the Trustee upon demand for all reasonable expenses, disbursements and advances incurred or made by the Trustee in connection with the acceptance or administration of its trust under this Indenture (including the reasonable compensation, expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its gross negligence or bad faith. The Authority also covenants to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without gross negligence or bad faith on the part of the Trustee and arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses (including, without limitation, a reasonable compensation to its attorneys) of defending itself against any claim or liability in the premises. The obligations of the Authority under this Section to compensate the Trustee, to pay or reimburse the Trustee for expenses, disbursements and advances and to indemnify and hold harmless the Trustee shall survive the satisfaction and discharge of this Indenture.

SECTION 9.7 Officer's Certificate as Evidence

Except as otherwise provided in *Section 9.1*, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of gross negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officer's Certificate delivered to the Trustee, and such Certificate, in the absence of gross negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the faith thereof.

SECTION 9.8 Resignation, Removal and Successor Trustee

The Trustee may resign at any time without cause by giving at least 30 days' prior written notice to the Authority and to each Holder of an Obligation, such resignation to be effective upon the acceptance of such trusteeship by a successor. In addition, the Trustee may be removed without cause at the direction of the Authority (if no Event of Default exists) or the Holders of a majority in aggregate principal amount of Obligations, and the Trustee shall promptly give notice thereof in writing to each Holder of an Obligation as provided above. In the case of the resignation or removal of the Trustee, a successor trustee may be appointed at the direction of the Holders of not less than a majority in aggregate principal amount of Obligations. If a successor trustee shall not have been appointed within 30 days after such notice of resignation or removal, the Trustee, the Authority or any Holder of an Obligation may apply to any court of competent jurisdiction to appoint a successor to act until such time, if any, as a successor shall have been appointed as above provided. The successor so appointed by such court shall immediately and without further act be superseded by any successor appointed as above provided.

SECTION 9.9 Acceptance by Successor Trustee

Any successor trustee, however appointed, shall execute and deliver to its predecessor and to the Authority an instrument accepting such appointment, and thereupon such successor, without further act, shall become vested with all the estate, properties, rights, powers and duties of its predecessor hereunder in the trusts under this Indenture applicable to it with like effect as if originally named the Trustee; but, nevertheless, upon the written request of such successor trustee, its predecessor shall execute and deliver an instrument transferring to such successor trustee, upon the trusts herein expressed applicable to it, all the estates, properties, rights and powers of such predecessor under this Indenture, and such predecessor shall duly assign, transfer, deliver and pay over to such successor trustee all money or other property then held by such predecessor under the Indenture.

SECTION 9.10 Qualifications of Successor Trustee

Any successor trustee, however appointed, shall (i) be a commercial bank or trust company organized under the laws of the United States or any state thereof, (ii) be authorized under such laws to exercise corporate trust powers, (iii) be subject to supervision or examination by federal or state authority and (iv) have shareholders' equity of not less than \$50,000,000.

SECTION 9.11 Successor by Merger

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation to which substantially all the business of the Trustee may be transferred, shall, subject to the terms of *Section 9.10*, be the Trustee under this Indenture without further act.

SECTION 9.12 Co-Trustees

(a) At any time, for the purpose of meeting the legal requirements of any applicable jurisdiction, the Trustee shall have power to appoint one or more persons to act as co-trustee under this Indenture, with such powers as may be provided in the instrument of appointment, and to vest in such person or persons any property, title, right or power deemed necessary or desirable, subject to the remaining provisions of this Section.

(b) Each co-trustee shall, to the extent permitted by applicable law, be appointed subject to the following terms:

(1) The rights, powers, duties and obligations conferred or imposed upon any such trustee shall not be greater than those conferred or imposed upon the Trustee, and such rights and powers shall be exercisable only jointly with the Trustee, except to the extent that, under any law of any jurisdiction in which any particular act or acts are to be performed, the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights and powers shall be exercised by such co-trustee subject to the provisions of subsection (b)(4) of this Section.

(2) The Trustee may at any time, by an instrument in writing executed by it, accept the resignation of or remove any co-trustee appointed under this Section.

(3) No co-trustee under this Indenture shall be liable by reason of any act or omission of any other co-trustee appointed pursuant to this Indenture.

(4) No power given to such co-trustee shall be separately exercised hereunder by such co-trustee except with the consent in writing of the Trustee, anything herein contained to the contrary notwithstanding.

ARTICLE 10

Concerning the Obligationholders

SECTION 10.1 Evidence of Action by Obligationholders; Holders of Related Debt Deemed Obligationholders

Whenever in this Indenture it is provided that the Holders of a specified percentage in aggregate principal amount of Obligations may take any action (including the making of any demand or request, the giving of any notice, consent or waiver, or the taking of any other action), (i) the fact that at the time of

taking any such action the Holders of such specified percentage have joined therein shall be evidenced by any instrument or any number of instruments of similar tenor executed by such Holders in person or by agent or proxy appointed in writing and (ii) in determining whether the Holders of the requisite aggregate principal amount of Obligations have concurred in taking any such action, Obligations owned or held by a trustee or other agent for the benefit of the holder or holders of Related Debt shall be disregarded and deemed not Outstanding for the purposes of such determination and (except as otherwise expressly provided in the Related Debt Document) each holder of such a Related Debt then outstanding under the Related Debt Document shall, for the purposes of such determination, be deemed to hold an Obligation in a principal amount equal to the aggregate principal amount of the Related Debt held by such holder.

SECTION 10.2 Proof of Execution of Instruments and of Ownership of Obligations and Related Debt

Subject to the provisions of *Section 9.1* and *9.2*, proof of the execution of any instrument by an Obligationholder, or the holder of a Related Debt Document for the purposes of *Section 10.1* (a "Related Debtholder"), or his agent or proxy and proof of the ownership by any person of Obligations or Related Debt shall be sufficient if made in the following manner:

(1) The fact and date of the execution by any such person of any instrument may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in any state within the United States, that the person executing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution sworn to before any such notary or other such officer. If such execution is by an officer of a corporation, association or trust, trustee of a trust or a member of a partnership on behalf of such corporation, association, trust or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority.

(2) The Trustee shall not be bound to recognize any person as an Obligationholder or Related Debtholder unless and until his title to the Obligations, or the Related Debt, as the case may be, held by him is proved in the manner in this *Article 10* provided.

(3) The Trustee may accept such other proof or require such additional proof of any matter referred to in this Section as it shall deem reasonable.

SECTION 10.3 Obligations or Related Debt Owned by Member of the Obligated Group

In determining whether the Holders of the requisite aggregate principal amount of Obligations have concurred in any demand, direction, request, notice, consent, waiver or other action under this Indenture, such Obligations or Related Debt Documents that are owned by a Member of the Obligated Group or any Affiliate of the Authority shall be disregarded and deemed not to be Outstanding or outstanding under the Related Debt Document, as the case may be, for the purpose of any such determination, provided that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver, only such Obligations or Related Debt which the Trustee knows are so owned shall be so disregarded. Obligations or Related Debt so owned that have been pledged in good faith may be regarded as Outstanding or outstanding under the Related Debt Document, as the case may be, for the purposes of this Section, if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Obligations or Related Debt and that the pledgee is not an Affiliate of the Authority. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 10.4 Revocation of Consent; Binding of Future Obligationholders and Holders of Related Debt

(a) At any time prior to (but not after) the Trustee, as provided in *Section 10.1*, acts in reliance upon any action by the Holders of the requisite percentage in aggregate principal amount of Obligations, any Obligationholder or Related Debtholder may, by filing written notice with the Trustee at its principal office and upon proof of ownership as provided in *Section 10.2*, revoke such action so far as concerns such Obligation or Related Debt.

(b) Except as provided in subsection (a) of this Section, any such action taken by an Obligationholder or a Related Debtholder and any direction, demand, request, waiver, consent, vote or other action of the Obligationholder or the Related Debtholder shall be conclusive and binding upon such Obligationholder or the Related Debtholder and upon all future Obligationholders or Related Debtholders, irrespective of whether or not any notation in regard thereto is made upon such Obligation or Related Debt Document. Any action taken by the Holders of the requisite percentage in aggregate principal amount of such Obligations specified in this Indenture in connection with such action shall be conclusively binding upon the Obligated Group, the Trustee, the Holders of all of such Obligations and the holders of all Related Debt.

ARTICLE 11

Amendment of Obligation Documents

SECTION 11.1 General Requirements for Amendments

The Trustee may, on behalf of the Obligationholders, from time to time enter into, or consent to, an amendment of any Obligation Document only as permitted by this Article.

SECTION 11.2 Amendments Without Consent of Obligationholders

An amendment of the Obligation Documents for any of the following purposes may be made, or consented to, by the Trustee without the consent of the Holders of any Obligations:

(a) to correct or amplify the description of any property at any time subject to the lien of any Obligation Document, or better to assure, convey and confirm unto any secured party any property subject or required to be subjected to the lien of any Obligation Document, or to subject to the lien of any Obligation Document, additional property; or

(b) to evidence the succession of another person to any Financing Participant and the assumption by any such successor of the covenants of such Financing Participant (provided that the requirements of the related Obligation Document for such succession and assumption are otherwise satisfied); or

(c) to add to the covenants of any Financing Participant for the benefit of Obligationholders and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants an event of default under the specified Obligation Documents permitting the enforcement of all or any of the several remedies provided therein; provided, however, that with respect to any such covenant, such amendment may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available upon such default;

(d) to surrender any right or power conferred upon any Financing Participant other than rights or powers for the benefit of Obligationholders; or

(e) to cure any ambiguity or to correct any inconsistency, provided such action shall not adversely affect the interests of the Holders of the Obligations; or

(f) to appoint a separate agent of the Obligated Group or the Trustee to perform any one or more of the following functions: (1) registration of transfers and exchanges of Obligations, or (2) payment of debt service on the Obligations; provided, however, that any such agent must be a bank or trust company with long-term obligations, at the time such appointment is made, in one of the three highest rating categories of at least one Rating Agency.

SECTION 11.3 Amendments Requiring Consent of All Affected Obligationholders

An amendment of the Obligation Documents for any of the following purposes may be entered into, or consented to, by the Trustee only with the consent of the Holder of each Obligation affected:

(a) to change the stated Maturity of the principal of, or any installment of interest on, any Debt Obligation, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which, any Obligation, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated Maturity thereof (or, in the case of redemption, on or after the redemption date); or

(b) to reduce the percentage in principal amount of the Outstanding Obligations, the consent of whose Holders is required for any amendment of the Obligation Documents, or the consent of whose Holders is required for any waiver provided for in the Obligation Documents; or

(c) to modify or alter the provisions of the proviso to the definition of the term "Outstanding"; or

(d) to modify any of the provisions of this Section or *Section 8.9*, except to increase any percentage provided thereby or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Obligation affected thereby; or

(e) to permit the creation of any lien ranking prior to or on a parity with the lien of this Indenture with respect to any of the Trust Estate or terminate the lien of this Indenture on any property at any time subject hereto or deprive the Holder of any Obligation of the security afforded by the lien of this Indenture; or

(f) to reduce the amount of, or change the due date of any payments due on, any Ancillary Obligation.

SECTION 11.4 Amendments Requiring Majority Consent of Obligationholders

An amendment of the Obligation Documents for any purpose not described in *Sections 11.2 or 11.3* may be entered into, or consented to, by the Trustee only with the consent of the Holders of a majority in principal amount of Debt Obligations Outstanding.

SECTION 11.5 Discretion of Trustee

The Trustee may in its discretion determine whether or not any Obligations would be affected by any amendment of the Obligation Documents and any such determination shall be conclusive upon the Holders of all Obligations, whether theretofore or thereafter authenticated and delivered hereunder. The Trustee shall not be liable for any such determination made in good faith.

SECTION 11.6 Trustee Protected by Opinion of Counsel

In executing or consenting to any amendment permitted by this Article, the Trustee shall be entitled to receive, and, subject to *Section 9.1*, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Indenture.

SECTION 11.7 Amendments Affecting Trustee's Personal Rights

The Trustee may, but shall not be obligated to, enter into any amendment that affects the Trustee's own rights, duties or immunities under the Obligation Documents.

SECTION 11.8 Effect on Obligationholders

Upon the execution of any amendment under this Article, every Holder of Obligations theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 11.9 Reference in Obligations to Amendments

Obligations authenticated and delivered after the execution of any amendment under this Article shall, if required by such amendment or by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such amendment. New Obligations so modified as to conform to any such amendment shall, if required by such amendment or by the Trustee, be prepared and executed by the Obligated Group and authenticated and delivered by the Trustee in exchange for Outstanding Obligations.

SECTION 11.10 Supplemental Indentures

A Supplemental Indenture that authorizes the issuance of Obligations in accordance with the terms of this Indenture and a Supplemental Indenture that provides for the addition or withdrawal of a Member of the Obligated Group in accordance with the terms of this Indenture shall not be considered an amendment of the Indenture for purposes of this *Article 11*. A Supplemental Indenture that changes the terms of this Indenture shall be considered an amendment for purposes of this *Article 11*.

ARTICLE 12

The Obligated Group

SECTION 12.1 Conditions for Becoming a Member of the Obligated Group

A person may become a Member of the Obligated Group for purposes of this Indenture if:

(1) such person shall execute and deliver to the Trustee an appropriate instrument containing the agreement of such person to become jointly and severally liable (together with the Authority and all other Obligated Group Members) for the payment of all Obligations hereunder and for the performance of all obligations of the Obligated Group hereunder;

(2) the Authority and each other Member of the Obligated Group consents in writing to such person becoming a Member of the Obligated Group;

(3) no Event of Default exists;

(4) the Authority delivers to the Trustee a certificate (together with supporting calculations) stating that if such person had been a Member of the Obligated Group as of the most recent testing date for the financial covenants of *Article 6*, no Event of Default would have existed on such testing date;

(5) the Authority delivers a certificate to the Trustee stating in effect that after giving effect to the admission of such person the Obligated Group can incur at least \$1 of additional Long-Term Debt under the provisions of *Section 7.4(a)(1)*;

(6) the Authority shall deliver to the Trustee an Opinion of Counsel stating in effect that such transaction shall not cause or result in a loss of tax-exempt status for any Debt (or Related Debt) then outstanding that was issued as tax-exempt Debt; and

(7) the Authority shall deliver to the Trustee an Opinion of Counsel stating in effect that the instrument delivered pursuant to *Section 12.1(1)* constitutes a valid and binding agreement of such person, except as limited by bankruptcy, insolvency, reorganization and other similar laws affecting creditors' rights.

SECTION 12.2 Effect of Status as Member of the Obligated Group

After any person becomes a Member of the Obligated Group, any reference herein to a Member of the Obligated Group shall, with the necessary changes in detail, be deemed to include the newly added Member of the Obligated Group; and any covenant contained herein obligating a Member of the Obligated Group to perform or observe any agreement with respect to its property or its operations shall be deemed to obligate the newly added Member of the Obligated Group to perform or observe such covenant with respect to its property or its operations; and the Events of Default herein shall apply to action or failure to act by the newly added Member of the Obligated Group.

SECTION 12.3 Termination of Status as a Member of the Obligated Group

(a) Any Member of the Obligated Group (other than the Authority) may cease to be a Member of the Obligated Group if:

(1) such person shall execute and deliver to the Trustee an appropriate instrument declaring that such person will no longer be a Member of the Obligated Group;

(2) the Authority and each other remaining Member of the Obligated Group consents in writing to such person's ceasing to be a Member of the Obligated Group;

(3) no Event of Default exists;

(4) the Obligated Group Representative delivers a certificate to the Trustee stating in effect that after giving effect to the withdrawal of such Member the remaining Members of the Obligated Group can incur at least \$1 of additional Long-Term Debt under the provisions of *Section 7.4(a)(1)* and

(5) the Authority delivers to the Trustee a certificate (together with supporting calculations) stating that if such person had not been a Member of the Obligated Group as of the

most recent testing date for the financial covenants of *Article 7*, no Event of Default would have existed on such testing date.

(b) Upon satisfaction of the conditions set forth in *Section 12.3(a)*, the Trustee shall execute and deliver any releases or other documents reasonably requested by the person ceasing to be a Member of the Obligated Group to evidence the termination of such person's status as a Member of the Obligated Group.

(c) Notwithstanding any other provision of this Indenture, the Authority shall not terminate its status as a Member of the Obligated Group.

SECTION 12.4 Existence; Merger, Consolidation, Etc.

(a) Each Member of the Obligated Group will do or cause to be done all things necessary to preserve and keep in full force and effect its existence.

(b) No Member of the Obligated Group shall consolidate with or merge into any other corporation or transfer its property substantially as an entirety to any person unless:

(1) the corporation formed by such consolidation or into which such Member is merged or the person which acquires by conveyance or transfer such Member's property substantially as an entirety (the "Successor") shall execute and deliver to the Trustee an instrument in form recordable and acceptable to the Trustee containing an assumption by such Successor of the due and punctual payment of the debt service on the Obligations and the performance and observance of every covenant and condition of this Indenture to be performed or observed by the Obligated Group;

(2) no Event of Default exists or would occur giving effect to such consolidation or merger;

(3) the Obligated Group Representative delivers a certificate to the Trustee stating in effect that after giving effect to such consolidation or merger the Obligated Group would be able to incur at least \$1 of additional Long-Term Debt under the provisions of *Section 7.4(a)(1)*; and

(4) the Obligated Group Representative shall deliver to the Trustee a Favorable Tax Opinion.

(c) Upon any consolidation or merger or any conveyance or transfer of the Authority's property substantially as an entirety in accordance with this Section, the Successor shall succeed to, and be substituted for, and may exercise every right and power of, such Member of the Obligated Group under this Indenture with the same effect as if such Successor had been named herein as such Member of the Obligated Group.

SECTION 12.5 Obligated Group Representative

(a) The Authority shall serve as the Obligated Group Representative for purposes of this Indenture.

(b) As Obligated Group Representative the Authority shall, on behalf of all Members of the Obligated Group, perform the following functions for the Obligated Group for purposes of this Indenture:

(1) Execute and deliver Obligations under this Indenture.

(2) Execute and deliver supplements and amendments to this Indenture; provided, however, that any supplement or amendment to this Indenture that purports to add or remove any Member of the Obligated Group shall also be executed by the Member being added or removed.

(3) Execute and deliver notices, directions, elections and consents on behalf of the Obligated Group.

(c) Except as otherwise expressly provided in this Indenture, no further authorization or approval by any Member shall be required for actions by the Obligated Group Representative under this Indenture.

ARTICLE 13

Satisfaction and Discharge of Indenture; Unclaimed Money

SECTION 13.1 Satisfaction and Discharge of Indenture

If (i) the Authority shall deliver to the Trustee for cancellation all Obligations theretofore authenticated (other than any Obligations which shall have been destroyed, lost or stolen and which shall have been replaced or paid) and not theretofore cancelled, or (ii) all Obligations not theretofore cancelled or delivered to the Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within 1 year or are to be called for redemption within 1 year under arrangements satisfactory to the Trustee for the giving of notice of redemption, and the Authority shall deposit with the Trustee as trust funds the entire amount sufficient to pay at maturity or upon redemption all Obligations of such series not theretofore cancelled or delivered to the Trustee for cancellation, including principal and interest due or to become due to such date of maturity or redemption date, as the case may be, and if in either case the Authority shall also pay or cause to be paid all other sums payable hereunder by the Authority, then this Indenture shall cease to be of further effect, and the Trustee, on demand of the Authority, and at the cost and expense of the Authority, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture. The Authority hereby agrees to reimburse the Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Trustee in connection with this Indenture or such Obligations.

SECTION 13.2 Application of Funds Deposited for Payment of Obligations

All money deposited with the Trustee pursuant to *Section 13.1* shall be held in trust and applied by it to the payment, either directly or through any paying agent (including the Authority acting as its own paying agent), to the Holders of the Obligations for the payment or redemption of which such money has been deposited with the Trustee, of all sums due and to become due thereon for principal, premium and interest.

SECTION 13.3 Repayment of Money Held by Paying Agent

In connection with the satisfaction and discharge of this Indenture as it relates to Obligations, upon demand of the Authority all money then held by any paying agent under the provisions of this Indenture as it relates to Obligations shall, to the extent permitted by applicable law, be paid to the Trustee and thereupon such paying agent shall be released from all further liability with respect to such moneys.

SECTION 13.4 Repayment of Money Held by Trustee

Any money deposited with the Trustee or any paying agent for the payment of the principal, premium or interest on Obligations and not applied but remaining unclaimed by the Holders of such Obligations for 3 years after the date upon which such payment shall have become due, shall, to the extent permitted by applicable law, be repaid to the Authority by the Trustee or by such paying agent on demand; and, upon such repayment, the Holder of any of such Obligations entitled to receive such payment shall thereafter look only to the Authority for the payment thereof; provided, however, that the Trustee or such paying agent, before being required to make any such repayment, may at the expense of the Authority cause to be published once a week for two successive weeks (in each case on any day of the week) in a newspaper of general circulation in the city where the Office of the Trustee is located, a notice that said money has not been so applied and that after a date named therein any unclaimed balance of said money then remaining will be returned to the Authority.

ARTICLE 14

Immunity of Incorporators, Members, Officers and Members of Board of Directors

SECTION 14.1 Incorporators, Members, Officers and Members of Board of Directors of the Authority Exempt from Individual Liability

No recourse under or upon any obligation, covenant or agreement of this Indenture, or of any Obligations, or for any claim based thereon or otherwise in respect thereof, shall be had against any past, present or future incorporator, member, officer or member of the Board of Directors of the Authority or of any successor corporation, either directly or through the Authority, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the obligations issued hereunder are solely corporate obligations, and that no personal liability whatever shall attach to, or is or shall be incurred by, any incorporator, member, officer or member of the Board of Directors of the Authority or any successor corporation, or any of them, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any Obligations or implied therefrom; and that any and all such personal liability of every name and nature, either at common law or in equity or by constitution or statute, and any and all such rights and claims against, every such incorporator, member, officer or trustee, as such, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any Obligations or implied therefrom are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issuance of such Obligations.

ARTICLE 15

Miscellaneous Provisions

SECTION 15.1 Successors and Assigns of Members Bound by Indenture

All the covenants, stipulations, promises and agreements in this Indenture contained by or on behalf of Members of the Obligated Group or the Trustee shall inure to the benefit of and shall bind their respective successors and assigns, whether so expressed or not.

SECTION 15.2 Notices to Obligationholders

(a) Where this Indenture provides for giving of notice to Obligationholders of any event, such notice must (unless otherwise herein expressly provided) be in writing and mailed, first-class

postage prepaid, to such Obligationholders at the address of such Obligationholders as it appears in the Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice.

(b) In any case where notice to Obligationholders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Obligationholders shall affect the sufficiency of such notice with respect to other Obligationholders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Obligationholders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 15.3 Notices to Parties

(a) *Exhibit 15.3* contains address information provided by the Obligated Group and the Trustee for the receipt of notices. Any of such parties may change the address information listed in *Exhibit 15.3*, or may specify additional addresses for the receipt of notices, by giving notice of the change or addition to the other parties.

(b) In order to be effective for purposes of this Indenture:

(1) Any request, demand, authorization, direction, notice, consent, waiver or other document (collectively referred to in this Section as “notices”) provided or permitted by this Indenture to be made upon, given or furnished to, or filed with, any party must (except as otherwise expressly provided in this Indenture) be in writing. Notice by Electronic Means shall constitute written notice.

(2) The notice must be actually received by the party to whom such notice is directed. If notice is sent by registered or certified mail to a party to the mailing address for such party provided pursuant to *Section 15.3*, such notice shall be deemed received by such party 3 days after such notice is deposited in the United States mail.

(c) Any specific reference in this Indenture to “written notice” shall not be construed to mean that any other notice may be oral, unless oral notice is specifically permitted by this Indenture under the circumstances.

(d) Where this Indenture provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice.

SECTION 15.4 Governing Law

This Indenture and the Obligations shall be construed in accordance with and governed by the laws of the State of Alabama.

SECTION 15.5 Legal Holidays

Except as otherwise provided in this Indenture, in any case where the date fixed for payment of principal, premium or interest on any Obligation shall be a day on which banking institutions are authorized by law to remain closed, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding day not a day on which banking institutions are authorized by law to remain closed with the same force and effect as if made on the due date, and, in the case of such payment, no interest shall accrue for the period from and after such date.

SECTION 15.6 Trustee as Paying Agent and Registrar

The Trustee is hereby designated and agrees to act as paying agent and Obligation registrar for and in respect to the Obligations.

SECTION 15.7 Benefits of Provisions of Indenture and Obligations

Nothing in this Indenture or in the Obligations, expressed or implied, shall give or be construed to give any person other than the parties hereto and the Holders of such Obligations, any legal or equitable right, remedy or claim under or with respect to this Indenture, or under any covenant, condition and provision herein contained; all the covenants, conditions and provisions of this Indenture and the Obligations being for the sole benefit of the parties hereto and of the Holders of such Obligations.

SECTION 15.8 Execution in Counterparts

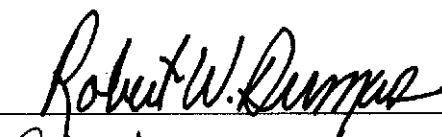
This Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed by persons thereunto duly authorized, as of the day and year first written above

**THE EAST ALABAMA HEALTH CARE
AUTHORITY**

By: 

Title: Chairman

Attest:  [SEAL]

Title: Secretary

REGIONS BANK

By: 

Title: VICE PRESIDENT

[SEAL]

Attest: 

Title: Assistant Secretary

This instrument prepared by:

J Hobson Presley, Jr.
Presley Burton & Collier, LLC
2031 11th Avenue South
Birmingham, Alabama 35205-2801
205/423-3600

STATE OF ALABAMA

COUNTY OF Lee

I, Lori Connors, a Notary Public in and for said County in said State, do hereby certify that Joel C. Pittard, whose name as Chairman of The East Alabama Health Care Authority, an Alabama public corporation, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand this the 24 day of April, 2012.

Lori Connors

Notary Public

NOTARIAL SEAL

My commission expires: 8/31/2013

STATE OF ALABAMA

COUNTY OF Jefferson

I, CATHY C. FRANKLIN, a Notary Public in and for said County, in said State, hereby certify that CYNTHIA DUKE, whose name as VICE PRESIDENT of Regions Bank, an Alabama banking corporation, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said bank.

Given under my hand this the 24th day of April, 2012.

Cathy C. Franklin

Notary Public

NOTARIAL SEAL

My commission expires: 6/17/2015

EXHIBIT 3.1(a)(1)

Form of Direct Debt Obligations

No. _____ Series _____ Note
Maturity Date Interest Rate CUSIP

The East Alabama Health Care Authority, an Alabama public corporation (the "Authority", which term includes any successor corporation under the Indenture hereinafter referred to), on behalf of itself and all other Members of the Obligated Group, for value received, hereby promises to pay to

_____ ,
or registered assigns, the principal sum of

_____ **DOLLARS**

on the Maturity Date specified above and to pay interest hereon from the date hereof, or the most recent date to which interest has been paid or duly provided for, until the principal hereof shall become due and payable, at the applicable per annum rate of interest specified above. Interest shall be payable on *[specify interest payment dates]*, beginning _____, _____, and shall be computed on the basis of *[specify computation basis]*.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture hereinafter referred to, be paid to the person in whose name this Note is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day (whether or not a Business Day) of the month next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered Holder on such Regular Record Date, and shall be paid to the person in whose name this Note is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice of such Special Record Date being given to Holders of the Notes not less than 10 days prior to such Special Record Date.

Interest shall be payable on overdue principal (and premium, if any) on this Note and (to the extent legally enforceable) on any overdue installment of interest on this Note at the rate borne by this Note.

Payment of principal of, premium (if any) and interest on this Note shall be made by the applicable method specified in the Indenture. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

This Note is one of a duly authorized issue of Notes of the Obligated Group, aggregating \$ _____ in principal amount, designated "Series _____ Notes" (the "Notes") and issued under and pursuant to a Master Trust Indenture dated April 1, 2012, as amended and supplemented (the "Indenture"), between the Members of the Obligated Group and Regions Bank, an Alabama banking corporation (the "Trustee", which term includes any successor trustee under the Indenture). Capitalized terms not otherwise defined herein shall have the meaning assigned in the Indenture.

The Notes constitute "Direct Debt Obligations" under the Indenture. The Notes and all other Obligations issued pursuant to the Indenture are referred to collectively under the Indenture as the "Obligations".

The Notes and all other Obligations under the Indenture are general obligations of the Obligated Group for the payment of which its general credit is pledged.

A copy of the Indenture is on file at the Office of the Trustee, and reference is hereby made to such instrument for a description of the properties pledged and assigned, the nature and extent of the security, the respective rights thereunder of the Holders of the Obligations and the Financing Participants, and the terms upon which the Obligations are, and are to be, authenticated and delivered.

In the manner and with the effect provided in the Indenture, the Notes will be subject to redemption prior to Maturity as follows:

*[Insert redemption provisions
from relevant section of
Related Supplemental Indenture]*

If less than all Notes Outstanding are to be redeemed pursuant to the applicable optional redemption provisions, the principal amount of Notes of each Maturity to be redeemed may be specified by the Obligated Group by written notice to the Trustee, or, in the absence of timely receipt by the Trustee of such notice, shall be selected by the Trustee by lot or by such other method as the Trustee shall deem fair and appropriate; provided, however, that the principal amount of Notes of each Maturity to be redeemed must be in an Authorized Denomination.

If less than all Notes with the same Maturity are to be redeemed, the particular Notes of such Maturity to be redeemed shall be selected by the Trustee by lot or by such other method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (in Authorized Denominations) of the principal of Notes of such Maturity of a denomination larger than the smallest Authorized Denomination.

Upon any partial redemption of any Note the same shall, except as otherwise permitted by the Indenture, be surrendered in exchange for one or more new Notes of the same series and Maturity and in authorized form for the unredeemed portion of principal. Notes (or portions thereof as aforesaid) for whose redemption and payment provision is made in accordance with the Indenture shall thereupon cease to be entitled to the lien of the Indenture and shall cease to bear interest from and after the date fixed for redemption.

Any redemption shall be made upon at least 30 days' notice in the manner and upon the terms and conditions provided in the Indenture.

If an "Indenture Default", as defined in the Indenture, shall occur, amounts due on all Obligations then Outstanding may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits the amendment of the Indenture and waivers of past defaults under such instruments and the consequences of such defaults, in certain circumstances without consent of Obligationholders and in other circumstances with the consent of all Obligationholders or a specified percentage of Obligationholders. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued

in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

The Holder of this Note shall have no right to enforce the provisions of the Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default thereunder, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

As provided in the Indenture and subject to certain limitations therein set forth, this Note is transferable on the Register maintained at the Office of the Trustee, upon surrender of this Note for transfer at such office, together with all necessary endorsements for transfer, and thereupon one or more new Notes of the same series and Maturity, of any Authorized Denominations and for a like aggregate principal amount, will be issued to the designated transferee or transferees.

As provided in the Indenture and subject to certain limitations therein set forth, the Notes are exchangeable for other Notes of the same series and Maturity, of any Authorized Denominations and of a like aggregate principal amount, as requested by the Holder surrendering the same.

No service charge shall be made for any transfer or exchange hereinbefore referred to, but the Obligated Group may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Obligated Group and the Trustee may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither the Obligated Group nor the Trustee shall be affected by notice to the contrary.

No covenant or agreement contained in this Note or the Indenture shall be deemed to be a covenant or agreement of any officer, agent or employee of any Member of the Obligated Group, and neither any member of the governing body of any Member of the Obligated Group nor any officer executing this Note shall be liable personally on this Note or be subject to any personal liability or accountability by reason of the issuance of this Note.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and issuance of this Note do exist, have happened and have been performed in due time, form and manner as required by law.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Obligated Group Representative has caused this Note to be duly executed under its corporate seal.

Dated: _____, _____.

The East Alabama Health Care Authority, on behalf
of all Members of the Obligated Group

By: _____
[Title]

[SEAL]

Attest:

[Title]

Certificate of Authentication

This is one of the Notes referred to in the within-mentioned Indenture.

Date of authentication: _____

Regions Bank,
as Trustee

By _____
Authorized Officer

Assignment

For value received, _____ hereby sell(s), assign(s)
and transfer(s) unto [Please insert name and taxpayer identification number]
_____ this Note and hereby irrevocably constitute(s)
and appoint(s) _____ attorney to transfer this Note on the books of the
within named Authority at the office of the within named Trustee, with full power of substitution in the
premises.

Dated: _____

NOTE: The name signed to this assignment must correspond with the name of the payee written on the face of the within Note in all respects, without alteration, enlargement or change whatsoever.

Signature Guaranteed:

(Bank or Trust Company)

By _____
(Authorized Officer)

*Signature(s) must be guaranteed by an eligible guarantor institution which is a member of the recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

EXHIBIT 3.1(a)(2)

**Form of Related Debt Obligations
Series _____ Related Debt Obligation**

No. _____

The East Alabama Health Care Authority, an Alabama public corporation (the “Authority”, which term includes any successor corporation under the Indenture hereinafter referred to), on behalf of itself and all other Members of the Obligated Group, for value received, has issued this Obligation (the “Series _____ Related Debt Obligation” or “this Obligation”) to _____ (the “Holder”), in its capacity as _____ under the [Related Debt Document] referred to below. This Obligation is being issued pursuant to that certain Master Trust Indenture dated April 1, 2012, as amended and supplemented (the “Indenture”), between the Members of the Obligated Group and Regions Bank, an Alabama banking corporation (the “Trustee”, which term includes any successor trustee under the Indenture). The Series _____ Related Debt Obligation and all other Obligations issued under the Indenture are herein collectively referred to as the “Obligations”. Capitalized terms not otherwise defined herein shall have the meaning assigned in the Indenture.

This Obligation is being issued to secure the obligations of the Obligated Group with respect to the Obligated Group’s \$ _____ [Description of Related Debt instrument] (the “_____”), which have been issued pursuant to that certain [Description of Related Debt Document] dated _____ (the “_____”) between the Members of the Obligated Group and [Identity of Related Debt holder or trustee or representative of Related Debt holders] (in such capacity, the “_____”). The payment terms of the [Related Debt] and the Related Debt Document] are hereby incorporated by reference in this Obligation. For purposes of the Indenture, the _____ constitute “Related Debt”, the _____ constitutes the “Related Debt Document”, and this Obligation constitutes a “Related Debt Obligation”.

The Obligations are general obligations of the Obligated Group for the payment of which its general credit is pledged.

A copy of the Indenture is on file at the Office of the Trustee, and reference is hereby made to the Indenture for a description of the properties pledged and assigned, the nature and extent of the security, the rights of the Holder of the Obligations issued thereunder, and the terms upon which this Obligation is authenticated and delivered.

If an “Indenture Default”, as defined in the Indenture, shall occur, amounts due on all Obligations then Outstanding may become or be declared due and payable in the manner and with the effect provided in the Indenture. Prior to declaration of acceleration of all Obligations pursuant to the Indenture, the Trust Estate may be applied only to the Regularly Scheduled Payments on the Obligations.

The Indenture permits the amendment of the Indenture and waivers of past defaults thereunder and the consequences of such defaults, in certain circumstances without consent of Obligationholders and in other circumstances with the consent of the Holders of all Obligations, or a specified percentage of the Holders of Debt Obligations. Any such consent or waiver by the Holder of this Obligation shall be conclusive and binding upon such Holder and upon all future Holders of this Obligation and of any Obligation issued in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Obligation.

The Holder of this Obligation shall have no right to enforce the provisions of the Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default thereunder, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

The Obligated Group and the Trustee may treat the person in whose name this Obligation is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Obligation is overdue, and neither the Obligated Group nor the Trustee shall be affected by notice to the contrary. This Obligation may be transferred only as provided in the Indenture.

No covenant or agreement contained in this Obligation or the Indenture shall be deemed to be a covenant or agreement of any officer, agent or employee of any Member of the Obligated Group, and neither any member of the governing body of any Member of the Obligated Group nor any officer executing this Obligation shall be liable personally on this Obligation or be subject to any personal liability or accountability by reason of the issuance of this Obligation.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and issuance of this Obligation do exist, have happened and have been performed in due time, form and manner as required by law.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Obligation shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Obligated Group Representative has caused this Obligation to be duly executed under its corporate seal.

Dated: _____, _____.

The East Alabama Health Care Authority, on behalf
of all Members of the Obligated Group

By: _____
[Title]

[SEAL]

Attest:

[Title]

Certificate of Authentication

This is the Series _____ Related Debt Obligation referred to in the within-mentioned Indenture.

Date of authentication: _____

Regions Bank,
as Trustee

By _____
Authorized Officer

EXHIBIT 3.1(a)(3)

**Form of Ancillary Obligations
Series _____ Ancillary Obligation**

No. _____

The East Alabama Health Care Authority, an Alabama public corporation (the “Authority”, which term includes any successor corporation under the Indenture hereinafter referred to), on behalf of itself and all other Members of the Obligated Group, for value received, has issued this Obligation (the “Series _____ Ancillary Obligation” or “this Obligation”) to _____ (the “Holder”), in its capacity as _____ under the [Ancillary Commitment Document] referred to below. This Obligation is being issued pursuant to that certain Master Trust Indenture dated April 1, 2012, as amended and supplemented (the “Indenture”), between the Members of the Obligated Group and Regions Bank, an Alabama banking corporation (the “Trustee”, which term includes any successor trustee under the Indenture). The Series _____ Ancillary Obligation and all other Obligations issued under the Indenture are herein collectively referred to as the “Obligations”. Capitalized terms not otherwise defined herein shall have the meaning assigned in the Indenture.

This Obligation is being issued to secure the obligations of the Obligated Group with respect to that certain _____ [Description of Ancillary Commitment] (the “_____”), which has been entered into or undertaken pursuant to that certain [Description of Ancillary Commitment Document] dated _____ (the “_____”) between the Members of the Obligated Group and [Identity of holder of Ancillary Commitment] (in such capacity, the “_____”). The payment terms of the [Ancillary Commitment] and the [Ancillary Commitment Document] are hereby incorporated by reference in this Obligation. For purposes of the Indenture, the _____ constitutes an “Ancillary Commitment”, the _____ constitutes the “Ancillary Commitment Document”, and this Obligation constitutes an “Ancillary Obligation”.

The Obligations are general obligations of the Obligated Group for the payment of which its general credit is pledged.

A copy of the Indenture is on file at the Office of the Trustee, and reference is hereby made to the Indenture for a description of the properties pledged and assigned, the nature and extent of the security, the rights of the Holder of the Obligations issued thereunder, and the terms upon which this Obligation is authenticated and delivered.

If an “Indenture Default”, as defined in the Indenture, shall occur, amounts due on all Obligations then Outstanding may become or be declared due and payable in the manner and with the effect provided in the Indenture. Prior to declaration of acceleration of all Obligations pursuant to the Indenture, the Trust Estate may be applied only to the Regularly Scheduled Payments on the Obligations. The Holders of a majority in principal amount of Debt Obligations outstanding under the Indenture may direct the Trustee to effect an acceleration. The Indenture does not include Ancillary Obligations as part of the Debt Obligations.

The Indenture permits the amendment of the Indenture and waivers of past defaults thereunder and the consequences of such defaults, in certain circumstances without consent of Obligationholders and in other circumstances with the consent of the Holders of all Obligations, or a specified percentage of the Holders of Debt Obligations. Any such consent or waiver by the Holder of this Obligation shall be conclusive and binding upon such Holder and upon all future Holders of this Obligation and of any

Obligation issued in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Obligation.

The Holder of this Obligation shall have no right to enforce the provisions of the Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default thereunder, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

The Obligated Group and the Trustee may treat the person in whose name this Obligation is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Obligation is overdue, and neither the Obligated Group nor the Trustee shall be affected by notice to the contrary. This Obligation may be transferred only as provided in the Indenture.

No covenant or agreement contained in this Obligation or the Indenture shall be deemed to be a covenant or agreement of any officer, agent or employee of any Member of the Obligated Group, and neither any member of the governing body of any Member of the Obligated Group nor any officer executing this Obligation shall be liable personally on this Obligation or be subject to any personal liability or accountability by reason of the issuance of this Obligation.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and issuance of this Obligation do exist, have happened and have been performed in due time, form and manner as required by law.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Obligation shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Obligated Group Representative has caused this Obligation to be duly executed under its corporate seal.

Dated: _____, _____.

The East Alabama Health Care Authority, on behalf
of all Members of the Obligated Group

By: _____
[Title]

[SEAL]

Attest:

[Title]

Certificate of Authentication

This is the Series _____ Ancillary Obligation referred to in the within-mentioned Indenture.

Date of authentication: _____

Regions Bank,
as Trustee

By _____

EXHIBIT 15.3

Directions for Notices

The East Alabama Health Care Authority

Mailing address: 2000 Pepperell Parkway
Opelika, Alabama 36802-3201
Attention: Chief Executive Officer

Hand delivery or courier delivery address: 2000 Pepperell Parkway
Opelika, Alabama 36802-3201
Attention: Chief Executive Officer

Email address: sam_price@eamc.org

Facsimile transmissions: 334/705-1509

Regions Bank (as Trustee)

Mailing address: P. O. Box 10247
Birmingham, Alabama 35202
Attention: Corporate Trust Administration

Hand delivery or courier delivery address: 1901 6th Avenue North
28th Floor
Birmingham, AL 35203

Email address: cindy.duke@regions.com

Facsimile transmissions: (205) 264-5264

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STATE OF ALABAMA)

LEE COUNTY)

NOTE: This instrument is exempt from all city, county or state
taxation (including without limitation recording privilege taxes)
pursuant to Ala. Code §22-21-333 (1975).

MORTGAGE AND SECURITY AGREEMENT

Dated June 1, 2002

from

THE EAST ALABAMA HEALTH CARE AUTHORITY

to

REGIONS BANK, as Collateral Agent

{00772994.6}

MORT 2878 301
Recorded In Above Book and Page
07/10/2002 12:37:10 PM
BILL ENGLISH
PROBATE JUDGE
LEE COUNTY
No Tax Collected 1.00
Recording Fee 92.00
TOTAL 93.00

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MORT 2878 903
Recorded In Above Book and Page
07/10/2002 12:37:18 PM
BILL ENGLISH
PROBATE JUDGE
LEE COUNTY

MORTGAGE AND SECURITY AGREEMENT

THIS MORTGAGE AND SECURITY AGREEMENT ("this Agreement") dated June 1, 2002 is entered into by **THE EAST ALABAMA HEALTH CARE AUTHORITY**, a public corporation organized under the laws of the State of Alabama (the "Authority"), for the benefit of **REGIONS BANK**, as agent for the Holders of the Secured Obligations described in this Agreement (the "Collateral Agent").

Recitals

A. Pursuant to the Indenture between the Authority and Regions Bank (formerly First Alabama Bank), in its capacity as trustee under the Indenture, the Authority has authorized the issuance of its bonds (the "Bonds") from time to time. The Bonds currently outstanding under the Indenture are the Series 1994-A Bonds, the Series 1998-A Bonds and the Series 2002-A Bonds, all of which will be secured by this Agreement. The fixed maturity date of the debt secured by this Agreement on the date hereof is September 1, 2028.

B. The Indenture authorizes the issuance of additional series of Bonds from time to time. Such additional Bonds will also be secured by this Agreement.

C. Subject to the terms and conditions of Article 3 of this Agreement the Authority has also reserved the right to issue or incur other obligations ("Other Secured Obligations") from time to time that will also be secured by this Agreement. All Bonds issued under the Indenture and all such Other Secured Obligations are herein collectively referred to as the "Secured Obligations".

D. The Series 2002-A Bonds issued under the Indenture are secured by a financial guaranty insurance policy issued by MBIA Insurance Corporation (the "Bond Insurer"). As a condition to the issuance of such policy, the Authority, the Bond Insurer and the Trustee entered into an Insurance Agreement dated June 1, 2002 (the "Insurance Agreement"). The Insurance Agreement imposes certain terms and conditions on the exercise of rights of the Authority under this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and to secure the payment of the Secured Obligations, and also to secure the full and complete performance of each and every obligation, covenant, duty and agreement of the Authority contained in this Agreement, the Authority does hereby covenant and agree as follows:

ARTICLE 1

Definitions and Other Provisions of General Application

SECTION 1.1 Definitions

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(1) The terms defined in this Article have the meanings assigned to them in this Article. Singular terms shall include the plural as well as the singular and vice versa.

(2) The definitions in the recitals to this Agreement are for convenience only and shall not affect the construction of this Agreement.

(3) All references in this Agreement to designated "Articles", "Sections" and other subdivisions are to the designated articles, sections and subdivisions of this Agreement as originally executed.

(4) The terms "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular article, section or other subdivision.

(5) All references in this Agreement to a separate document are to such separate document as the same may be amended or supplemented from time to time pursuant to the applicable provisions thereof.

(6) The term "person" shall include any individual, corporation, partnership, joint venture, association, trust, unincorporated organization and any government or any agency or political subdivision thereof.

(7) Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture.

(8) For purposes of this Agreement, the following terms shall have the following meanings:

"Authority" shall mean The East Alabama Health Care Authority, a public corporation organized under the laws of the State of Alabama.

"Bonds" shall mean all Bonds issued and outstanding pursuant to the terms of the Indenture, including the Series 1994-A Bonds, Series 1998-A Bonds and Series 2002-A Bonds, and all Additional Bonds issued pursuant to the Indenture.

"Buildings" shall have the meaning stated in Section 2.1(b).

"Collateral" shall mean all property and rights mortgaged, assigned or pledged pursuant to Section 2.1 or otherwise subject to the lien of this Agreement.

"Collateral Agent" shall mean Regions Bank, an Alabama banking corporation, in its capacity as Collateral Agent under this Agreement.

"Condemnation Awards" shall have the meaning stated in Section 2.1(d).

"Credit Enhancer" shall mean the issuer of a credit facility (including a letter of credit, insurance policy, standby purchase agreement, guaranty agreement or other credit enhancement) for the benefit of the Holders of any Secured Obligation.

"Estimated Balance of the Secured Obligations", when used with respect to the definition of Majority Holders or the establishment of a reserve for a Secured Obligation that has not matured or been declared due and payable prior to a foreclosure sale (Section 9.1(b)), shall mean the estimated amount that is payable on the Secured Obligations as of the date of determination, computed as follows:

(1) The estimated amount payable on Bonds and other Secured Obligations that constitute indebtedness shall be the outstanding principal balance. For indebtedness that provides for compound interest until payment is due (including obligations commonly referred to as "capital appreciation obligations") the principal balance shall be the accreted value as of the last compounding date. Accrued interest and any redemption or prepayment premium shall be disregarded for this purpose.

(2) If a Secured Obligation has the benefit of credit enhancement and both the Holders of such Secured Obligation and the Credit Enhancer are secured by this Agreement, only the amount payable on the Secured Obligation that is credit enhanced shall be considered the estimated amount payable for this purpose.

(3) If a Secured Obligation is a guaranty or other similar obligation, the amount payable on the guaranteed obligation on the date of calculation (calculated as if the guaranteed obligation itself was the Secured Obligation) shall be considered the estimated amount payable for this purpose.

(4) If a Secured Obligation is a revolving loan, line of credit or similar credit facility, the estimated amount payable on such Secured Obligation shall be the actual principal amount thereof due on the calculation date.

(5) If a Secured Obligation is the Authority's liability under an interest rate swap or other hedging agreement, for this purpose the estimated amount payable under such Secured Obligation shall be the amount that the Authority must pay to terminate such agreement in accordance with its terms, calculated on any date selected by the Collateral Agent that is not more than 30 days prior to the date of determination.

(6) If the amount payable under a Secured Obligation is not determinable by the Collateral Agent, for this purpose the estimated amount payable under such Secured Obligation shall be the amount necessary for the Authority to terminate or satisfy such Secured Obligation as of the date of determination. The Collateral Agent may rely upon a valuation by an Independent person with knowledge and experience in the valuation of similar Secured Obligations to determine the amount so payable by the Authority, provided that such valuation is made on a date selected by the Trustee that is not more than 30 days prior to the date of determination.

(7) For all Secured Obligations, amounts payable as penalties, reimbursement of costs or expenses in the pursuit of remedies, indemnity payments and other similar amounts shall not be considered part of the estimated amount payable.

(8) For all Secured Obligations, unearned fees or similar charges for future periods shall not be considered part of the estimated amount payable.

The determination of the estimated amount payable with respect to a Secured Obligation for purposes of the definition of "Majority Holders" shall not diminish or impair in any way the amount of a Secured Obligation that is secured by this Agreement. The determination of the estimated amount payable with respect to a Secured Obligation for purposes of establishing any reserve for such Secured Obligation pursuant to Section 9.1(b) may be used by the Collateral Agent to determine the amount secured by this Agreement for purposes of a foreclosure sale, but shall not impair or diminish in any way the rights of the Holder of such Secured Obligation to demand or claim the full amount due on such Secured Obligation under the Indenture or Other Secured Obligation Document, as the case may be.

"Event of Default" shall have the meaning stated in Article 8 hereof. An Event of Default shall "exist" if an Event of Default shall have occurred and be continuing.

"First Supplemental Indenture" shall mean that certain First Supplemental Indenture dated January 1, 1993, from the Authority to Regions Bank (formerly First Alabama Bank), Montgomery, Alabama, as trustee thereunder.

"Fixtures" shall have the meaning stated in Section 2.1(c).

"Fourth Supplemental Indenture" shall mean that certain Fourth Supplemental Indenture dated June 1, 2002, from the Authority to Regions Bank, Montgomery, Alabama, as trustee thereunder.

"Holders", when used with respect to the Secured Obligations, shall mean the owners, payees or other persons to whom the Secured Obligations are due. If the obligation of the Authority to pay or reimburse a Credit Enhancer is also a Secured Obligation, then the Credit Enhancer shall also be considered a Holder of such Secured Obligation.

"Indenture" shall mean the Original Indenture as amended by the First Supplemental Indenture, Second Supplemental Indenture, Third Supplemental Indenture and Fourth Supplemental Indenture.

"Insurance Proceeds" shall have the meaning stated in Section 2.1(d).

"Majority Holders" shall mean the Holders of Secured Obligations that represent a majority of the Estimated Balance of the Secured Obligations on the date of determination; provided, however, that if a Secured Obligation has the benefit of credit enhancement and both the Holders of such Secured Obligation and the Credit Enhancer are secured by this Agreement, unless the Indenture or Other Secured Obligation Document provides otherwise, any consent or direction by any Holder of the Secured Obligation that is credit enhanced shall also require the consent or direction of the Credit Enhancer. To the extent permitted by Section 11.8, the Credit Enhancer may provide any consent or direction on behalf of the Holders of the Secured Obligation that is credit enhanced.

"Mortgaged Facilities" shall mean (i) the Real Property, (ii) the Buildings and (iii) the Fixtures.

"Original Indenture" shall mean that certain Trust Indenture dated as of April 15, 1991, from the Authority to Regions Bank (formerly First Alabama Bank), Montgomery, Alabama, as trustee thereunder.

"Other Secured Obligation" shall mean an obligation designated by the Authority as an "Other Secured Obligation" in accordance with the terms and conditions of Section 3.2. All Bonds issued under the Indenture shall be Secured Obligations without further designation pursuant to Article 3.

"Other Secured Obligation Document" shall mean the document or documents evidencing the issuance or incurrence of an Other Secured Obligation.

"Permitted Encumbrances" shall have the meaning stated in Section 2.2.

"Real Property" shall have the meaning stated in Section 2.1(a).

"Secured Obligations" shall mean:

- (1) the principal of, premium (if any) and interest on all Bonds now or hereafter issued and outstanding under the Indenture;
- (2) all other amounts payable by the Authority under the Indenture;
- (3) amounts payable on all Other Secured Obligations issued or incurred by the Authority in accordance with the terms and conditions of Article 3 of this Agreement;
- (4) all other amounts payable by the Authority under the Other Secured Obligation Documents;
- (5) all amounts payable by the Authority under this Agreement; and

(6) all renewals and extensions of any or all of the obligations of the Authority described above, whether or not any renewal or extension agreement is executed in connection therewith.

"Second Supplemental Indenture" shall mean that certain Second Supplemental Indenture dated January 1, 1994, from the Authority to Regions Bank (formerly First Alabama Bank), Montgomery, Alabama, as trustee thereunder.

"Series 1994-A Bonds" shall mean the Authority's Health Care Facilities Revenue and Tax Anticipation Bonds, Series 1994-A, dated January 1, 1994, initially issued pursuant to the Original Indenture, as supplemented by the First Supplemental Indenture and Second Supplemental Indenture, in the principal amount of \$33,910,000.

"Series 1998-A Bonds" shall mean the Authority's Health Care Facilities Revenue and Tax Anticipation Bonds, Series 1998-A, dated May 1, 1998, initially issued pursuant to the Original Indenture, as supplemented by the First Supplemental Indenture, Second Supplemental Indenture and Third Supplemental Indenture, in the principal amount of \$22,550,000.

"Series 2002-A Bonds" shall mean the Authority's Health Care Facilities Revenue and Tax Anticipation Bonds, Series 2002-A, dated May 1, 2002, being issued pursuant to the Indenture in the principal amount of \$49,340,000.

"Third Supplemental Indenture" shall mean that certain Third Supplemental Indenture dated May 1, 1998, from the Authority to Regions Bank (formerly First Alabama Bank), Montgomery, Alabama, as trustee thereunder.

"this Agreement" shall mean this Agreement as originally executed or as it may from time to time be supplemented, modified or amended by one or more documents entered into pursuant to the applicable provisions hereof.

"Trustee" shall mean Regions Bank, an Alabama banking corporation duly authorized and existing under the laws of the State of Alabama, in its capacity as trustee under the Indenture, and its successors and assigns.

SECTION 1.2 Effect of Headings and Table of Contents

The article and section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.3 Date of Agreement

The date of this Agreement is intended as and for a date for the convenient identification of this Agreement and is not intended to indicate that this Agreement was executed and delivered on said date.

SECTION 1.4 Separability Clause

If any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.5 Governing Law

This Agreement shall be construed in accordance with and governed by the laws of the State of Alabama.

SECTION 1.6 Counterparts

This document may be executed in any number of counterparts, each of which so executed shall be deemed an original, but all such counterparts shall together constitute but one and the same document.

ARTICLE 2

Creation of Mortgage and Security Interest

SECTION 2.1 Granting Clauses

To secure the payment of all Secured Obligations and the performance and observance of all covenants and agreements contained in this Agreement, the Authority does hereby grant, bargain, sell and convey to the Collateral Agent, its successors and assigns forever, the following property and interests in property, and does hereby grant to the Collateral Agent a security interest in the following property and interests in property:

(a) **Real Property.** The real property and interests more particularly described in **Exhibit 2.1(a)** attached hereto, together with all easements, permits, licenses, rights-of-way, contracts, rents, leases, tenements, hereditaments, appurtenances, rights, privileges and immunities pertaining or applicable to said real property and interests therein (herein referred to collectively as the "Real Property").

(b) **Buildings.** The buildings, structures and improvements now or hereafter located on the Real Property (herein referred to collectively as the "Buildings").

(c) **Fixtures.** All fixtures now located on the Real Property or in or about the Buildings and used or useful in connection with the operations conducted in connection therewith, and all other fixtures now owned or hereafter acquired by the Authority and located on the Real Property, including all substitutions and replacements for such fixtures and the proceeds thereof (herein referred to collectively as the "Fixtures").

(d) **Condemnation Awards and Insurance Proceeds.** All awards or payments, including all interest thereon, together with the right to receive the same, that may be made to the Authority with respect to the Mortgaged Facilities, as a result of the exercise of the right of eminent domain (herein referred to as "Condemnation Awards"), and all right, title and interest of the Authority in and to any policies of insurance (and the proceeds thereof) with respect to any damage to or destruction of the Mortgaged Facilities (herein referred to collectively as "Insurance Proceeds").

TO HAVE AND TO HOLD the Collateral, together with all the rights, privileges and appurtenances thereunto belonging, unto the Collateral Agent, its successors and assigns, forever.

SECTION 2.2 Permitted Encumbrances

The mortgage and security interest created by this Agreement is subject to the liens and encumbrances described in **Exhibit 2.2** to this Agreement (herein collectively referred to as "Permitted Encumbrances").

ARTICLE 3

Other Secured Obligations

SECTION 3.1 Obligations That May be Designated as Other Secured Obligations

The Authority may from time to time issue or incur other obligations that it may designate as "Other Secured Obligations" under this Agreement, including without limitation (i) indebtedness, whether represented by bonds, notes or other securities, for the repayment of borrowed money, (ii) guaranties, endorsements, assumptions and other contingent liabilities in respect of, or to purchase or otherwise acquire, indebtedness of others, (iii) reimbursement obligations with respect to letters of credit, insurance policies or other forms of credit enhancement for indebtedness of the Authority, (iv) interest rate swap agreements and other forms of hedging agreements with respect to indebtedness of the Authority, and (v) any other obligation that would be classified as a liability or contingent liability of the Authority; provided however, that (i) no such obligation shall become an Other Secured Obligation under this Agreement unless and until the conditions of Section 3.2 have been satisfied and (ii) no such obligation may be designated as an Other Secured Obligation if such designation is not permitted by Section 2 of the Insurance Agreement. All holders of Secured Obligations shall share equally in proceeds from the exercise of remedies under this Agreement, notwithstanding the date on which each Secured Obligation is issued or incurred or the existence of intervening liens.

SECTION 3.2 Conditions for Designation of Other Secured Obligations

(a) In order to designate any of its obligations as "Other Secured Obligations" under this Agreement the Authority must deliver to the Collateral Agent the following:

(1) **Supplement to this Agreement.** A supplement to this Agreement that describes the obligation in reasonable detail and designates such obligation as an Other Secured Obligation under the terms of this Agreement.

(2) **Copy of the Other Secured Obligation Document.** A copy of the Other Secured Obligation Document that creates and evidences such Other Secured Obligation.

(3) **Authorizing Resolution.** A resolution of the governing body of the Authority authorizing the creation of such Other Secured Obligation, certified by an officer of the Authority.

(4) **Certification by Authority.** A certificate by the chief executive officer or chief financial officer of the Authority stating that, after giving effect to the issuance or incurrence of such Other Secured Obligation: (i) no Event of Default exists under this Agreement, (ii) all representations and warranties set forth in this Agreement remain true and correct, and (iii) the Authority could issue \$1 of Additional Debt under the terms of Section 10.4 of the Indenture.

(5) **Opinion of Counsel.** An Opinion of Counsel stating in effect that the documentation delivered to the Collateral Agent in connection with the designation of such Other Secured Obligation complies with the requirements of this Agreement.

(6) **Title Update.** A title report confirming that except for Permitted Encumbrances, no lien on the Collateral has appeared of record that would have priority over the lien of this Agreement with respect to any Secured Obligation.

(b) It shall not be necessary for the Authority to deliver the documentation described in Section 3.2(a) with respect to the issuance of Parity Bonds under the Indenture. Parity Bonds properly issued under the Indenture shall, without further action by the Authority, be secured by this Agreement on an equal and proportionate basis with all other Secured Obligations and shall be entitled to distributions of the proceeds of the Collateral as provided in Section 9.7.

(c) Upon the request of the Holders (or a trustee or other representative for such Holders) of such Other Secured Obligations the Collateral Agent shall deliver a certificate stating in effect that such Other Secured Obligations have been designated as such under this Agreement.

SECTION 3.3 Effect of Secured Obligation Status

Other Secured Obligations issued or incurred by the Authority and designated as such by the Authority in accordance with the terms of this Article shall be secured by this Agreement on an equal and proportionate basis with the Secured Obligations and shall be entitled to distributions of the proceeds of the Collateral as provided in Section 9.7.

ARTICLE 4

Representations and Warranties

SECTION 4.1 Representations and Warranties

The Authority represents and warrants that:

(1) **Creation.** This Agreement creates a valid and binding lien in favor of the Collateral Agent as security for the payment of the Secured Obligations enforceable against the Authority in accordance with its terms, except as enforcement hereof may be limited by (A) bankruptcy, insolvency, or other similar laws affecting the enforcement of creditors' rights and (B) general principles of equity, including the exercise of judicial discretion in appropriate cases.

(2) **Perfection.** Under the laws of Alabama, the lien of this Agreement is and will be prior to any judicial lien hereafter imposed on the Collateral to enforce a judgment on a simple contract. By the date of issue of the Series 2002-A Bonds, all filings will have been made that are necessary to establish and maintain such priority in Alabama (the only jurisdiction where the Collateral is located).

(3) **Priority.** The Authority has not heretofore made a pledge of, or granted a lien on or security interest in, or made an assignment or sale of the Collateral that ranks on a parity with or prior to the lien granted hereby. The Authority has not described the Collateral in any financing statement or other document that will remain effective as a lien when the Series 2002-A Bonds are issued. The Authority shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in the Collateral that ranks prior to or on a parity with the lien granted hereby, or file any financing statement or other document describing any such pledge, assignment, lien, or security interest, except as expressly permitted hereby.

(4) **Further Assurances.** The Authority shall take all steps necessary to preserve and protect the validity and priority of the lien on the Collateral created hereby. The Authority shall execute, acknowledge and deliver such additional documents as the Collateral Agent may deem necessary in order to preserve, protect, continue, extend or maintain the lien created hereby as a lien on the Collateral, subject only to Permitted Encumbrances, except as otherwise permitted under the terms of this Agreement. All costs and expenses incurred in connection with the protection, preservation, continuation, extension or maintaining of the lien hereby created shall be paid by the Authority.

ARTICLE 5

Covenants of Authority

SECTION 5.1 Payment of Taxes and Other Assessments

The Authority will pay or cause to be paid all taxes, assessments and other governmental charges imposed or levied upon the Collateral or on the interests created by this Agreement or with respect to the filing of this Agreement, and, upon request of Collateral Agent, the Authority will deliver receipts therefor to the Collateral Agent or, in the case of mortgage filing privilege taxes, pay to the Collateral Agent an amount equal to such taxes. The Authority may, at its own expense, in good faith contest any such taxes, assessments and other governmental charges and, in the event of any such contest, may permit the taxes, assessments or other governmental charges so contested to remain unpaid during the period of such contest and any appeal therefrom, provided that during such period enforcement of such contested items shall be effectively stayed.

SECTION 5.2 Insurance

(a) The Authority shall obtain and maintain insurance against loss or damage by such hazards and risks as are customarily covered by healthcare providers similarly situated with coverage in an amount that, after provision for a deductible or retained risk amount customary for healthcare providers similarly situated, is equal to the lesser of (i) the aggregate amount of the Secured Obligations or (ii) the full insurable value of the Mortgaged Facilities.

(b) Any such policies of casualty insurance with respect to the Collateral shall name the Collateral Agent as a named insured and provide that any losses payable thereunder shall (pursuant to mortgagee and loss payable clauses, in form and content acceptable to the Collateral Agent) be payable to the Collateral Agent.

(c) With respect to all such casualty insurance, the Authority shall have the right to collect for, adjust or compromise any losses under any such insurance policies.

(d) If no Event of Default exists, any Insurance Proceeds shall be paid to the Authority and may, at the option of the Authority, be applied as follows:

(1) If such Insurance Proceeds do not exceed \$1,000,000 in the aggregate for any single claim (or for a related group of claims), the Authority may apply such proceeds for any lawful purpose.

(2) If such Insurance Proceeds exceed \$1,000,000 for a single claim (or for a related group of claims), the Authority shall apply such proceeds for one or more of the following purposes:

(A) to the payment (including prepayment or redemption) of the Secured Obligations, in such amounts and in such order as the Authority may designate; or

(B) to repair, rebuild, restore or replace the property damaged or destroyed or to acquire, construct and install additional facilities to be owned by the Authority; provided, however, that this Agreement shall be amended to include such additional facilities as part of the Collateral subject to this Agreement.

(e) If an Event of Default exists and no action for sale or foreclosure has been commenced with respect to the Mortgaged Facilities, any Insurance Proceeds shall be paid to the Collateral Agent and shall be applied by the Collateral Agent for one or more of the following purposes:

(1) to the payment (including prepayment or redemption) of the Secured Obligations on an equal and proportionate basis according to the amount then outstanding or payable on such Secured Obligations; or

(2) if so requested by the Authority, to repair, rebuild, restore or replace the property damaged or destroyed or to acquire, construct and install additional facilities to be owned by the Authority; provided, however, that (i) this Agreement shall be amended to include such additional facilities as part of the Collateral subject to this Agreement, and (ii) prior to the application of the Insurance Proceeds for such purpose the Authority must deliver to the Collateral Agent a certificate by the chief executive officer or chief financial officer of the Authority stating that the Authority is entitled to incur \$1 of Additional Debt under Section 10.4 of the Indenture (treating such Insurance Proceeds as the proceeds of such Additional Debt for purposes of the forecast required).

(f) If an Event of Default exists and an action for sale or foreclosure has been commenced with respect to the Mortgaged Facilities, any Insurance Proceeds shall be paid to the Collateral Agent and shall be applied by the Collateral Agent as provided in Section 9.7.

SECTION 5.3 Condemnation Awards

(a) If no Event of Default exists, any Condemnation Award shall be paid to the Authority and may, at the option of the Authority, be applied as follows:

(1) If such Condemnation Award does not exceed \$1,000,000 in the aggregate, the Authority may apply such Condemnation Award for any lawful purpose.

(2) If such Condemnation Award exceeds \$1,000,000, the Authority shall apply such proceeds for one or more of the following purposes:

(A) to the payment (including prepayment or redemption) of the Secured Obligations, in such amounts and in such order as the Authority may designate; or

(B) to acquire, construct and install additional facilities to be owned by the Authority; provided, however, that this Agreement shall be amended to include such additional facilities as part of the Collateral subject to this Agreement.

(b) If an Event of Default exists and no action for sale or foreclosure has been commenced with respect to the Mortgaged Facilities under Article 9 of this Agreement, any Condemnation Award shall be paid to the Collateral Agent and shall be applied by the Collateral Agent for one or more of the following purposes:

(1) to the payment (including prepayment or redemption) of the Secured Obligations on an equal and proportionate basis according to the amount then outstanding or payable on such Secured Obligations; or

(2) if so requested by the Authority, to acquire, construct and install additional facilities to be owned by the Authority; provided, however, that (i) this Agreement shall be amended to include such additional facilities as part of the Collateral subject to this Agreement,

and (ii) prior to the application of the Condemnation Award for such purpose the Authority must deliver to the Collateral Agent evidence that the Authority is entitled to incur \$1 of Additional Debt under Section 10.4 of the Indenture (treating such Condemnation Award as the proceeds of such Additional Debt for purposes of the forecast required).

(c) If an Event of Default exists and an action for sale or foreclosure has been commenced with respect to the Mortgaged Facilities under Article 9 of this Agreement, any Condemnation Award shall be paid to the Collateral Agent and shall be applied by the Collateral Agent as provided in Section 9.7.

SECTION 5.4 Waste, Demolition, Alteration or Replacement

The Authority will cause the Mortgaged Facilities to be maintained, preserved and kept in safe and good repair, working order and condition, will not commit or permit waste thereon, will comply with all laws and regulations of any governmental authority affecting the Mortgaged Facilities and the manner and use of the same, and will from time to time make all necessary and proper repairs, renewals, additions and restorations thereto so that the value and efficient use thereof shall be preserved and maintained.

ARTICLE 6

Certain Rights of Authority With Respect to Real Property

SECTION 6.1 Easements With Respect to Real Property

The Authority may grant easements and similar rights with respect to the Real Property in order to provide utility service or access to the Mortgaged Facilities or to adjacent property, provided that the Authority and an Independent engineer or architect certify to the Collateral Agent that such rights will not materially impair the use of the Mortgaged Facilities in the operation of the business of the Authority or the value of the Mortgaged Facilities for the purpose of such business.

SECTION 6.2 Release of Unimproved Real Property

Subject to the provisions of Section 6 of the Insurance Agreement, the Authority shall have the right, from time to time, to obtain the release of the lien of this Agreement on portions of the Real Property where no Buildings exist, provided that the Authority and an Independent engineer or architect certify to the Collateral Agent that (i) such release will not materially impair the use of the Mortgaged Facilities in the operation of the business of the Authority or the value of the Mortgaged Facilities for the purpose of such business and (ii) the remaining portions of the Real Estate will have all access and similar rights necessary for the use of the Mortgaged Facilities in the operation of the business of the Authority.

SECTION 6.3 Cooperation of the Collateral Agent

The Collateral Agent will cooperate with the Authority in good faith in the exercise of the right and privilege granted by this Article and shall, from time to time, execute a written document to confirm any rights granted pursuant to Section 6.1 or any release obtained pursuant to Section 6.2.

ARTICLE 7

Defeasance

If the Authority shall pay in full and discharge all the Secured Obligations, or shall provide for such payment of the Secured Obligations in accordance with the defeasance provisions of the Indenture or

the related Other Secured Obligation Document, then this Agreement and the grants and conveyances contained herein shall become null and void, and the Collateral shall revert to the Authority, and the entire estate, right, title and interest of the Collateral Agent shall thereupon cease; and the Collateral Agent shall, upon the request of the Authority and at the cost and expense of the Authority, deliver to the Authority proper documents acknowledging satisfaction of this Agreement and terminating all financing statements filed in connection herewith; otherwise, this Agreement shall remain in full force and effect.

ARTICLE 8

Events of Default

Any one or more of the following shall constitute an event of default (an "Event of Default") under this Agreement (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) the occurrence of an event of default, as therein defined, under the Indenture or any Other Secured Obligation Document and the expiration of the applicable grace period, if any; or

(b) default in the performance, or breach, of any covenant or warranty of the Authority in this Agreement (other than a covenant or warranty, a default in the performance or breach of which is elsewhere in this Article specifically dealt with), and the continuance of such default or breach for a period of 30 days after there has been given, by registered or certified mail, to the Authority by the Collateral Agent a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "notice of default" hereunder.

ARTICLE 9

Rights of Collateral Agent Upon Default

SECTION 9.1 Acceleration of Indebtedness or Creation of Reserve for Secured Obligations

(a) If an Event of Default exists, the Holders of the Secured Obligations may accelerate the maturity or due date of such Secured Obligations in accordance with the terms of the Indenture or the Other Secured Obligation Document, as the case may be. No such acceleration shall be effective for purposes of this Agreement until received by the Collateral Agent and Authority. Upon receipt of such notice the Collateral Agent

(1) shall promptly notify all other Holders of Secure Obligations and

(2) subject to the provisions of Sections 9.8 and 9.11, may immediately enforce payment of all amounts due on such Secured Obligation and exercise any or all of its rights and remedies under this Agreement with respect to such Secured Obligation.

(b) If the Collateral Agent proceeds with a foreclosure sale under the terms of this Agreement before all Secured Obligations have matured or been declared due and payable, the Collateral Agent may, by notice to the Authority, demand that the Authority establish a reserve sufficient for the payment of any such Secured Obligation that has not matured or been declared due and payable; provided, however, that the amount of the reserve for any such Secured Obligation may not exceed the Estimated Balance of such Secured Obligation as of the foreclosure date. The unpaid amount of any such

reserve may be included by the Collateral Agent in the amount due and payable on the Secured Obligations at the foreclosure sale.

SECTION 9.2 Operation of Property by Collateral Agent

In addition to all other rights herein conferred on the Collateral Agent, if an Event of Default exists, the Collateral Agent (or any person, firm or corporation designated by the Collateral Agent) may, but shall not be obligated to, enter upon and take possession of any or all of the Mortgaged Facilities, exclude the Authority therefrom, and hold, use, administer, manage and operate the same to the extent that the Authority could do so, without any liability to the Authority resulting therefrom; and the Collateral Agent may collect, receive and receipt for all proceeds accruing from such operation and management, make repairs and purchase needed additional property, and exercise every power, right and privilege of the Authority with respect to such property.

SECTION 9.3 Judicial Proceedings; Right to Receiver

If an Event of Default exists, the Collateral Agent, in lieu of or in addition to exercising the power of sale hereinafter given, may proceed by suit for a foreclosure of its lien on and security interest in the Collateral, to sue the Authority for damages on account of or arising out of said default or breach, or to sue the Authority for specific performance of any provision contained herein, or to enforce any other appropriate legal or equitable right or remedy, whether under this Agreement or otherwise. The Collateral Agent shall be entitled, as a matter of right, upon bill filed or other proper legal proceedings being commenced for the foreclosure of this Agreement, to the appointment by any competent court or tribunal, without notice to the Authority or any other party, of a receiver of the rents, issues and profits of the Collateral, with power to lease, operate and otherwise control the Collateral and with such other powers as may be deemed necessary.

SECTION 9.4 Foreclosure Sale

(a) This Agreement shall be subject to foreclosure and may be foreclosed as now provided by law in case of past due mortgages, and the Collateral Agent shall be authorized, at its option, whether or not possession of the property affected is taken, after giving 21 days' notice by publication once a week for 3 consecutive weeks of the time, place and terms of each such sale by publication in some newspaper published in Lee County, Alabama to sell the Mortgaged Facilities (or such part or parts thereof as the Collateral Agent may from time to time elect to sell) in front of the courthouse door of such county, at public outcry, to the highest bidder for cash.

(b) The Collateral Agent, its successors and assigns, may bid at any sale or sales had under the terms of this Agreement and may purchase the property involved, or any part thereof, if the highest bidder therefor. The purchaser at any such sale or sales shall be under no obligation to see to the proper application of the purchase money.

(c) At any foreclosure sale, any part or all of the Mortgaged Facilities may be offered for sale in parcels or en masse for one total price, the proceeds of any such sale en masse to be accounted for in one account without distinction between the items included therein or without assigning to them any proportion of such proceeds, the Authority hereby waiving the application of any doctrine of marshalling or like proceeding. If the Collateral Agent, in the exercise of the power of sale herein given, elects to sell the Collateral in parts or parcels, sales thereof may be held from time to time, and the power of sale granted herein shall not be fully exercised until all of the Mortgaged Facilities not previously sold shall have been sold or all the Secured Obligations shall have been paid in full.

(d) The Authority hereby waives any equitable rights otherwise available to it with respect to marshalling of assets hereunder, so as to require separate sales of the Mortgaged Facilities or to require the Collateral Agent to exhaust its remedies against any of the Mortgaged Facilities before proceeding against another; and the Authority hereby expressly consents to and authorizes, at the option of the Collateral Agent, the sale, either separately or together, of the Mortgaged Facilities.

SECTION 9.5 Rights Under Uniform Commercial Code

The Collateral Agent shall have and may exercise with respect to any or all of the Fixtures all rights, remedies and powers of a secured party under the Alabama Uniform Commercial Code with reference to the Fixtures, including without limitation the right and power to sell at public or private sale or sales or otherwise dispose of, lease or utilize the Fixtures and any part or parts thereof in any manner, to the fullest extent authorized or permitted under the Alabama Uniform Commercial Code after default hereunder, without regard to preservation of Fixtures or its value and without the necessity of a court order. The Collateral Agent shall have, among other rights, the right to take possession of the Fixtures and to enter upon any premises where the same may be situated for the purpose of repossessing the same without being guilty of trespass and without liability for damages occasioned thereby and to take any action deemed appropriate or desirable by the Collateral Agent, at its option and in its sole discretion, to repair, restore or otherwise prepare the Fixtures for sale or lease or other use or disposition. To the extent permitted by law, the Authority expressly waives any notice of sale or any other disposition of the Fixtures and any rights or remedies of the Collateral Agent with respect to, and the formalities prescribed by law relative to, the sale or disposition of the Fixtures or to the exercise of any other right or remedy of the Collateral Agent existing after default. To the extent that such notice is required and cannot be waived, the Authority agrees that if such notice is given to the Authority in accordance with the provisions of Section 10.5 below, at least 5 days before the time of the sale or other disposition, such notice shall be deemed reasonable and shall fully satisfy any requirement for giving said notice.

SECTION 9.6 Conveyance After Sale

The Authority hereby authorizes and empowers the Collateral Agent or the auctioneer at any foreclosure sale had hereunder, for and in the name of the Authority, to execute and deliver to the purchaser or purchasers of any of the Collateral sold at foreclosure good and sufficient deeds of conveyance or bills of sale thereto.

SECTION 9.7 Application of Proceeds

All payments then held or thereafter received by the Collateral Agent as proceeds of the Collateral, as well as any and all amounts realized by the Collateral Agent in connection with the enforcement of any right or remedy under or with respect to this Agreement, shall be applied first to the payment of any amount due to the Collateral Agent pursuant to Section 10.4 hereof and then applied to the Secured Obligations on a pro rata basis based upon the aggregate amount then due and payable on each Secured Obligation (including the amount of any unpaid reserve for Secured Obligations that is established pursuant to Section 9.1(b)). All such proceeds allocable to the Bonds shall be remitted to the Trustee for allocation under the terms of the Indenture.

SECTION 9.8 Multiple Sales

With the consent of the Holders of all Secured Obligations, the Collateral Agent shall have the option to proceed with foreclosure, either through the courts or by proceeding with foreclosure as provided for in this Agreement, subject to the unmatured part of the Secured Obligations, and such sale, if so made, shall not in any manner affect the unmatured part of the Secured Obligations, but as to such unmatured part of the Secured Obligations this Agreement shall remain in full force and effect as though

no sale had been made under the provisions of this Section. Several sales may be made under the provisions of this Section without exhausting the right of sale for any remaining part of the Secured Obligations whether then matured or unmatured, the purpose hereof being to provide for a foreclosure and sale of the Collateral for any matured part of the Secured Obligations without exhausting any power of foreclosure and the power to sell the Collateral for any other part of the Secured Obligations, whether matured at the time or subsequently maturing.

SECTION 9.9 Waiver of Appraisement Laws

The Authority waives, to the fullest extent permitted by law, the benefit of all laws now existing or hereafter enacted providing for (i) any appraisement before sale of any portion of the Collateral (commonly known as appraisement laws) or (ii) any extension of time for the enforcement of the collection of the Secured Obligations or any creation or extension of a period of redemption from any sale made in collecting the Secured Obligations (commonly known as stay laws and redemption laws).

SECTION 9.10 Prerequisites of Sales

In case of any sale of the Collateral, all prerequisites to the sale shall be presumed to have been performed, and in any conveyance given hereunder all statements of facts, or other recitals therein made, as to the nonpayment of any of the Secured Obligations or as to the advertisement of sale, or the time, place and manner of sale, or as to any other fact or thing, shall be taken in all courts of law or equity as prima facie evidence that the facts so stated or recited are true.

SECTION 9.11 Control of Remedies

(a) During the continuance of an Event of Default the Majority Holders may:

(1) require the Collateral Agent to enforce this Agreement, by foreclosure pursuant to the power of sale granted in Section 9.4, by judicial proceedings for the enforcement of this Agreement, or otherwise; and

(2) direct the time, method and place of conducting any proceeding for any remedy available to the Collateral Agent under this Agreement, or exercising any trust or power conferred upon the Collateral Agent hereunder, provided that such direction shall not be in conflict with any rule of law or this Agreement.

(b) The Collateral Agent shall take such action with respect to such Event of Default as shall be directed by the Majority Holders under Section 9.11(a); provided, however, that the Collateral Agent shall not be required to take any action with respect to any Event of Default except as expressly provided in this Agreement.

ARTICLE 10

Collateral Agent

SECTION 10.1 Appointment of Collateral Agent

Upon a Holder's issuance or acceptance of a Secured Obligation, and with no further action or consent, each such Holder irrevocably appoints the Collateral Agent to act as its agent in connection with this Agreement and authorizes the Collateral Agent to take such action on each Holder's behalf, to execute such agreements as are authorized by this Agreement, and to exercise such powers as are granted

to the Collateral Agent under this Agreement, together with all such powers as are reasonably incidental to the foregoing.

SECTION 10.2 Agency Relationship

Collateral Agent shall not have or be deemed to have any fiduciary relationship with any Holder, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against Collateral Agent. Without limiting the foregoing, the use of the terms "agent" or "Collateral Agent" in this Agreement with reference to the Collateral Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Such terms are used merely as a matter of market custom and are intended to create and reflect only an administrative relationship between independent contracting parties.

SECTION 10.3 Certain Duties and Responsibilities of Collateral Agent

(a) Except during the existence of an Event of Default,

(1) the Collateral Agent undertakes to perform such duties and only such duties as are specifically set forth in this Agreement, and Collateral Agent shall not be under any duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement unless it shall be requested in writing to do so by the Majority Holders.

(2) in the absence of bad faith on its part, the Collateral Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Collateral Agent and conforming to the requirements of this Agreement; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Collateral Agent, the Collateral Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement.

(b) If an Event of Default exists, the Collateral Agent shall exercise the rights and powers vested in it by this Agreement in accordance with Section 9.11 hereof.

(c) No provision of this Agreement shall be construed to relieve the Collateral Agent from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(1) this subsection shall not be construed to limit the effect of Section 10.2;

(2) the Collateral Agent shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Collateral Agent was negligent in ascertaining the pertinent facts;

(3) the Collateral Agent shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Majority Holders relating to the time, method and place of conducting any proceeding for any remedy available to the Collateral Agent, or exercising any right or power conferred upon the Collateral Agent under this Agreement;

(4) no provision of this Agreement shall require the Collateral Agent to expend or risk its own funds or otherwise to incur any financial liability in the

performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it;

(5) the Collateral Agent shall be entitled to refrain from taking or omitting to take any action in connection with this Agreement if such action or omission would, in the reasonable opinion of the Collateral Agent, violate any applicable law or any provision of this Agreement; and

(6) the Collateral Agent may execute any of its duties under this Agreement by or through agents, employees, or attorneys-in-fact and shall be entitled to consult with legal counsel (who may be counsel for any Holder), certified public accountants or other professionals selected by it and shall not be liable for any action taken or omitted to be taken in good faith in accordance with the advice of such counsel, accountants or other professionals. Collateral Agent shall not be responsible for the negligence or misconduct of any agent, attorney-in-fact, counsel, accountant or other professional that it selects with reasonable care.

(d) Whether or not therein expressly so provided, every provision of this Agreement relating to the conduct or affecting the liability of or affording protection to the Collateral Agent shall be subject to the provisions of this Section 10.3.

SECTION 10.4 Notice of Events of Default

The Collateral Agent shall not be deemed to have knowledge or notice of the occurrence of any Event of Default unless the Collateral Agent shall have received written notice from the Authority or a Holder referring to this Agreement, describing such Event of Default and stating that such notice is a "notice of default." In the event that the Collateral Agent receives such a notice, the Collateral Agent will give notice thereof to the Holders as soon as reasonably practicable; provided, however, that if any such notice has also been furnished to the Holders, the Collateral Agent shall have no obligation to notify the Holders with respect thereto.

SECTION 10.5 Compensation and Reimbursement

(a) The Authority agrees

(1) to pay to the Collateral Agent from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust); and

(2) except as otherwise expressly provided herein, to reimburse the Collateral Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by the Collateral Agent in accordance with any provision of this Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Collateral Agent's negligence or bad faith.

(b) As security for the performance of the obligations of the Authority under this Section the Collateral Agent shall be secured under this Agreement by a lien on the Collateral prior to the Secured Obligations, and for the payment of such compensation, expenses, reimbursements and indemnity the Collateral Agent shall have the right to use and apply any money held by it as a part of the Collateral.

SECTION 10.6 Successor Collateral Agent

(a) The Collateral Agent may resign at any time by giving 30 days' prior written notice to the Authority and the Holders. Upon any such notice of resignation, the Collateral Agent shall notify the Holders of a proposed successor to the Collateral Agent. The Collateral Agent shall select its proposed successor from among the Holders and any person serving as a trustee, collateral agent, administrative agent or other similar function with respect to a Secured Obligation. Appointment of any successor Collateral Agent shall become effective on the 30th day following the date of the retiring Collateral Agent's notice of resignation, unless the Majority Holders or Authority shall object in writing within ten 10 days following receipt of notice of the appointment (except that the Authority shall have no right to object during the existence of an Event of Default).

(b) If no appointment of a successor Collateral Agent has become effective under this Section within 30 days following a Collateral Agent's notice of resignation, then the retiring Collateral Agent may, on behalf of the Holders, and with the consent of Majority Holders and the Authority (provided that no Event of Default exists), appoint a successor Collateral Agent from among the Holders, or any person serving as trustee, collateral agent, administrative agent or other similar function with respect to a Secured Obligation, or if no such appointment occurs, the retiring Collateral Agent's resignation shall nevertheless thereupon become effective, and the Majority Holders shall thereafter perform all of the duties of the Collateral Agent under this Agreement until such time, if any, as the Majority Holders select, with the consent of the Authority (provided that no Event of Default exists) a successor Collateral Agent.

(c) Upon the effectiveness of any appointment as Collateral Agent by a successor Collateral Agent, such successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Collateral Agent, and the retiring Collateral Agent shall be discharged from its duties and obligations hereunder; provided, however, that the retiring Collateral Agent shall cooperate reasonably with the successor Collateral Agent to provide all records, documents, and other information reasonably necessary to enable the successor Collateral Agent to perform its obligations hereunder.

(d) Upon the effectiveness of any retiring Collateral Agent's resignation, such retiring Collateral Agent shall be entitled to payment in full of all costs, expenses, fees or indemnity payments due and payable under this Agreement or otherwise, including costs and expenses incurred in the transfer of its duties to the successor Collateral Agent, and the provisions of this Article shall inure to the benefit of the retiring Collateral Agent as to any actions taken or omitted to be taken by it while it was Collateral Agent.

SECTION 10.7 Merger, Conversion, Consolidation or Succession to Business

Any corporation into which the Collateral Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Collateral Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Collateral Agent, shall be the successor of the Collateral Agent hereunder.

SECTION 10.8 Collateral Agent in its Individual Capacity

Nothing in this Agreement shall be construed to prohibit the Collateral Agent from extending credit to the Authority, whether in the form of a Secured Obligation or otherwise, and with respect to any such credit, the Collateral Agent shall act in its individual capacity and not as Collateral Agent. If Collateral Agent extends credit to the Authority in the form of a Secured Obligation, the terms "Holders," "Credit Enhancers" and "Majority Holders" and any similar terms shall, unless the context clearly

otherwise indicates, include the Collateral Agent in its individual capacity, and Collateral Agent shall have the same rights and powers under this Agreement as any other Holder and shall be entitled to exercise the same as though it were not performing the agency duties set forth in this Agreement. The Collateral Agent or any of its affiliates or subsidiaries may accept deposits from, lend money to and generally engage in any kind of banking, trust, financial advisory or other business with the Authority as if the Collateral Agent were not performing the agency duties specified herein, and Collateral Agent may accept fees and other consideration from the Authority for services in connection with this Agreement and otherwise without having to account for the same to the Holders.

ARTICLE 11

Miscellaneous Provisions

SECTION 11.1 Waiver, Election, etc.

The exercise by the Collateral Agent of any option given under the terms of this Agreement shall not be considered as a waiver of the right to exercise any other option given herein, and the filing of a suit to foreclose the lien and security interest granted by this Agreement, either on any matured portion of the Secured Obligations or for the whole of the Secured Obligations, shall not be considered an election so as to preclude foreclosure under power of sale after a dismissal of the suit; nor shall the publication of notices for foreclosure preclude the prosecution of a later suit thereon. No failure or delay on the part of the Collateral Agent in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder or thereunder. The remedies provided in this Agreement are cumulative and not exclusive of any remedies provided by law. No amendment, modification, termination or waiver of any provisions of this Agreement, nor consent to any departure by the Authority therefrom, shall be effective unless the same shall be in writing and signed by an executive officer of the Collateral Agent, and then such waiver of consent shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on the Authority in any case shall entitle the Authority to any other or further notice or demand in similar or other circumstances.

SECTION 11.2 Construction of Mortgage

This Agreement may be construed as a mortgage, chattel mortgage, conveyance, assignment, security agreement, pledge, financing statement, hypothecation or contract, or any one or more of them, in order fully to effectuate the lien hereof and security interest created hereby and the purposes and agreements herein set forth.

SECTION 11.3 Advances by Collateral Agent

If the Authority shall fail to comply with the provisions hereof with respect to the securing of insurance, the payment of taxes, assessments and other charges, the keeping of the Collateral in repair, or any other term or covenant herein contained, the Collateral Agent may (but shall not be required to) make advances to perform the same, and where necessary enter or take possession of the Collateral for the purpose of performing any such term or covenant. The Authority agrees to repay all sums advanced upon demand, with interest from the date such advances are made, at the rate of 10% per annum (to the fullest extent permitted by applicable law), and all sums so advanced, with interest, shall be secured hereby.

SECTION 11.4 Notices

(a) Any request, demand, authorization, direction, notice, consent, or other document provided or permitted by this Agreement to be made upon, given or furnished to, or filed with, the Authority, the Collateral Agent or the Bond Insurer shall be sufficient for every purpose hereunder if in writing and (except as otherwise provided in this Agreement) either (i) delivered personally to an officer, director or other legal representative of the party to whom the same is directed at the hand delivery address specified below, or (ii) mailed by first-class, registered or certified mail, postage prepaid and addressed as specified below. The hand delivery address and mailing address for the parties are as follows:

Authority

By hand delivery or by mail: 2000 Pepperrell Parkway
Opelika, Alabama 36802-3201
Attention: Administrator

Collateral Agent

By hand delivery: 8 Commerce Street
Montgomery, Alabama 36134
Attention: Corporate Trust Department

By mail: Post Office Box 5260
Montgomery, Alabama 36103-5260
Attention: Corporate Trust Department

Bond Insurer

By hand delivery: 113 King Street
Armonk, New York 10504

By mail: 113 King Street
Armonk, New York 10504

Any of such parties may change the address for receiving any such notice or other document by giving notice to the other parties named in this Section.

(b) Any such notice or other document shall be deemed delivered when actually received by the party to whom directed (or, if such party is not an individual, to an officer, director or other legal representative of the party) at the address specified pursuant to this Section, or, if sent by mail, 3 days after such notice or document is deposited in the United States mail, addressed as provided above.

(c) Any notice delivered to or by the Authority or the Collateral Agent under this Agreement shall also be delivered to the Bond Insurer.

SECTION 11.5 Limitation of Liability

The Secured Obligations shall never constitute an indebtedness of Lee County, Alabama, within the meaning of any constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of Marshall County, Alabama, or a charge against its general credit or taxing powers.

SECTION 11.6 Fixture Filing

If this Agreement shall be subject to the Alabama Uniform Commercial Code, this Agreement shall be effective as a financing statement filed as a fixture filing for purposes of Article 9 of the Uniform Commercial Code. The fixture filing covers all goods that are or are to become affixed to the Real Property. The goods are described by item or type in Section 2.1(c). The Authority is the debtor, and the Collateral Agent is the secured party. The names of the debtor (Authority) and the secured party (Collateral Agent) are given in the first paragraph of this Agreement. This Agreement is signed by the debtor (Authority) as a fixture filing. The mailing address of the Collateral Agent set out in Section 11.4 is an address of the secured party from which information concerning the security interest may be obtained. The mailing address of the Authority set out in Section 11.4 is a mailing address for the debtor. A statement indicating the types, or describing the items, of Collateral is set forth in Article 2. The real estate to which the fixtures are or are to be affixed is described in Exhibit 2.1(a). The Authority is the record owner of such real estate.

SECTION 11.7 Amendment of this Agreement

(a) Subject to the provisions of Section 5 of the Insurance Agreement, an amendment of this Agreement may be made, or consented to, by the Collateral Agent without the consent of the Holders:

(1) to supplement or amend this Agreement pursuant to Section 3.2(a)(1) in connection with the designation of Other Secured Obligations;

(2) to correct or amplify the description of any property at any time subject to the lien of this Agreement, or better to assure, convey and confirm unto any secured party any property subject or required to be subjected to the lien of this Agreement, or to subject to the lien of this Agreement any additional property; or

(3) to add to the covenants of the Authority for the benefit of the Holders and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants an event of default under this Agreement permitting the enforcement of all or any of the several remedies provided herein; provided, however, that with respect to any such covenant, such amendment may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available upon such default; or

(4) to cure any ambiguity or to correct any inconsistency, provided such action shall not adversely affect the interests of the Holders.

(b) Subject to the provisions of Section 5 of the Insurance Agreement, an amendment of this Agreement for any purpose not described in Section 10.8(a) may be entered into, or consented to, by the Collateral Agent only with the consent of the Majority Holders.

SECTION 11.8 Rights of Credit Enhancers Acting on Behalf of Holders

The terms of issuance of any Parity Bonds and the terms of any Other Secured Obligation Document may grant to a Credit Enhancer the right to provide consent or direction on behalf of the Holders of the Secured Obligations that are beneficiaries of such credit enhancement, and the Collateral Agent may conclusively rely upon such consent or direction of the Credit Enhancer for purposes of any consent or direction so given.

SECTION 11.9 Requests for Information from Holders of Secured Obligations

Each Holder of a Secured Obligation, by accepting the benefits of this Agreement, covenants and agrees that it will, upon reasonable request of the Collateral Agent or the Holder of any other Secured Obligation, provide information in reasonable detail about the status of the Secured Obligation of such Holder or the documents or agreements evidencing or securing such Secured Obligation.

(Signature Pages Follow)

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BILL ENGLISH
PROBATE JUDGE
LEE COUNTY

IN WITNESS WHEREOF, the Authority has caused this Agreement to be duly executed and its corporate seal to be hereunto affixed and attested.

ATTEST:

THE EAST ALABAMA HEALTH CARE AUTHORITY

By: [Signature]

By: [Signature]

Name: Rhett E. Riley

Name: E.L. Spencer, Jr.

Title: Secretary-Treasurer

Title: Chairman

STATE OF ALABAMA
LEE COUNTY

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that E.L. Spencer, Jr., whose name as Chairman of The East Alabama Health Care Authority, an Alabama public corporation, is signed to the foregoing document and who is known to me, acknowledged before me on this day that, being informed of the contents of said document, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal this the 8th day of July, 2002.

[Signature]
Notary Public

[NOTARIAL SEAL]

My commission expires:

My Commission Expires 10-27-2003

This document was prepared by:

S. Douglas Williams, Jr.
Maynard, Cooper & Gale, P.C.
1901 Sixth Avenue North
Suite 2400 AmSouth/Harbert Plaza
Birmingham, Alabama 35203-2618
(205) 254-1000

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PROBATE JUDGE
LEE COUNTY

EXHIBIT 2.1(a)

Description of Real Property

COMMENCE AT A FULLER IRON PIN LOCATED AT THE NORTHWEST CORNER OF SECTION 13, TOWNSHIP 19 NORTH, RANGE 26 EAST, OPELIKA, LEE COUNTY, ALABAMA, THENCE SOUTH 00°17' EAST, 403.10 FEET TO AN IRON PIN LOCATED ON THE SOUTH MARGIN OF THE NORFOLK SOUTHERN RAILROAD RIGHT-OF-WAY AND THE NORTHEAST CORNER OF LOT 8, PEPPERELL MANUFACTURING Co., SUBDIVISION THOMASON TRACT, PART No 2 FOR A CORNER AND POINT OF BEGINNING OF THE PARCEL HEREIN TO BE DESCRIBED: FROM THIS POINT OF BEGINNING, THENCE NORTH 86°22'00" EAST ALONG A CHORD OF A CURVE TO THE LEFT OF SAID RAILROAD RIGHT-OF-WAY FOR A DISTANCE OF 698.31 FEET TO AN IRON PIN FOR A CORNER; THENCE NORTH 85°58'15" EAST ALONG A CHORD OF A CURVE TO THE LEFT OF SAID RAILROAD RIGHT-OF-WAY FOR A DISTANCE OF 212.10 FEET TO A RAILROAD RAIL FOR A CORNER; THENCE NORTH 84°47'34" EAST ALONG A CHORD OF A CURVE TO THE LEFT OF SAID RAILROAD RIGHT-OF-WAY FOR A DISTANCE OF 305.71 FEET TO AN IRON PIN FOR A CORNER; THENCE SOUTH 01°30'10" WEST, 538.17 FEET TO AN LARRY E. SPEAKES IRON PIN FOR A CORNER; THENCE SOUTH 00°48'53" WEST, 622.92 FEET TO A PK NAIL FOR A CORNER; THENCE SOUTH 89°48'05" WEST, 2.19 FEET TO A PK NAIL FOR A CORNER; THENCE SOUTH 00°42'53" WEST, 96.57 FEET TO A PK NAIL FOR A CORNER; THENCE NORTH 69°32'05" WEST, 15.57 FEET TO A SPINDLE FOR A CORNER; THENCE NORTH 73°05'51" WEST, 318.20 FEET TO AN IRON PIN FOR A CORNER; THENCE SOUTH 05°26'04" EAST, 318.58 FEET TO AN IRON PIN LOCATED ON THE NORTH MARGIN OF PEPPERELL PARKWAY (US HIGHWAY 29) FOR A CORNER;

THENCE SOUTH 84°35'13" WEST ALONG THE NORTH MARGIN OF PEPPERELL PARKWAY FOR A DISTANCE OF 195.84 FEET TO A CONCRETE MONUMENT FOR A CORNER; THENCE SOUTH 84°35'13" WEST ALONG THE NORTH MARGIN OF PEPPERELL PARKWAY FOR A DISTANCE OF 860.53 FEET TO AN IRON PIN LOCATED AT THE INTERSECTION OF THE NORTH MARGIN OF PEPPERELL PARKWAY AND THE EAST MARGIN OF EAST THOMASON CIRCLE FOR A CORNER; THENCE NORTH 02°28'20" WEST ALONG THE EAST MARGIN OF EAST THOMASON CIRCLE FOR A DISTANCE OF 573.84 FEET TO AN IRON PIN FOR A CORNER; THENCE NORTH 89°47'17" EAST, 183.16 FEET TO AN IRON PIN FOR A CORNER; THENCE NORTH 00°17'00" WEST, 100.00 FEET TO AN IRON PIN FOR A CORNER; THENCE NORTH 00°15'42" WEST, 198.44 FEET TO AN IRON PIN FOR A CORNER; THENCE NORTH 00°17'00" WEST, 150.00 FEET TO A LEAD-IN IN A SIDEWALK FOR A CORNER; THENCE SOUTH 89°43'00" WEST, 201.41 FEET TO AN IRON PIN LOCATED ON THE EAST MARGIN OF THOMASON PLACE FOR A CORNER; THENCE NORTH 02°28'19" WEST ALONG THE EAST MARGIN OF THOMASON PLACE FOR A DISTANCE OF 200.15 FEET TO AN IRON PIN LOCATED AT THE INTERSECTION OF THE EAST MARGIN OF THOMASON PLACE AND THE SOUTH MARGIN OF LINCH AVENUE FOR A CORNER; THENCE NORTH 89°43'17" EAST ALONG THE SOUTH MARGIN OF LINCH AVENUE FOR A DISTANCE OF 209.05 FEET TO AN IRON PIN FOR A CORNER; THENCE NORTH 00°17'00" WEST, 60.16 FEET TO A LEAD-IN LOCATED ON THE NORTH MARGIN OF LINCH AVENUE FOR A CORNER; THENCE SOUTH 89°43'17" WEST ALONG THE NORTH MARGIN OF LINCH AVENUE FOR A DISTANCE OF 239.60 FEET TO AN IRON PIN FOR A CORNER; THENCE NORTH 00°17'00" WEST, 192.54 FEET TO AN IRON PIN LOCATED ON THE SOUTH MARGIN OF NORFOLK SOUTHERN RAILROAD RIGHT-OF-WAY FOR A CORNER; THENCE NORTH 86°18'55" EAST ALONG A CHORD OF A CURVE

TO THE LEFT OF THE SOUTH MARGIN OF SAID RIGHT-OF-WAY FOR A DISTANCE OF 240.02 FEET TO THE POINT OF BEGINNING.

THIS PARCEL LIES IN SECTIONS 14 AND 13, TOWNSHIP 19 NORTH, RANGE 26 EAST, OPELIKA, LEE COUNTY, ALABAMA AND CONTAINS 42.45 ACRES, MORE OR LESS.

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BILL ENGLISH
PROBATE JUDGE
LEE COUNTY

EXHIBIT 2.2

Permitted Encumbrances

(a) **General.** Liens arising in the ordinary course of business (other than liens to secure indebtedness incurred by the Authority), including without limitation (1) liens for taxes, assessments, or other governmental charges, provided that payment of such charge is not delinquent or payment is being contested in good faith by appropriate proceedings, (2) materialmen's, mechanics', carriers', workmen's, repairmen's, or other similar liens arising in the ordinary course of business, provided that payment of the amount secured by such lien is not delinquent or payment is being contested in good faith by appropriate proceedings, (3) liens resulting from any judgment that is being contested in good faith by appropriate proceedings if execution on such judgment is effectively stayed, and pledges or deposits to secure, or provided in lieu of, any surety, stay or appeal bond with respect to any such judgment, (4) leases made, or existing on assets acquired, in the ordinary course of business, (5) zoning restrictions, easements, licenses, restrictions on the use of real property or minor irregularities in title thereto, which do not materially impair the use of such property in the operation of the business of the Authority or the value of such property for the purpose of such business.

(b) **Specific.** The exceptions set forth in Schedule B-Section 2 of the mortgagee's title insurance policy issued or to be issued pursuant to that certain Commitment to Issue Title Insurance No. 02-699N prepared by Nancy Davis, Attorney at Law, as agent for Chicago Title Insurance Company having an effective date of June 10, 2002 at 8:00 a.m. (as marked down by said title insurance agent through the date of closing), to the extent only that such exceptions refer expressly to instruments recorded against, or otherwise specifically affect, the Real Property.

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PROBATE JUDGE
LEE COUNTY

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

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[Closing Date]

Holders of the Series 2018A Bonds
referred to below

**Re: \$_____ Health Care Facilities Bonds, Series 2018A, issued by The East Alabama
Health Care Authority**

This bond opinion is being delivered in connection with the issuance of the above-referenced bonds (the “Series 2018A Bonds”) by The East Alabama Health Care Authority, a public corporation organized under the laws of the State of Alabama (the “Authority”), including particularly Articles 11 and 11A, Chapter 21, Title 22, Section 22-21-310 et seq. of the Code of Alabama 1975 (the “Enabling Law”). The Series 2018A Bonds are being issued under a Trust Indenture dated May 1, 2018 (the “Indenture”) between the Authority and Regions Bank, an Alabama banking corporation (the “Trustee”). Capitalized terms not otherwise defined in this opinion shall have the meaning assigned in the Indenture and the Master Indenture described below.

The Series 2018A Bonds have been issued for the purposes of (i) financing certain improvements to the health care facilities of the Authority, and (ii) paying a portion of the costs of issuance of the Series 2018A Bonds.

The Series 2018A Bonds constitute general obligations of the Authority secured by the Master Indenture Obligation described below.

The Authority has entered into a Master Trust Indenture dated April 1, 2012, as supplemented (the “Master Indenture”), with Regions Bank, as master trustee (the “Master Trustee”), whereby the Authority may from time to time issue its obligations (the “Obligations”) for any lawful purpose. As security for the Authority’s obligations under the Indenture and the Series 2018A Bonds, the Authority has issued its Series 2018A Related Debt Obligation (the “Series 2018A Master Indenture Obligation”) payable to the Trustee. The Series 2018A Master Indenture Obligation is payable at times and in amounts corresponding to the required payments of Debt Service on the Series 2018A Bonds. Payments by the Authority under the Indenture and the Series 2018A Bonds will be credited against the payments due under the Series 2018A Master Indenture Obligation. The Master Indenture creates a lien on the following collateral (herein collectively referred to as the “Pledged Revenues”): (i) the Pledged Tax Proceeds, which includes 75% of the annual proceeds of the Special Tax payable to the Authority, and (ii) the Gross Receipts, which includes the revenues derived by the Authority from its facilities and other assets and properties.

In addition, the Authority has heretofore executed and delivered a Mortgage and Security Agreement dated June 1, 2002 in favor of Regions Bank, as Collateral Agent, as heretofore supplemented (the “Mortgage”). The Mortgage imposes a mortgage lien on a portion of the Authority’s facilities for the benefit of all “Other Secured Obligations” designated as such pursuant to the Mortgage. In connection with the issuance of the Series 2018A Bonds, the Authority has executed and delivered a supplement to the Mortgage, pursuant to which the Authority has designated the Series 2018A Master Indenture Obligation as an Other Secured Obligation under the Mortgage.

In connection with the issuance of the Series 2018A Bonds and the delivery of this bond opinion, we have acted as bond counsel to the Authority.

We have examined executed counterparts of the Indenture, the Master Indenture and the Mortgage and such other certificates, proceedings, proofs and documents as we have deemed necessary in connection with the opinions hereinafter set forth.

As to various questions of fact material to our opinion, we have relied upon the representations made in the documents described above and upon certificates of certain public officials and officers of the Authority and the

Trustee (including without limitation certificates by the Authority as to the use of bond proceeds which are material to our opinion in paragraph 7 below), without undertaking to verify the same by independent investigation.

For purposes of this opinion, the term “Internal Revenue Code” means the Internal Revenue Code of 1986, as amended.

Based upon the foregoing, and upon such investigation as we have deemed necessary, we are of the opinion that:

1. The Authority has been duly organized as a public corporation under the provisions of Articles 11 and 11A, Chapter 21, Title 22 (Section 22-21-310 et seq.) of the Code of Alabama 1975.

2. The Authority has corporate power and authority to enter into and perform its obligations under the Indenture, the Master Indenture and the Mortgage and to issue and deliver the Series 2018A Bonds and the Series 2018A Master Indenture Obligation. The execution, delivery and performance of its obligations under the Indenture, Master Indenture and the Mortgage and the issuance and delivery of the Series 2018A Bonds and the Series 2018A Master Indenture Obligation by the Authority have been duly authorized by all requisite corporate action, and the Indenture, the Master Indenture, the Mortgage, the Series 2018A Bonds and the Series 2018A Master Indenture Obligation have been duly executed and delivered by the Authority.

3. The Series 2018A Bonds and the Series 2018A Master Indenture Obligation constitute legal, valid and binding general obligations of the Authority

4. The Indenture, the Master Indenture and the Mortgage constitute legal, valid and binding obligations of the Authority and are enforceable against the Authority in accordance with their terms.

5. The Master Indenture creates a valid pledge and assignment of the Pledged Revenues to secure Obligations issued under the Master Indenture.

6. Lee County, Alabama is legally obligated to levy the Special Tax, within the limits imposed by the Constitution of the State of Alabama, to the extent necessary to prevent a default in payment of debt service on the Series 2018A Bonds.

7. Interest on the Series 2018A 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, it should be noted that, for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), (i) such interest is taken into account in determining adjusted current earnings, and (ii) the federal alternative tax imposed on corporations is eliminated for tax years beginning after December 31, 2017. The opinion set forth in the preceding sentence is subject to the condition that the Authority complies with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Series 2018A Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 2018A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2018A Bonds.

8. Under existing law, interest on the Series 2018A Bonds is exempt from Alabama income taxation.

We express no opinion regarding federal tax consequences arising with regard to the Series 2018A Bonds, other than the opinions expressed in paragraph 7 above.

The rights of the holders of the Series 2018A Bonds and the enforceability of the Series 2018A Bonds and the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and general principles of equity, including the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2018A Bonds.

We have not examined the title of the Authority to the property described in the Mortgage and therefore express no opinion with respect to title.

Faithfully yours,

Maynard, Cooper & Gale, P.C.

By:_____

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

THE EAST ALABAMA HEALTH CARE AUTHORITY, an Alabama public corporation (the “Authority”), has entered into this Continuing Disclosure Agreement for the benefit of the holders of its \$_____ Health Care Facilities Bonds, Series 2018A (the “Bonds”).

Background

A. The Bonds are being issued pursuant to a Trust Indenture dated May 1, 2018 (the “Indenture”), between the Authority and Regions Bank, as trustee.

B. The Authority has prepared and delivered an Official Statement dated _____, 2018 (the “Official Statement”), with respect to the Bonds.

C. This Agreement is hereby entered into by the Authority in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 adopted by the Securities and Exchange Commission (the “Rule”).

D. There is no Obligated Person with respect to the Bonds other than the Authority.

Section 1. Definitions

(a) Capitalized terms not otherwise defined in this Agreement shall have the meanings assigned in the Rule or, to the extent not in conflict with the definitions in the Rule, in the Official Statement.

(b) The terms set forth below shall have the following meanings, unless the context clearly otherwise requires:

“Annual Financial Information” means (to the extent not included in the Audited Financial Statements) the information set forth in the Official Statement under the heading “RESULTS OF HOSPITAL OPERATIONS — Selected Financial Data” in APPENDIX A (not including, however, any partial year information that may be presented in Appendix A under that heading).

“Audited Financial Statements” means the audited financial statements of the Authority prepared on a basis consistent with the financial statement attached to the Official Statement as APPENDIX B.

“EMMA” means the MSRB’s Electronic Municipal Market Access system, as provided by the Rule.

“MSRB” means the Municipal Securities Rulemaking Board.

“Quarterly Financial Information” means unaudited financial statements and the information set forth in the Official Statement under the heading “RESULTS OF HOSPITAL OPERATIONS — Selected Financial Data” in APPENDIX A as of the end of each fiscal quarter.

“Repository” means the MSRB and its EMMA system.

Section 2. Financial Information Disclosure

The Authority covenants that it will disseminate to each Repository (i) within 150 days after the close of each fiscal year of the Authority, commencing with the fiscal year ending September 30, 2018, its Annual Financial Information and its Audited Financial Statements and (ii) within 45 days after the close of each fiscal quarter of each fiscal year, its Quarterly Financial Information.

Section 3. Event Notices

(a) The Authority will provide to the Repository notice of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on any credit enhancements reflecting financial difficulties.
- (5) Substitution of a credit or liquidity providers, or their failure to perform.
- (6) The existence of any adverse tax opinion with respect to the Bonds, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determination with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of interest on the Bonds.
- (7) Modifications of the rights of the holders of the Bonds, if material.
- (8) Redemption of any of the Bonds prior to the stated maturity or mandatory redemption date thereof, if material, and tender offers with respect to the Bonds.
- (9) Defeasance of the lien of any of the Bonds or the occurrence of circumstances which, pursuant to such authorizing proceedings, would cause the Bonds, or any of them, to be no longer regarded as outstanding thereunder.
- (10) The release, substitution or sale of the property securing repayment of the Bonds, if material.
- (11) Any changes in published ratings affecting the Bonds.
- (12) Bankruptcy, insolvency, receivership or similar event of the Authority.
- (13) The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of the trustee, if material.

(b) The Authority may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of such Authority, such other event is material with respect to the Bonds, but the Authority does not undertake to commit to provide any such notice of the occurrence of any material event except those listed above.

(c) The event notices required by this section shall be made in a timely manner not in excess of ten (10) business days after the occurrence of the event.

Section 4. Consequences of Failure to Provide Information

Failure by the Authority to comply with the provisions of this Agreement will not constitute an event of default under the Indenture or the related financing documents; however, nothing in this Agreement precludes the beneficial owner of any Bond from seeking a court order requiring the Authority to comply with its obligations under this Agreement, and the failure to comply will itself be a reportable event under the Rule and this Agreement. In no event shall the Authority be subject to money damages in any sum or amount, whether compensatory, punitive or otherwise, for its failure to comply with the provisions of this Agreement.

Section 5. Amendment

This Agreement may be amended by the Authority if the amendment is required by, or consistent with, changes to, or interpretations of, the Rule made by governmental authority after the Bonds are issued; provided, however, that notwithstanding any provision of the Rule or any amendment to this Agreement to the contrary, the Authority will continue to provide the quarterly financial information required by Section 2 of this Agreement.

Section 6. Correction of Information

If any annual financial information or operating data or event so reported is thereafter determined to have been incorrect or misleading, the Authority will correct the same by making a corrected filing, identified as such in the filing, in the same manner as described in Section 2 of this Agreement.

Section 7. Compliance with Prior Agreements

In connection with the prior issuance of its obligations the Authority has entered into other continuing disclosure agreements under the Rule. The Authority represents that it is in compliance with all such agreements.

Section 8. Contract Formed

This undertaking shall constitute a contract between the Authority and the holders from time to time and at any time of the Bonds, but no other person, firm or Authority shall have any rights hereunder.

Section 9. Beneficiaries of Agreement

This Agreement is entered into by the Authority for the benefit of the holders of the Bonds.

IN WITNESS WHEREOF, this undertaking has been duly authorized by the Authority and has been executed by and on behalf of the Authority by its duly authorized undersigned officer, all as of the ____ day of May, 2018.

THE EAST ALABAMA HEALTH CARE AUTHORITY

By: _____

Title: _____

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APPENDIX F

DTC BOOK ENTRY SYSTEM

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APPENDIX F

DTC BOOK ENTRY SYSTEM

The information contained in this section concerning The Depository Trust Company and its book-entry only system has been obtained from materials furnished by The Depository Trust Company to the Authority. The Authority and the Underwriter do not make any representation or warranty as to the accuracy or completeness of such information.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2018A Bonds. The Series 2018A Bonds will be issued as fully-registered securities registered in the name of Cede & Co., DTC’s partnership nominee or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2018A Bond certificate will be issued for each maturity of the Series 2018A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2018A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2018A Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct Participants’ 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 Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018A Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2018A Bonds, except in the event that use of the book-entry system for the Series 2018A Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Series 2018A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2018A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an "Omnibus Proxy" to the Authority as soon as possible after the record date. The "Omnibus Proxy" assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2018A Bonds are credited on the record date (identified in a listing attached to the "Omnibus Proxy").

Principal, premium and interest payments on the Series 2018A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon receipt of funds and corresponding detail information, in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect 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 Direct Participants and Indirect Participants and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium (if any) and interest to Cede & Co. (or such other DTC nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2018A Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Series 2018A Bonds are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2018A Bonds will be printed and delivered to DTC.

The Authority, the Trustee and the Underwriter cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series 2018A Bonds (1) payments of principal, redemption price or interest on the Series 2018A Bonds; (2) certificates representing an ownership interest or other confirmation of beneficial ownership interests in Series 2018A Bonds; or (3) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2018A Bonds, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "rules" applicable to DTC are on file with the United States Securities and Exchange Commission, and the current "procedures" of DTC to be followed in dealing with DTC participants are on file with DTC.

Neither the Authority, the Trustee nor the Underwriter will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series 2018A Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the

Series 2018A Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Warrant Ordinance to be given to holders of the Series 2018A Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2018A Bonds; or (6) any consent given or other action taken by DTC as a holder of the Series 2018A Bonds.

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