PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 3, 2016

New Issue: Book-Entry Only **RATING: Moody's "A2"**

In the opinion of Nabors, Giblin & Nickerson, P.A., Bond Counsel, assuming continuing compliance with certain tax covenants, the interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes and is not subject to the federal alternative minimum tax on individuals under existing statutes, regulations, rulings and court decisions. However, see "Tax Exemption" herein for a description of the alternative minimum tax imposed on corporations and certain other federal tax consequences of ownership of the Series 2016 Bonds. Bond Counsel is further of the opinion that the Series 2016 Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined therein. See "Tax Exemption" herein.

$80,000,000*
CITY OF LAKELAND, FLORIDA
HOSPITAL REVENUE REFUNDING BONDS
(LAKELAND REGIONAL HEALTH SYSTEMS)
SERIES 2016

Dated: Date of Delivery **Due:** November 15, as shown on inside cover

The City of Lakeland, Florida (the "***Issuer***") is offering $80,000,000* of its Hospital Revenue Refunding Bonds (Lakeland Regional Health Systems), Series 2016 (the "***Series 2016 Bonds***"). The Series 2016 Bonds will be issued as fully registered bonds without coupons in denominations of $5,000 or any integral multiple thereof. Interest on the Series 2016 Bonds will be payable semi-annually on each November 15 and May 15 commencing November 15, 2016. See "Description of the Series 2016 Bonds" herein. The Series 2016 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("***DTC***"). Principal of, premium, if any, and interest on the Series 2016 Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., successor to Wachovia Bank, National Association (formerly First Union National Bank), as trustee and paying agent (the "***Bond Trustee***"), to Cede & Co., and such payments will in turn be disbursed to the beneficial owners through their nominees. So long as Cede & Co. is the registered owner of the Series 2016 Bonds, as nominee for DTC, references herein to the registered owners of the Series 2016 Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2016 Bonds. See "Book-Entry Only System" herein.

The Series 2016 Bonds will be issued and secured under the provisions of a Trust Agreement, dated September 2, 1999, as amended and supplemented and, in particular, as supplemented by the Fifth Supplemental Trust Agreement, dated as of September 1, 2016, between the Issuer and the Bond Trustee (collectively, the "***Trust Agreement***"). Proceeds of the Series 2016 Bonds will be loaned to the Obligated Group (as defined herein) and used, together with other available funds of the Obligated Group, for the purpose of (i) currently refunding all of the City of Lakeland, Florida Hospital Revenue Refunding Bonds (Lakeland Regional Health Systems), Series 2006 (the "***Refunded Bonds***") and (ii) paying certain of the costs and expenses relating to the issuance of the Series 2016 Bonds. See "Plan of Finance" herein.

The Series 2016 Bonds are payable on a parity with the Outstanding Parity Bonds (as defined herein), currently outstanding in an aggregate principal amount of $236,170,000, excluding the Refunded Bonds, and are payable from and secured by (i) payments to be made by the Obligated Group under the Financing Agreement, dated September 2, 1999, as amended and supplemented and, in particular, as supplemented by the Fifth Supplemental Financing Agreement, dated as of September 1, 2016, between the Issuer and the Obligated Group (collectively, the "***Agreement***"), and (ii) from the moneys and investments from time to time on deposit to the credit of the funds and accounts (other than the Rebate Account) created under the Trust Agreement. The obligations of the Obligated Group under the Agreement will be evidenced and secured by Obligation No. 7 issued pursuant to an Amended and Restated Master Trust Indenture, dated as of February 1, 2015, among the Obligated Group and The Bank of New York Mellon Trust Company, N.A., as master trustee, as amended and supplemented and, in particular, as supplemented by Supplemental Indenture for Obligation No. 7, dated as of September 1, 2016 (collectively, the "***Master Indenture***"). All Obligations issued under the Master Indenture are joint and several obligations of the members of the Obligated Group secured by a security interest in the Gross Revenues (as defined herein). As additional security for the Series 2016 Bonds, the Issuer will assign substantially all of its right, title and interest in and to the Agreement and Obligation No. 7 (except for certain unassigned rights described herein) to the Bond Trustee. The Outstanding Parity Bonds, excluding the Refunded Bonds, are secured by Obligation Nos. 5 and 6 issued pursuant to the Master Indenture. See "Security and Source of Payment for the Series 2016 Bonds" herein.

The Series 2016 Bonds are subject to Optional, Mandatory Sinking Fund, Extraordinary Optional and Extraordinary Mandatory Redemption prior to maturity as described herein. See inside cover page for maturities, amounts, interest rates, prices and yields. See "Description of the Series 2016 Bonds – Redemption" herein.

THE SERIES 2016 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE CITY OF LAKELAND, POLK COUNTY, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF LAKELAND, POLK COUNTY, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2016 BONDS OR THE OUTSTANDING PARITY BONDS. THE CITY OF LAKELAND, POLK COUNTY, THE STATE OF FLORIDA AND ANY POLITICAL SUBDIVISION THEREOF ARE NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATED TO LEVY ANY TAX OR TO PLEDGE ANY FORM OF TAXATION WHATEVER FOR THE SERIES 2016 BONDS OR THE OUTSTANDING PARITY BONDS OR TO MAKE ANY APPROPRIATION FOR THE PAYMENT OF THE SERIES 2016 BONDS OR THE OUTSTANDING PARITY BONDS. NO HOLDER OF THE SERIES 2016 BONDS SHALL EVER HAVE THE RIGHT TO COMPEL ANY EXERCISE OF THE TAXING POWER OF THE CITY OF LAKELAND, POLK COUNTY, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY DEBT SERVICE ON THE SERIES 2016 BONDS.

The Obligated Group has contracted with Digital Assurance Certification, L.L.C., to serve as dissemination agent with respect to the Series 2016 Bonds. Such services may be discontinued at any time. See "Continuing Disclosure" herein.

All of the Series 2016 Bonds are offered in book-entry form, when, as and if issued by the Issuer and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, under certain conditions, and to receipt of the legal opinion with respect to the Series 2016 Bonds by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the Issuer by its counsel, Timothy McCausland, Esq. of Lakeland, Florida, for the Obligated Group by its counsel, Peterson & Myers, P.A., Lakeland, Florida, and for the Underwriter by its counsel, Norton Rose Fulbright US LLP, Dallas, Texas. Ponder & Co., Hawthorne, Florida, is acting as financial advisor to the Obligated Group in connection with the issuance of the Series 2016 Bonds. It is expected that delivery of the Series 2016 Bonds will be made through DTC in New York, New York, on or about _____ __, 2016.

J.P.Morgan

This Official Statement is dated August __, 2016.

* Preliminary, subject to change.

$80,000,000*
CITY OF LAKELAND, FLORIDA
HOSPITAL REVENUE REFUNDING BONDS
(LAKELAND REGIONAL HEALTH SYSTEMS)
SERIES 2016

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS, PRICES AND INITIAL CUSIP NUMBERS

Maturity (November 15)	Principal Amount	Interest Rate	Yield	Price	Initial CUSIP No.+

$_____ _.___% Term Bond due November 15, 20__, Priced to Yield _.___% CUSIP No.+ _____

---

* Preliminary, subject to change.

+ CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Underwriter, the Obligated Group or the Issuer and are included solely for the convenience of the holders of the Series 2016 Bonds. Neither the Underwriter, the Obligated Group, nor the Issuer is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2016 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Series 2016 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2016 Bonds.

No dealer, salesman or any other person has been authorized by the Issuer, the Obligated Group or the Underwriter to give any information or to make any representation (other than those contained in this Official Statement and the appendices hereto) in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell the Series 2016 Bonds or a solicitation of an offer to buy, nor shall there be any sale of the Series 2016 Bonds by any person, in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

The information set forth herein under the caption "THE ISSUER" and information concerning the Issuer under "LITIGATION" have been furnished by the Issuer. All other information contained in this Official Statement has been obtained from the Obligated Group and other sources which the Issuer, the Obligated Group and the Underwriter believe to be reliable. Such other information is not guaranteed as to accuracy or completeness by, and is not to be relied upon as or construed as a promise or representation by, the Issuer or the Underwriter.

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

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

This Official Statement is submitted in connection with the sale of securities referred to herein and may not be used, in whole or in part, for any other purpose. The information and expressions of opinion set forth herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, DTC or the Obligated Group or affiliates since the date of the information set forth herein. This Official Statement does not constitute a contract among or between the Issuer, the Obligated Group or the Underwriter and any purchaser of the Series 2016 Bonds.

The Series 2016 Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended. The registration, qualification or exemption of the Series 2016 Bonds in accordance with the applicable securities laws of the jurisdictions in which these securities have been registered, qualified or exempted should not be regarded as a recommendation thereof. Neither these jurisdictions nor any of their agencies have guaranteed or passed upon the safety of the Series 2016 Bonds as an investment, upon the probability of any earnings thereon or upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.

There are risks associated with the purchase of the Series 2016 Bonds. For a discussion of certain risks, see "BONDHOLDERS' RISKS" herein.

The Bank of New York Mellon Trust Company, N.A., in each of its capacities including but not limited to Bond Trustee, Master Trustee, Paying Agent and Bond Registrar, has not participated in the preparation of this Official Statement and assumes no responsibility for its content.

Certain statements included or incorporated by reference in this Official Statement constitute "forward looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget," or similar words. The achievement of certain results or other expectations contained in such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. The Obligated Group does not plan to issue any updates or revisions to those forward looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur. Investors should not place undue reliance on such forward looking statements. Please review the factors described below under "BONDHOLDERS' RISKS" which could cause actual results to differ from expectations.

The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all appendices attached hereto, to obtain information essential to the making of an informed investment decision.

TABLE OF CONTENTS

OFFICIAL STATEMENT

**$80,000,000*
CITY OF LAKELAND, FLORIDA
HOSPITAL REVENUE REFUNDING BONDS
(LAKELAND REGIONAL HEALTH SYSTEMS)
SERIES 2016**

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, inside cover page and Appendices hereto, is furnished in connection with the offering of $80,000,000* aggregate principal amount of Hospital Revenue Refunding Bonds (Lakeland Regional Health Systems), Series 2016 (the "***Series 2016 Bonds***") to be issued by the City of Lakeland, Florida (the "***City***" or the "***Issuer***"). The Series 2016 Bonds are being issued as Additional Bonds on a parity with the Outstanding Parity Bonds, currently outstanding in the aggregate principal amount of $236,170,000, excluding the Refunded Bonds. See "OUTSTANDING PARITY BONDS."

All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Trust Agreement and Master Indenture, as each is defined herein. See "APPENDIX C – SUMMARIES OF PRINCIPAL DOCUMENTS."

The Series 2016 Bonds

The Series 2016 Bonds are issuable as fully registered bonds without coupons, and when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("***DTC***"), New York, New York. DTC will act as Securities Depository for the Series 2016 Bonds. Purchases of beneficial ownership interests will be made in book-entry only form in denominations of $5,000 or any integral multiple thereof. Purchasers ("***Beneficial Owners***") will not receive certificates representing their beneficial interest in the Series 2016 Bonds. So long as Cede & Co. is the Bondholder, as nominee of DTC, references herein to Bondholders or registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2016 Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Series 2016 Bonds will be dated the date of delivery thereof. Principal of and premium, if any, and interest on the Series 2016 Bonds will be paid by the Bond Trustee to Cede & Co., as Bondholder and nominee for DTC, payable as to interest on each November 15 and May 15, beginning November 15, 2016.

The Series 2016 Bonds are subject to extraordinary optional, extraordinary mandatory, optional and mandatory sinking fund redemption prior to maturity as described herein. See "DESCRIPTION OF THE SERIES 2016 BONDS - Redemption" herein.

Authorization

The Series 2016 Bonds are being issued pursuant to Part II of Chapter 159, Florida Statutes and Chapter 166, Florida Statutes, as supplemented and amended (collectively, the "***Act***"), an ordinance adopted by the City Commission of the Issuer on July 18, 2016 (the "***Resolution***") and the Trust Agreement, dated September 2, 1999, as amended and supplemented and, in particular, as supplemented by the Fifth Supplemental Trust Agreement, dated as of September 1, 2016, (as the same may be amended or supplemented from time to time, collectively, the "***Trust Agreement***"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., successor to Wachovia Bank, National Association (formerly First Union National Bank) as bond trustee (together with any successor bond trustee under the Trust Agreement, the "***Bond Trustee***").

The Obligated Group

The Series 2016 Bonds are being issued for the benefit of the Lakeland Regional Health Systems, Inc. ("***LRHS***") and Lakeland Regional Medical Center, Inc. ("***LRMC***," and together with LRHS, the "***Obligated Group***"), and with any entities that may become members of the Obligated Group in the future and subject to the permitted withdrawal of members therefrom. The proceeds of the Series 2016 Bonds will be used, together with

* Preliminary, subject to change.

other available funds of the Obligated Group, to currently refund all of the City of Lakeland, Florida Hospital Revenue Refunding Bonds (Lakeland Regional Health Systems), Series 2006 (the "***Refunded Bonds***") and pay certain of the costs and expenses relating to the issuance of the Series 2016 Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Lease and Transfer Agreement

LRMC entered into a Lease and Transfer Agreement, dated as of October 1, 1986, as supplemented and amended from time to time (the "***Lease and Transfer Agreement***") with the Issuer. The Lease and Transfer Agreement grants control of all operations of Lakeland Regional Medical Center, an 851 bed acute care hospital facility (the "***Hospital***") to LRMC until the expiration of the Lease and Transfer Agreement, currently scheduled to be September 30, 2040 or as otherwise sooner terminated by the Issuer pursuant to terms thereof. See "APPENDIX A – OVERVIEW AND BACKGROUND – Lease and Transfer Agreement," attached hereto, "APPENDIX C – SUMMARIES OF PRINCIPAL DOCUMENTS – The Lease and Transfer Agreement" attached hereto.

Security for the Series 2016 Bonds

Pursuant to the Financing Agreement, dated September 2, 1999, as amended and supplemented and, in particular, as supplemented by the Fifth Supplemental Financing Agreement, dated as of September 1, 2016 (collectively, the "***Agreement***"), between the Issuer and the Obligated Group, the Obligated Group agrees to pay when due and payable by the Issuer the principal of, premium, if any, and interest on the Series 2016 Bonds. The Obligated Group's obligations pursuant to the Agreement will be evidenced and secured by Obligation No. 7 ("***Obligation No. 7***") issued pursuant to an Amended and Restated Master Trust Indenture, dated February 1, 2015, as amended and supplemented, particularly as supplemented by the Supplemental Indenture for Obligation No. 7, dated as of September 1, 2016, among the Obligated Group and The Bank of New York Mellon Trust Company, N.A., as master trustee (collectively, the "***Master Indenture***"). The Series 2016 Bonds will also be secured by the moneys and investments from time to time on deposit to the credit of the funds and accounts created under the Trust Agreement and the assignment by the Issuer of substantially all of its right, title and interest in and to the Agreement and Obligation No. 7 (except for certain rights described herein) to the Bond Trustee. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2016 BONDS," herein and "APPENDIX C – SUMMARIES OF PRINCIPAL DOCUMENTS" attached hereto.

Security under the Master Indenture

All Obligations issued under the Master Indenture, including Obligation Nos. 5 and 6 (hereinafter defined under "OUTSTANDING PARITY BONDS") and Obligation No. 7, are the joint and several obligations of the Obligated Group and are secured on a parity basis by a security interest in the Gross Revenues (as described herein) of the Obligated Group. Under the circumstances set forth in the Master Indenture, members of the Obligated Group (including LRHS) may cease such status and be released from their obligations with respect to the Obligations, the Agreement, the Outstanding Parity Bonds and the Series 2016 Bonds, and entities not now members of the Obligated Group may join the Obligated Group. The financial results of the members of the Obligated Group will be combined, together with the financial results of the Restricted Affiliates, if any (of which currently there are none), for financial reporting purposes and will be used in determining whether certain covenants and tests in the Master Indenture are satisfied. See "BONDHOLDERS' RISKS – Certain Matters Relating to Enforceability of the Master Indenture" herein for a description of certain potential limitations as to the enforceability of the Master Indenture and the modification of the covenants and pledges therein. So long as Obligation No. 7 remains outstanding, the Obligated Group has agreed that LRMC will remain a member of the Obligated Group and will not withdraw from the Obligated Group. Additionally, as long as Obligation No. 7 is outstanding, the Obligated Group has waived any right to adopt a replacement Master Indenture. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2016 BONDS" herein, and "APPENDIX C - SUMMARIES OF PRINCIPAL DOCUMENTS" attached hereto.

The Series 2016 Bonds shall not be deemed to constitute a debt, liability or obligation of the City of Lakeland, Polk County, the State of Florida or any political subdivision thereof. Neither the faith and credit nor the taxing power of the City of Lakeland, Polk County, the State of Florida or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the Series 2016 Bonds or the Outstanding Parity Bonds. The City of Lakeland, Polk County, the State of Florida or any political subdivision thereof are not directly or indirectly or contingently obligated to levy any tax or to pledge any form of taxation whatever for the Series 2016 Bonds or the Outstanding Parity Bonds or to make any appropriation for the payment of the Series 2016 Bonds or the Outstanding Parity Bonds. No holder of the

Series 2016 Bonds shall have the right to compel any exercise of the taxing power of the City of Lakeland, Polk County, the State of Florida or any political subdivision thereof to pay debt service on the Series 2016 Bonds. See "DESCRIPTION OF THE SERIES 2016 BONDS" and "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2016 BONDS" herein.

Bondholders' Risks

For a description of certain risks associated with ownership of the Series 2016 Bonds, see "BONDHOLDERS' RISKS" herein.

Principal Documents

This Official Statement contains descriptions of, among other things, the Outstanding Parity Bonds, the Series 2016 Bonds, the Agreement, the Trust Agreement, the Master Indenture, Obligation No. 7, the Lease and Transfer Agreement and the Continuing Disclosure Agreement. These descriptions do not purport to be comprehensive or definitive. Summaries of certain provisions of the Master Indenture, the Trust Agreement, the Agreement and the Lease and Transfer Agreement are contained in APPENDIX C to this Official Statement. Definitions of certain words and terms used in this Official Statement are also set forth in APPENDIX C. All references herein to such documents are qualified in their entirety by reference to such documents, and references herein to the Series 2016 Bonds are qualified in their entirety by reference to the forms thereof included in the Trust Agreement. Until the issuance and delivery of the Series 2016 Bonds, copies of the Master Indenture, the Trust Agreement, the Agreement, the Lease and Transfer Agreement and other documents herein described may be obtained from LRHS by written request at 230 South Florida Avenue, 4th Floor, Lakeland, Florida 33801 Attention: Chief Financial Officer. Copies of such documents will be available for inspection at the principal corporate trust office of the Bond Trustee at 10161 Centurion Parkway, 2nd Floor, Jacksonville, Florida 32256, after delivery of the Series 2016 Bonds.

OUTSTANDING PARITY BONDS

The Issuer issued $77,580,000 of its Hospital Revenue Refunding Bonds (Lakeland Regional Health Systems), Series 2011, currently outstanding in the principal amount of $56,170,000 (the "***Series 2011 Bonds***"), for the purpose of refunding certain bonds previously issued by the Issuer for the benefit of the Obligated Group. The Series 2011 Bonds are secured under the Trust Agreement and the payment of obligations of the Obligated Group relating thereto are secured by Obligation No. 5 issued under the Master Indenture ("***Obligation No. 5***").

The Issuer issued $180,000,000 of its Hospital Revenue Bonds (Lakeland Regional Health Systems), Series 2015, currently outstanding in the principal amount of $180,000,000 (the "***Series 2015 Bonds***"), for the purpose of financing and refinancing all or a portion of the costs of acquisition, construction, installation, and equipping of certain capital improvements to Obligated Group's heath care facilities. The Series 2015 Bonds are secured under the Trust Agreement and the payment of obligations of the Obligated Group relating thereto are secured by Obligation No. 6 issued under the Master Indenture ("***Obligation No. 6***").

Excluding the Refunded Bonds, the Series 2011 Bonds and Series 2015 Bonds will be the only other bonds outstanding and are hereinafter referred to as the "***Outstanding Parity Bonds***." The Outstanding Parity Bonds and the Series 2016 Bonds are on a parity with one another. Obligations Nos. 5, 6 and 7 are secured on a parity with one another pursuant to the Master Indenture.

THE ISSUER

THE SERIES 2016 BONDS ARE NOT A GENERAL OBLIGATION OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING POLK COUNTY AND THE CITY OF LAKELAND, AND ARE ONLY PAYABLE FROM THE SOURCES DESCRIBED IN THIS OFFICIAL STATEMENT.

Introduction

The Issuer is a city located in Polk County at the geographic center of the State of Florida along the I-4 corridor between the cities of Tampa and Orlando. The Issuer is the largest municipality in Polk County. It covers an area of approximately 71.38 square miles. It is the wholesale and retail trade center for the surrounding area which is supported by agriculture, cattle production, citrus production, phosphate mining, diversified industry and

tourism. According to the 2010 Census, the Issuer's population was 97,422, an increase of 19.5%, from the 2000 Census Bureau population figure of 78,452. Based upon the University of Florida Bureau of Economic and Business Research 2015 Florida Estimates of Population, the City's estimated population in 2015 was 101,517, an increase of 4.2% from the 2010 Census.

The City Commission

The Issuer was incorporated as a city in 1885 and is operated using a Commission-Manager form of government. The system provides a centralized professional administration and a seven member City Commission. Four Commission members are elected from single member districts and the other three members are elected at large. All Commissioners serve four-year terms of service. The Mayor is elected by popular vote and is recognized as the head of City government for all ceremonial occasions. The Issuer employs a full-time manager, appointed by the Commission, who is the chief executive and administrative officer of the Issuer.

COMMISSION MEMBERS

R. Howard Wiggs	Mayor
Justin Troller	At Large
Phillip Walker	Northwest District
Bill Read	Northeast District
Edie Yates	Southeast District
Don Selvage	Southwest District
Jim Malless	At Large

THE OBLIGATED GROUP

The Obligated Group consists of LRHS, a Florida not-for-profit corporation exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986, as amended (the "***Code***") as an organization described in Section 501(c)(3) of the Code and not a private foundation as defined in Section 509(a) of the Code (as such, a "***Tax-Exempt Organization***") and LRMC, also a Tax Exempt Organization. LRHS was created in 1986 as part of a corporate reorganization which created LRMC as a corporation and LRHS as its parent. Other operating affiliates of LRHS are Lakeland Regional Medical Center Foundation, Inc., a not-for-profit fundraising corporation, and Lakeland Regional Health Ventures, Inc., a for-profit corporation authorized to engage in diversified business activities, neither of which are currently members of the Obligated Group.

For a more complete description of LRHS and LRMC and their facilities, services, businesses and financial affairs, see "APPENDIX A – OVERVIEW AND BACKGROUND – Corporate Organization."

PLAN OF FINANCE

General

The proceeds of the sale of the Series 2016 Bonds will be loaned by the Issuer to the Obligated Group pursuant to the Agreement to, along with other available funds of the Obligated Group, (i) currently refund the Refunded Bonds in accordance with the provisions of the Escrow Deposit Agreement, to be dated the date of delivery of the Series 2016 Bonds, between the Issuer and the Bond Trustee, as escrow agent (the "***Escrow Deposit Agreement***"), and (ii) pay certain of the costs and expenses relating to the issuance of the Series 2016 Bonds.

The proceeds of the Series 2016 Bonds, together with other available funds of the Obligated Group, will be irrevocably deposited in an escrow deposit fund established pursuant to the Escrow Deposit Agreement. The funds deposited in the escrow deposit fund will be sufficient, as verified by the Verification Agent (as hereinafter defined), to pay the principal of and interest on the Refunded Bonds on and prior to their redemption and to redeem the Refunded Bonds at a redemption price of 100% of the principal amount thereof on November 15, 2016. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein. Upon such irrevocable deposit, the Refunded Bonds will be deemed paid and no longer outstanding. The funds deposited in the escrow deposit fund will not be available to make payments on the Series 2016 Bonds. The deposit of moneys into the escrow deposit fund will constitute an irrevocable deposit for the benefit of the holders of the Refunded Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the sale of the Series 2016 Bonds, together with other available funds of the Obligated Group, are expected to be used as follows:

Sources:	
Par Amount of the Series 2016 Bonds*	$80,000,000
Original Issue [Premium/Discount]	
Funds held under Trust Agreement for Refunded Bonds/ Obligated Group Contribution	3,298,467
Total Sources of Funds	$
Uses:	
Deposit into Escrow Fund pursuant to the Escrow Deposit Agreement	$
Costs of Issuance(1)	
Total Uses of Funds	$

(1) Includes Underwriter's discount and fees and expenses of bond counsel, counsel to the Obligated Group, counsel to the Underwriter and the financial advisor, the Issuer's issuance fee, costs of accounting services, printing, rating agency, miscellaneous expenses and additional proceeds.

[Remainder of Page Intentionally Left Blank]

* Preliminary, subject to change.

OBLIGATED GROUP PRO FORMA LONG TERM DEBT SERVICE AND CERTAIN OTHER OBLIGATIONS

The following table sets forth, for each fiscal year of the Obligated Group ending September 30, the estimated amounts required for the payment of principal of the Series 2016 Bonds at stated maturity or by mandatory sinking fund redemption and interest thereon on the noted assumptions. Under "Total Long-Term Debt Service and Other Obligations," the table also shows the pro forma total debt service due in each fiscal year with respect to the currently outstanding long-term indebtedness of the Obligated Group which will remain outstanding after the issuance of the Series 2016 Bonds, including the lease payments relating to capitalized leases.

Fiscal Year ending	Series 2016 Bonds			Other Outstanding	Total Long-Term Debt Service and
September 30	Principal	Interest[1]	Total	Indebtedness[2]	Other Obligations
2017				$21,160,806	
2018				19,058,022	
2019				17,719,677	
2020				17,644,925	
2021				17,637,925	
2022				17,623,175	
2023				17,619,675	
2024				11,578,900	
2025				11,575,000	
2026				11,567,625	
2027				9,000,000	
2028				9,000,000	
2029				9,000,000	
2030				9,000,000	
2031				9,000,000	
2032				9,000,000	
2033				9,000,000	
2034				18,828,000	
2035				18,826,125	
2036				18,827,750	
2037				18,826,500	
2038				18,826,000	
2039				18,829,625	
2040				18,825,875	
2041				18,828,125	
2042				18,829,500	
2043				18,828,250	
2044				18,827,500	
2045				18,825,250	
2046				18,829,250	
	$_____	$_____	$_____	$470,943,480	$_____

(1) From the date of delivery of the Series 2016 Bonds.
(2) Includes the Series 2011 Bonds, the Series 2015 Bonds and capitalized leases, but excludes the Refunded Bonds.

[Remainder of Page Intentionally Left Blank]

DESCRIPTION OF THE SERIES 2016 BONDS

General

The Series 2016 Bonds will be dated as of the delivery date thereof, will be issued in fully registered form, without coupons, in the denominations of $5,000 each or integral multiples thereof, and will bear interest, computed on the basis of a 360-day year, consisting of twelve 30-day months, at the rates and mature on the dates set forth on the inside cover page of this Official Statement. Interest on the Series 2016 Bonds will be payable semi-annually on November 15 and May 15 of each year, commencing November 15, 2016. Principal of, redemption premium, if any, and interest on the Series 2016 Bonds will be payable in the manner described under "BOOK-ENTRY ONLY SYSTEM" herein. The Series 2016 Bonds will be subject to redemption as described under "Redemption" herein.

Redemption

Mandatory Sinking Fund Redemption. The Issuer (from funds provided by the Obligated Group) will cause to be redeemed, in part by lot, from Mandatory Amortization Requirements deposited in the Redemption Account, commencing on November 15, 20__, and on each November 15 thereafter, Series 2016 Bonds due November 15, 20__, at a redemption price of par plus accrued interest to the redemption date, in the years and in the respective amounts as follows:

Year	Amount
20__	$_____
20__	_____
20__	_____
20__	_____
20__	_____[(1)]

[(1)] Final Maturity.

Credits Against Mandatory Sinking Fund Redemption Payments. The Obligated Group may satisfy all or a portion of its obligations to make the mandatory sinking fund redemption payments described above, on or before the 45th day next preceding any November 15 on which Series 2016 Bonds are to be retired pursuant to the mandatory sinking fund redemption requirements described above, by delivering to the Bond Trustee Series 2016 Bonds maturing or required to be redeemed on such November 15 in any aggregate principal amount desired; provided that the price paid to purchase any such Series 2016 Bond may not exceed the redemption price applicable to such Series 2016 Bonds on the next redemption date. Upon such delivery, the Obligated Group will receive a credit against amounts required to be deposited into the Redemption Account on account of such Series 2016 Bonds in an amount equal to the principal amount of any such Series 2016 Bonds so purchased and canceled. If the principal amount of Series 2016 Bonds so purchased and canceled is in excess of the principal amount of Series 2016 Bonds to be redeemed on the next November 15, the Obligated Group Representative is required to deliver to the Bond Trustee, not later than the tenth day prior to such November 15, an Officer's Certificate setting forth the years in which and the amount by which future mandatory sinking fund payment requirements are to be reduced.

Extraordinary Optional Redemption. The Series 2016 Bonds are subject to redemption prior to their stated dates of maturity, in whole or in part by lot on any date, from the prepayment of Loan Payments payable by the Obligated Group under the Agreement, at par, plus accrued interest thereon to the redemption date, but without premium, (i) from proceeds received from the damage, destruction or condemnation of Operating Assets, to the extent such funds are not used to rebuild or restore the Operating Assets pursuant to the Agreement and (ii) if, as a result of constitutional changes or of legislative or administrative action or by judicial action (in the opinion of LRHS and LRMC), the Agreement is impossible to perform without unreasonable delay, unreasonable burdens or excessive liabilities being imposed on LRMC or LRHS.

Extraordinary Mandatory Redemption Upon Unenforceability of Financing Documents. The Series 2016 Bonds are subject to mandatory redemption at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, upon a change in the Constitution of the State or the United States of America or a legislative or administrative action (whether local, state, or federal), or a final decree, judgment, or order of any court or administrative body (whether local, state, or federal), after all allowable appeals or expiration of the time therefor, causes the Trust Agreement, the Financing Agreement, the Master Indenture, Obligation No. 7, or the Series 2016 Bonds to become void or unenforceable or impossible of performance in accordance with the

intended purposes of the parties as expressed therein. The redemption date shall be the first date for which requisite notice can be given.

Optional Redemption. All of the Series 2016 Bonds are subject to redemption at the option of the Issuer (which option shall be exercised at the written direction of the Obligated Group Representative given to the Issuer and the Bond Trustee not less than 35 days prior to the redemption date) prior to maturity, on or after November 15, 20__ in whole or in part on any date, in such manner as the Issuer shall determine (pursuant to instructions of the Obligated Group Representative), and by lot within a maturity if less than all of the maturity is to be redeemed, at the redemption price equal to the principal amount of the Series 2016 Bonds to be redeemed, plus accrued interest thereon to the redemption date.

Notice of Redemption. Notice of call for redemption shall be given by the Bond Trustee by mailing a copy of the redemption notice, postage prepaid, at least 30 days, but not more than 60 days, before the redemption date, to all registered owners of Series 2016 Bonds or portions of Series 2016 Bonds to be redeemed, at their addresses as they appear on the registration books on the fifth day preceding such mailing; but failure so to mail any such notice shall not affect the validity of the proceedings for the redemption of any Series 2016 Bond or portion thereof with respect to which no such failure has occurred. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Series 2016 Bonds then outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such Series 2016 Bonds to be redeemed and, in the case of Series 2016 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. In case any Series 2016 Bond is to be redeemed in part only, the notice of redemption which relates to such Series 2016 Bond shall state also that on or after the redemption date, upon surrender of such Series 2016 Bond, a new Series 2016 Bond or Series 2016 Bonds in a principal amount equal to the unredeemed portion of such Series 2016 Bond will be issued. Any notice of redemption with respect to the Series 2016 Bonds may provide that the redemption is contingent upon the occurrence of certain conditions or events and that if such conditions or events do not occur, the notice of redemption will be rescinded, provided notice of rescission shall be mailed in the manner described in the Trust Agreement to all affected Bondholders as soon as practicable upon determining that such condition or event will not occur.

The Bond Trustee is authorized pursuant to the Trust Agreement to mail notice of the mandatory redemptions, before funds for the redemption of Term Bonds have been deposited with the Bond Trustee.

Any notice mailed as provided in the Trust Agreement shall be conclusively presumed to have been duly given, whether or not the owner of such Series 2016 Bonds receives the notice.

Notice having been given in the manner and under the conditions provided in the Trust Agreement, the Series 2016 Bonds or portions of Series 2016 Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Series 2016 Bonds or portions of Series 2016 Bonds on such date. On the date so designated for redemption, moneys for payment of the redemption price being held in separate accounts by the Bond Trustee in trust for the registered owners of the Series 2016 Bonds or portions thereof to be redeemed, all as provided in the Trust Agreement, interest on the Series 2016 Bonds or portions of Series 2016 Bonds so called for redemption shall cease to accrue, such Series 2016 Bonds and portions of Series 2016 Bonds shall cease to be entitled to any lien, benefit or security under the Trust Agreement, and the registered owners of such Series 2016 Bonds or portions of Series 2016 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof and to receive Series 2016 Bonds for any unredeemed portions of the Series 2016 Bonds.

In case part, but not all, of an outstanding Series 2016 Bond shall be selected for redemption, the registered owners thereof shall present and surrender such Series 2016 Bond to the Bond Trustee or payment of the principal amount thereof so called for redemption, and the Bond Trustee shall authenticate and deliver to or upon the order of such registered owner, without charge therefor, for the unredeemed balance of the principal amount of the Series 2016 Bond so surrendered, a Series 2016 Bond or Series 2016 Bonds fully registered as to principal and interest.

Notwithstanding any other provision of the Trust Agreement, if, on any day prior to the fifth (5th) Business Day preceding any date fixed for redemption of Series 2016 Bonds, the Obligated Group notifies the Bond Trustee in writing that it has elected to revoke its election to redeem such Series 2016 Bonds because it has determined that the source of money for such redemption specified in the notice given by the Obligated Group pursuant the Financing Agreement is not available, the Series 2016 Bonds shall not be redeemed on such date and any notice of redemption mailed to the Holders shall be null and void. In such event, within five (5) Business Days after the date

on which the Bond Trustee receives notice of such revocation, the Bond Registrar, at the direction of the Bond Trustee, shall cause a notice of such revocation signed by the Bond Trustee to be mailed to all Holders owning such Series 2016 Bonds.

So long as the Series 2016 Bonds are held in the Book-Entry Only System (as defined herein) and registered with DTC, notice will only be provided to Cede & Co., as its nominee.

Registration, Transfer and Exchange

The Series 2016 Bonds will be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code - Investment Securities Laws of the State of Florida, subject to the DTC book-entry only system and to the provisions for registration, exchange and transfer contained in the Trust Agreement and in the Series 2016 Bonds. The Series 2016 Bonds will be transferable only upon the registration books maintained for such purpose at the corporate trust office of the Registrar. So long as any of the Series 2016 Bonds remain outstanding, the Registrar must maintain and keep the bond registration books.

The transfer of any Series 2016 Bond may be registered only upon the books kept for the registration and transfer of Series 2016 Bonds, upon surrender thereof to the Bond Registrar together with a written assignment in a form and with guaranty of signature satisfactory to the Bond Registrar duly executed by the registered owner or his attorney-in-fact as legal representative. Upon the transfer of any such Series 2016 Bond, the Issuer shall thereupon execute in the name of the transferee, and the Bond Trustee shall authenticate and deliver a new registered Series 2016 Bond or Series 2016 Bonds of the same maturity and bearing interest at the same rate, of any denomination or denominations authorized by the Trust Agreement, in an aggregate principal amount equal to the principal amount of such Series 2016 Bond, or the unredeemed portion thereof, of the same maturity.

In all cases in which Series 2016 Bonds shall be transferred, the Issuer shall execute and the Bond Trustee shall authenticate and deliver the Series 2016 Bonds in accordance with the provisions of the Trust Agreement. All Series 2016 Bonds surrendered in any such exchange or transfer shall forthwith be canceled by the Bond Trustee. Except as otherwise provided in the Trust Agreement, the Issuer and the Bond Trustee may make a charge for every such transfer of the Series 2016 Bonds sufficient to reimburse them for any tax, fee or other governmental charge required to be paid with respect to such transfer, and in addition the Issuer and the Bond Trustee may charge a sum sufficient to reimburse them for any expenses incurred in connection with the issuance of each new Series 2016 Bond delivered upon such transfer, and such charge or charges shall be paid before any such new Series 2016 Bond shall be delivered. Neither the Issuer nor the Bond Trustee shall be required to register the transfer of any Series 2016 Bonds between the Record Date and the relative Interest Payment Date on the Series 2016 Bonds or, in the case of any proposed redemption of the Series 2016 Bonds, between the date 5 days preceding the mailing of the notice of redemption and ending on the date of redemption thereof.

The Issuer agrees, so long as the Series 2016 Bonds are outstanding, to appoint and maintain a Bond Registrar to keep and maintain the Registration Books. The Bond Trustee has been appointed as initial Bond Registrar to authenticate the Series 2016 Bonds and to keep the books for the registration and transfer of the Series 2016 Bonds as provided in the Trust Agreement. Except as otherwise provided in the Trust Agreement, the Issuer may remove any existing Bond Registrars and may appoint new Registrars, and co-Registrars, by duly adopted resolution and upon due notice to the Bond Trustee.

Records for the registration and transfer of the Series 2016 Bonds shall be maintained at the principal corporate trust office of the Bond Registrar. Such records shall contain (i) the names and address of all Holders of the Series 2016 Bonds and (ii) any other information which may be necessary for the proper discharge of the Bond Trustee's duties under the Trust Agreement in respect of such Series 2016 Bonds.

The person in whose name any Series 2016 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of and the interest on the Series 2016 Bonds shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2016 Bond, including the interest thereon to the extent of the sum or sums so paid.

As long as the Series 2016 Bonds are DTC registered (as described below), DTC rules regarding registration, transfer and exchange shall apply. See "BOOK-ENTRY ONLY SYSTEM" herein.

BOOK-ENTRY ONLY SYSTEM

Book-Entry Only System

The information in this caption concerning DTC and DTC's book-entry system has been obtained from DTC and neither the Issuer, the Obligated Group nor the Underwriter make any representation or warranty or take any responsibility for the accuracy or completeness of such information.

DTC will act as securities depository for the Series 2016 Bonds. The Series 2016 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 certificate will be issued for each maturity of each series of the Series 2016 Bonds and deposited with DTC.

DTC, the worlds' 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 Standard & Poor's highest rating 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 the Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2016 Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all of the Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2016 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 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2016 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2016 Bonds may

wish to ascertain that the nominee holding the Series 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of a maturity of the Series 2016 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2016 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016 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 Issuer 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 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest, and redemption payments on the Series 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2016 Bonds are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2016 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDER OF THE SERIES 2016 BONDS OR REGISTERED OWNERS OF THE SERIES 2016 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2016 BONDS.

The Issuer can make no assurances that DTC will distribute payments of principal of, redemption premium, if any, or interest on the Series 2016 Bonds to the Direct Participants, or that Direct and Indirect Participants will distribute payments of principal of, redemption price, if any, or interest on the Series 2016 Bonds or redemption notices to the Beneficial Owners of such Series 2016 Bonds or that they will do so on a timely basis, or that DTC or any of its Participants will act in a manner described in this Official Statement. The Issuer is not responsible or liable for the failure of DTC to make any payment to any Direct Participant or failure of any Direct or Indirect Participant to give any notice or make any payment to a Beneficial Owner in respect to the Series 2016 Bonds or any error or delay relating thereto.

The rights of holders of beneficial interests in the Series 2016 Bonds and the manner of transferring or pledging those interests is subject to applicable state law. Holders of beneficial interests in the Series 2016 Bonds may want to discuss the manner of transferring or pledging their interest in the Series 2016 Bonds with their legal advisors.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Series 2016 Bond certificates will be printed and delivered. Thereafter, the Series 2016 Bond certificates may be transferred and exchanged as described in the Trust Agreement. See "APPENDIX C – SUMMARIES OF THE PRINCIPAL DOCUMENTS – THE TRUST AGREEMENT."

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2016 BONDS

General

Pursuant to the Trust Agreement, the payment of the principal of, redemption premium, if any, and interest on the Series 2016 Bonds are special obligations of the Issuer payable from payments of the Obligated Group under the Agreement and Obligation No. 7. Pursuant to the Agreement, the members of the Obligated Group have agreed to pay to the Bond Trustee when due and payable by the Issuer under the Trust Agreement, amounts equal to the principal and redemption price of and interest on the Series 2016 Bonds and all other amounts payable by the Issuer under the Trust Agreement. The Series 2016 Bonds are further secured by the moneys and securities from time to time held by the Bond Trustee under the Trust Agreement (except the Rebate Account). The Series 2016 Bonds are secured under the Trust Agreement on parity with the Outstanding Parity Bonds. See "APPENDIX C – SUMMARIES OF PRINCIPAL DOCUMENTS" herein.

To evidence and secure its obligation to make the payments required by the Agreement, the Obligated Group will issue to the Bond Trustee Obligation No. 7 pursuant to the Master Indenture. Pursuant to the Master Indenture and subject to the provisions thereof relating to the ability of the Obligated Group to transfer and pledge its Gross Revenues and Accounts free of the lien of the Master Indenture, all Obligations issuable under the Master Indenture, including Obligation No. 7, shall be secured by a pledge of and security interest in the Gross Revenues of the Obligated Group. The Obligated Group previously has issued Obligation Nos. 4, 5, and 6 in order to secure its obligations with respect to the Outstanding Parity Bonds. The security interest in Gross Revenues is subject to a number of exceptions and limitations, as described below in this section. As of the date of issuance of the Series 2016 Bonds, LRHS and LRMC are the sole members of the Obligated Group established under and in accordance with the Master Indenture and LRHS is the Obligated Group Representative (as such terms are defined in the Master Indenture). The Master Indenture permits certain additional parties to become members of the Obligated Group and any member of the Obligated Group, including LRHS and LRMC, may cease to be a member of the Obligated Group in the future upon the satisfaction of certain requirements set forth therein. NOTWITHSTANDING THE FOREGOING, THE HOSPITAL HAS AGREED THAT SO LONG AS OBLIGATION NO. 7 IS OUTSTANDING, IT SHALL NOT WITHDRAW AS A MEMBER OF THE OBLIGATED GROUP. See "APPENDIX C – SUMMARIES OF PRINCIPAL DOCUMENTS – THE MASTER INDENTURE – Parties Becoming Members of the Obligated Group" and "- Withdrawal from the Obligated Group" attached hereto.

In order to secure the Series 2016 Bonds, the Issuer has assigned all of its right, title and interest (except for certain rights to indemnification, payments of fees and expenses and receipt of notices; collectively, the "***Unassigned Rights***") in and to the Agreement and Obligation No. 7 to the Bond Trustee. Obligation No. 7 entitles the holder thereof to the protection of the covenants, restrictions and other obligations imposed on members of the Obligated Group by the Master Indenture. Pursuant to Obligation No. 7, the members of the Obligated Group have agreed to pay to the Bond Trustee when due and payable by the Issuer under the Trust Agreement amounts equal to the principal and redemption price of and interest on the Series 2016 Bonds. Payments made by the Obligated Group under the Agreement are credited against amounts due under Obligation No. 7.

The obligations of the members of the Obligated Group to pay all amounts due under Obligation No. 7 and each other Obligation that may be issued by the members of the Obligated Group from time to time under the Master Indenture (including previously issued Obligations Nos. 5, and 6) are secured on a parity with one another as provided in the Master Indenture. Upon the terms and conditions specified in the Master Indenture, the Master Indenture permits the members of the Obligated Group to issue additional Obligations, which additional Obligations will not constitute part of the pledged security for Series 2016 Bonds, but will be equally and ratably secured under the Master Indenture with Obligation No. 7, except as described therein. For a detailed description of the requirements for issuance of such additional Obligations see "APPENDIX C – SUMMARY OF PRINCIPAL DOCUMENTS – THE MASTER INDENTURE – Limitations on Indebtedness." All Obligations issued under the Master Indenture are joint and several obligations of all members of the Obligated Group. The accounts and revenues of the members of the Combined Group, which currently consists of only the Obligated Group, will be combined for financial reporting purposes and will be used in determining whether certain covenants and tests in the Master Indenture are satisfied.

Obligations issued under the Master Indenture, including Obligation No. 7, are secured on parity by a security interest in the Gross Revenues of the Obligated Group and any Restricted Affiliate (presently there are none) including any subsequently assigned or pledged collateral, if any, and all proceeds and products of any of the foregoing (the "***Security Interest***"). The Security Interest may be limited by a number of factors, including: (i) rights of third parties in the Gross Revenues converted to cash and not in the possession of the Bond Trustee or

the Master Trustee; (ii) statutory liens; (iii) rights arising in favor of the United States or any agency thereof; (iv) present or future prohibitions against assignment of amounts due under the Medicare or Medicaid programs contained in federal or State of Florida law; (v) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction; (vi) federal bankruptcy laws or State of Florida laws respecting bankruptcy, insolvency or creditors' rights; (vii) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Uniform Commercial Code of the State of Florida as from time to time in effect; (viii) State of Florida fraudulent conveyance laws; (ix) rights of parties with prior perfected security interests, including Permitted Liens; and (x) the inability of the Master Trustee to perfect a security interest in those components of the Gross Revenues that can be perfected only by possession or that represent proceeds of prior perfected security interests.

If an Event of Default shall have occurred under the Master Indenture, the Obligated Group shall pay directly to the Master Trustee for deposit to the credit of the "Hospital Revenue Refunding Bonds (Lakeland Regional Medical Center Project) Revenue Fund" (the "***Revenue Fund***"), all Gross Revenues immediately upon receipt. Except as otherwise provided in the Master Indenture, all moneys received by the Master Trustee in such event shall be transferred on the fifteenth day of each month (or at such other times as the Obligated Group and the Master Trustee may agree) to the credit of the following Funds and Accounts or to the following Persons in the following order:

(a) first by deposit into the "Hospital Revenue Refunding Bonds (Lakeland Regional Medical Center Project) Operating Fund" (the "***Operating Fund***"), an amount equal to one twelfth (1/12) of the amount provided in the Annual Budget of the Obligated Group for such Fiscal Year for Operating Expenses;

(b) then by deposit into any Rebate Account established pursuant to a Related Bond Indenture, one twelfth (1/12) of the estimated Rebate Amount as described therein; provided, however, that such deposit requirements may be adjusted monthly to insure that the appropriate Rebate Amount required under each Related Bond Indenture is accumulated for each applicable period described therein;

(c) then by transfer to each respective Related Bond Trustee under Related Bond Indentures, and to accounts established by Supplements under the Master Indenture for Obligations issued directly under the Master Indenture for which no Related Bonds are issued, amounts required to pay the Obligations and Related Bonds then due and owing;

(d) then by payment to the Master Trustee, from amounts remaining on deposit in the Revenue Fund, such amounts as may be necessary to pay the fees, charges and expenses of the Master Trustee as provided therein; and

(e) then by payment to each respective member of the Combined Group, its respective portion of all remaining funds for use by such members for any lawful purpose.

The above provisions shall continue to apply until the events giving rise to an Event of Default under the Master Indenture have been cured.

Prior to an Event of Default under the Master Indenture, the Obligated Group is required pursuant to the Agreement to make its Loan Repayments to the Bond Trustee in sufficient amounts to satisfy the debt service on all outstanding Series 2016 Bonds on or prior to the fifth Business Day prior to the payment dates for such Series 2016 Bonds.

For a description of certain risks associated with financings utilizing master indentures, see "BONDHOLDERS' RISKS - Certain Matters Relating to Enforceability of the Master Indenture" herein.

The Series 2016 Bonds shall not be deemed to constitute a debt, liability or obligation of the City of Lakeland, Polk County, the State of Florida or any political subdivision thereof. Neither the faith and credit nor the taxing power of the City of Lakeland, Polk County, the State of Florida or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the Series 2016 Bonds or the Outstanding Parity Bonds. The City of Lakeland, Polk County, the State of Florida or any political subdivision thereof are not directly or indirectly or contingently obligated to levy any tax or to pledge any form of taxation whatever for the Series 2016 Bonds or the Outstanding Parity Bonds or to make any appropriation for the payment of the Series 2016 Bonds or the Outstanding Parity Bonds. No holder of the

Series 2016 Bonds shall have the right to compel any exercise of the taxing power of the City of Lakeland, Polk County, the State of Florida or any political subdivision thereof to pay debt service on the Series 2016 Bonds. See "DESCRIPTION OF THE SERIES 2016 BONDS" herein.

The Agreement

The Agreement provides that the Issuer will loan the proceeds of its Series 2016 Bonds to the Obligated Group and, in consideration therefor, the Obligated Group will make payments to the Bond Trustee in such amounts and at such times as are required to provide for timely payment of principal of, premium, if any, and interest on the Series 2016 Bonds and the Outstanding Parity Bonds and all other required payments which may be due thereunder. Pursuant to the Agreement, the Obligated Group is required to make payments equal to the principal of and interest on the Series 2016 Bonds and the Outstanding Parity Bonds on the fifth (5th) business day preceding each interest and principal payment date. The obligation of the Obligated Group to make Loan Repayments are their direct, general and unconditional obligations, and the Obligated Group will not be entitled to any abatement or diminution thereof. The loan made pursuant to the Agreement will be evidenced by Obligation No. 7.

The Obligated Group has previously issued Obligation Nos. 5 and 6 to evidence the Issuer's loan of the proceeds of the Outstanding Parity Bonds to the Obligated Group.

The Trust Agreement

Under the Trust Agreement, the Series 2016 Bonds and the Outstanding Parity Bonds are special obligations of the Issuer payable solely from and secured by moneys received by the Bond Trustee from payments made under the Agreement and on Obligation No. 7 and funds held under the Trust Agreement. Under the Trust Agreement, the Issuer has pledged, assigned and granted to the Bond Trustee a security interest in all right, title and interest of the Issuer in and to the Agreement (other than the Unassigned Rights), Obligation No. 7 and all moneys and securities, if any, held by the Bond Trustee in all of the funds or accounts established under the Trust Agreement (other than the Rebate Fund established thereunder).

The Outstanding Parity Bonds are also outstanding under the Trust Agreement on a parity basis with the Series 2016 Bonds.

Obligation No. 7

Pursuant to Supplemental Indenture for Obligation No. 7, supplementing the Master Indenture, LRHS and LRMC will issue to the Bond Trustee Obligation No. 7 to secure the obligations of the Obligated Group to make Loan Repayments under the Agreement. Obligations Nos. 5, 6 and 7 and any other Obligations issued under the Master Indenture will be general obligations of LRHS, LRMC and/or any future member of the Obligated Group and are secured on parity by a pledge of, and security interest in the Gross Revenues of the Obligated Group.

The Master Indenture

Upon issuance of the Series 2016 Bonds, LRHS and LRMC will be the only members of the Obligated Group. Additional Obligations may be issued on a parity with Obligations Nos. 5, 6, and 7 under and in accordance with the terms of the Master Indenture. For a detailed description of the requirements for issuance of such additional Obligations see "APPENDIX C – SUMMARY OF PRINCIPAL DOCUMENTS – THE MASTER INDENTURE – Limitations on Indebtedness." Any such additional Obligations may be secured by collateral in addition to that generally provided for all Obligations. See "APPENDIX B – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF LAKELAND REGIONAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES" attached hereto for a description of other long-term indebtedness of the Obligated Group.

Payments on the Obligations will be joint and several obligations of the members of the Obligated Group. Notwithstanding uncertainties as to the enforceability of the covenant of each member of the Obligated Group in the Master Indenture to be jointly and severally liable for each Obligation and of the obligation of the members to cause each Restricted Affiliate to make transfers to the Obligated Group as required to enable the Obligated Group to make payments on the Obligations (as described herein under "BONDHOLDERS' RISKS - Certain Matters Relating to Enforceability of the Master Indenture"), the financial results of the members of the Combined Group will be combined in determining whether various covenants and tests contained in the Master Indenture are met. See "CERTAIN COVENANTS OF THE MEMBERS OF THE OBLIGATED GROUP AND THE RESTRICTED AFFILIATES" below.

The Master Indenture imposes certain restrictions on the actions of the members of the Obligated Group and on the Restricted Affiliates for the benefit of all holders of Obligations issued under the Master Indenture. Such terms include, among others, restrictions on Liens on the Property of the Obligated Group, maintenance of certain rates and charges for services provided by the Obligated Group and limitations on the incurrence of indebtedness by the members of the Obligated Group. See "APPENDIX C – SUMMARIES OF PRINCIPAL DOCUMENTS – THE MASTER INDENTURE – Limitations on Creations of Liens" and "– Long-Term Debt Service Coverage Ratio" attached hereto. In general, only the covenants as to merger and consolidation, entry and withdrawal from the Restricted Group, and preparation of financial statements apply to Restricted Affiliates. The incurrence of indebtedness or the pledge of assets by the Restricted Affiliates is not limited. There are currently no Restricted Affiliates; and the Obligated Group has no current intention to establish any.

While the Master Indenture requires the Obligated Group to demonstrate for each fiscal year that the Obligated Group's Long-Term Debt Service Coverage Ratio is not less than 1.15 to 1, the sole remedy for a failure by the Obligated Group to maintain such Ratio in any particular fiscal year is the requirement that the Obligated Group retain a Consultant to make recommendations with respect to the operations of the Obligated Group in order to increase such Ratio to at least 1.15 to 1 in the next succeeding fiscal year. The Obligated Group must follow such recommendations. In the event that the Ratio falls below 1.0 in the following year, it shall be an event of default. Although Restricted Affiliates are not covered directly by the rate covenant, the calculation of the Obligated Group's Income Available for Debt Service will include the Restricted Affiliate's Income Available for Debt Service. See "APPENDIX C – SUMMARIES OF PRINCIPAL DOCUMENTS – THE MASTER INDENTURE – Long-Term Debt Service Coverage Ratio" attached hereto.

The Master Indenture provides that no member of the Obligated Group shall create or incur or permit to be created or incurred any Lien on any Property of any member of the Obligated Group except Permitted Liens which are broadly defined. See "APPENDIX C – SUMMARIES OF PRINCIPAL DOCUMENTS – THE MASTER INDENTURE – Limitation on Creation of Liens" and "– DEFINITIONS OF CERTAIN TERMS" attached hereto. The Master Indenture does, however, permit, under certain circumstances, Additional Indebtedness including additional Obligations to be secured by collateral in addition to that generally provided for all Obligations, if such Lien securing the collateral is a Permitted Lien, which includes Liens on the health care facilities or other Property of any member of the Combined Group, letters or lines of credit or insurance or security interests in depreciation reserve, debt service reserve, debt service or similar funds, such additional security or Permitted Liens need not be extended to secure any other Obligations (including Obligation No. 7).

LRHS has been designated as the Obligated Group Representative for purposes of the Master Indenture.

Parties Becoming Members of the Obligated Group

Persons which are not members of the Obligated Group and corporations which are successor corporations to any member of the Obligated Group through a merger or consolidation may, with the prior written consent of the Obligated Group Representative, become members of the Obligated Group, if:

(a) The person or successor corporation which is becoming a member of the Obligated Group shall execute and deliver to the Master Trustee an appropriate instrument containing the agreement of such person or successor corporation (i) to become a member of the Obligated Group under the Master Indenture and thereby become subject to compliance with all provisions of the Master Indenture pertaining to a member of the Obligated Group, and the performance and observance of all covenants and obligations of a member of the Obligated Group thereunder, (ii) to unconditionally and irrevocably pay, jointly and severally as a co-obligor with each other member of the Obligated Group and not as a surety, to the Master Trustee and each other member of the Obligated Group, all Obligations issued and then Outstanding and to be issued and outstanding under the Master Indenture in accordance with the terms thereof and of the Master Indenture when due and (iii) to pledge its Gross Revenues to secure all Obligations outstanding under the Master Indenture.

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

(c) There shall be filed with the Master Trustee an Officer's Certificate of the Obligated Group Representative demonstrating compliance with the Transaction Test.

(d) Any Related Bond is then Outstanding which was issued with the intent that interest thereon is not includable in the gross income of the recipient thereof for federal income tax purposes, there shall be filed with the Master Trustee, (i) an Opinion of Bond Counsel to the effect that the consummation of such transaction would not, in and of itself, adversely affect the exclusion of the interest on any such Related Bond from the gross income of the holder thereof for federal income tax purposes and (ii) an Opinion of Counsel to the effect that the consummation of such transaction would not require the registration of the Obligations under the Securities Act of 1933, as amended or the Supplements under the Trust Indenture Act of 1939, as amended, or if such registration is required, that all applicable registration and qualification provisions of said acts have been complied with.

(e) There shall be delivered to the Master Trustee an Officer's Certificate certifying that the admission of such person as a member of the Obligated Group will not give rise to an Event of Default under the Master Indenture.

Withdrawal from the Obligated Group

No member of the Obligated Group may withdraw from the Obligated Group without the prior written consent of the Obligated Group Representative and unless, prior to the taking of such action, there is delivered to the Master Trustee:

(a) If any Related Bonds then Outstanding were issued with the intent that interest thereon would not be includable in the gross income of the recipient thereof for federal income tax purposes, there shall be delivered to the Master Trustee an Opinion of Counsel to the effect that under then existing law such member's withdrawal from the Obligated Group, whether or not contemplated on any date of delivery of any Related Bond, would not, in and of itself, cause the interest payable on such Related Bond to become includable in the gross income of the recipient thereof for federal income tax purposes; and

(b) An Officer's Certificate of the Obligated Group Representative demonstrating compliance with the Transaction Test.

Upon the withdrawal of any member from the Obligated Group, any guaranty by such member pursuant to the Master Indenture shall be released and discharged in full and all liability of such member of the Obligated Group with respect to all Obligations Outstanding under the Master Indenture shall cease; provided, however, that unless specifically released by the Obligated Group Representative any obligations of such withdrawing member to the Obligated Group shall not be released and discharged.

A member of the Obligated Group shall withdraw upon the request of the Obligated Group Representative provided the conditions for voluntary withdrawal set forth above are met.

Notwithstanding the foregoing, LRMC has agreed that so long as Obligation No. 7 is outstanding, it shall not withdraw as a member of the Obligated Group.

Parties Becoming a Restricted Affiliate

Any Affiliate that has satisfied the definition of "Restricted Affiliate" set forth in "APPENDIX C – SUMMARIES OF PRINCIPAL DOCUMENTS – THE MASTER INDENTURE" attached hereto may become a Restricted Affiliate upon delivery to the Master Trustee of among other things, the following documents:

(a) An Officer's Certificate from the Obligated Group Representative to the effect that the Obligated Group Representative consents to such Person becoming a Restricted Affiliate and demonstrating that the Transaction Test has been met;

(b) A written undertaking for the benefit of the Master Trustee duly authorized and executed by such Affiliate evidencing the agreement of such Affiliate to observe and perform the obligations that the Obligated Group has covenanted to cause Restricted Affiliates to observe and perform under the Master Indenture (a "***Restricted Affiliate Undertaking***");

(c) Evidence of appropriate action of the Governing Body of such Affiliate authorizing such undertaking;

(d) Evidence of the filing of financing statements pursuant to which the Restricted Affiliate pledges a security interest in its Gross Revenues;

(e) an Opinion of Counsel to the effect that the conditions contained in the Master Indenture relating to designation of a Restricted Affiliate have been satisfied and an Opinion of Counsel to the effect that (i) the Restricted Affiliate Undertaking has been duly authorized, executed and delivered by such Restricted Affiliate, and constitutes the legal, valid and binding agreement of the Restricted Affiliate enforceable in accordance with its terms and (ii) the transfer of funds or assets by Restricted Affiliates to the members of the Obligated Group, in the form of loans, advances, grants, gifts or other transfers as is permissible under the applicable laws of Florida; provided that such opinion may be qualified by stating that the validity and enforceability of such agreement and the validity of such transfers of funds may be limited by applicable bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally, and by stating other customary legal exceptions.

The members of the Obligated Group have agreed that they will cause each Restricted Affiliate to comply with all of the covenants and perform all of the obligations regarding certain of the covenants set forth in the Master Indenture, e.g. consolidation, merger, sale or conveyance and filing of audited information, as if such Restricted Affiliate were a member of the Obligated Group.

The Obligated Group also has agreed to cause the Restricted Affiliates that are controlled by one or more members of the Obligated Group to transfer funds or other assets to the member of the Obligated Group that is its sole member, beneficiary or controlling person the extent permitted by law and by the documents governing the Restricted Affiliate Indebtedness for the purpose of allowing the Obligated Group to satisfy its debt service requirements applicable to all Obligations.

Any Restricted Affiliate Undertaking may contain provisions that (i) require each member of the Obligated Group to expend its funds in excess of a reasonable operating reserve (not to exceed 60 days of operating expenses) to pay debt service on Obligations, as a precondition to the Restricted Affiliate transferring its funds in excess of a reasonable operating reserve (not to exceed 60 days of operating expenses) to the Obligated Group for payment of debt service on Obligations; and (ii) require each member of the Obligated Group to expend all of its funds for such payments as a precondition to the Restricted Affiliate transferring all of its funds to the Obligated Group for such payments; and (iii) treat any funds transferred by the Restricted Affiliate to the Obligated Group as an advance or loan by the Restricted Affiliate to, and Subordinated Indebtedness of, the Obligated Group.

For a description of the effect of the Federal Bankruptcy other laws affecting creditors' rights on the ability of a member to enforce the Master Indenture with respect to a Restricted Affiliate, see "BONDHOLDERS' RISKS – Certain Matters Relating to Enforceability of the Master Indenture" herein.

Release of Restricted Affiliate

The Master Indenture provides that after an entity is designated as a Restricted Affiliate, the Obligated Group Representative may at any time upon compliance with the "Transaction Test" (as defined in APPENDIX C attached hereto) among other things, and if an "event of default" will not result from such withdrawal, declare that such entity is no longer a Restricted Affiliate. Accordingly, there can be no assurance that any Restricted Affiliates will be so designated or, if designated, will not later withdraw from the Obligated Group.

Certain Covenants of the Members of the Obligated Group and the Restricted Affiliates

Under the Master Indenture, the Obligations are the general obligations of LRHS, LRMC and any future member of the Obligated Group which are secured by a pledge of and security interest in the Gross Revenues. No Restricted Affiliate, as such, will be directly obligated to pay any Obligations or to advance any funds therefor. However, in the Master Indenture, the Obligated Group agrees to cause the Restricted Affiliates to transfer funds or other assets to the Obligated Group to the extent permitted by law and by the documents governing Restricted Affiliate Indebtedness for the purpose of allowing the Obligated Group to satisfy its debt service requirements applicable to all Obligations. In general, only the covenants as to merger and consolidation, entry and withdrawal from the Restricted Group, and preparation of financial statements apply to Restricted Affiliates, although the Restricted Affiliate Income Available for Debt Service is taken into account in determining compliance by the

Obligated Group with the covenant as to rates and charges. Currently, there have been no Restricted Affiliates designated as such by the Obligated Group. The covenants in the Master Indenture include limitations, restrictions and requirements for insurance of and Liens on the properties of the Obligated Group, limitations on incurrence of additional indebtedness, including, without limitation, long term indebtedness, nonrecourse indebtedness, short term indebtedness and subordinated indebtedness, rates and charges charged by the Obligated Group, sale, lease and other dispositions of Property, including cash and accounts receivable, consolidations and mergers, financial statements and the replacement of the Master Indenture. See "APPENDIX C – SUMMARIES OF PRINCIPAL DOCUMENTS – THE MASTER INDENTURE" attached hereto.

For a more detailed description of the Master Indenture, including the provisions thereof relating to the Restricted Affiliates, see "APPENDIX C – SUMMARIES OF PRINCIPAL DOCUMENTS – THE MASTER INDENTURE" attached hereto.

BONDHOLDERS' RISKS

A purchase of the Series 2016 Bonds involves certain investment risks that are discussed throughout this Official Statement, including the Appendices. Each prospective purchaser of Series 2016 Bonds should make an independent evaluation of all the information presented in this Official Statement, including the Appendices, in order to make an informed investment decision.

General

The Series 2016 Bonds are limited obligations of the Issuer. They are payable by the Issuer only from and to the extent of (1) payments by the Obligated Group on Obligation No. 7 pledged under the Trust Agreement, and (2) any other funds held by the Bond Trustee under the Trust Agreement.

The Obligated Group's ability to make payments on Obligation No. 7 depends on the financial condition and operating performance of the Obligated Group and other affiliates, which are subject to prevailing economic and competitive conditions and to certain financial, business and, if any, other factors beyond its control. There can be no assurance that the Obligated Group will maintain a level of cash flows from operating activities sufficient to permit it to pay the principal, premium, if any, and interest on Obligation No. 7.

Risks that could affect the Obligated Group's ability to pay the Obligation No. 7 and to preserve the tax-exempt status of the Series 2016 Bonds for federal income tax purposes are discussed below. Prospective investors should carefully consider these risks as well as the other information contained in this Official Statement before deciding to purchase Series 2016 Bonds.

In addition, other risks and uncertainties not currently known to the Obligated Group or those it currently views to be immaterial also may materially and adversely affect the business, financial condition or results of operations of the Obligated Group.

Certain Matters Relating to Enforceability of the Master Indenture

The accounts of each member of the Obligated Group are combined for financial reporting purposes and will be used in determining whether various covenants and tests in the Trust Agreement, Master Indenture and the Agreement are met, notwithstanding uncertainties as to the enforceability of certain obligations of a member of the Obligated Group contained in the Trust Agreement, the Agreement or the Master Indenture. Such uncertainties bear on the availability of the assets of the members of the Obligated Group for payment of debt service on the Series 2016 Bonds and may affect their ability to pay Gross Revenues and other collateral pledged as security for the Series 2016 Bonds. The joint and several obligations described herein of the members of the Obligated Group to make payments, loans or other transfers of moneys or assets for payment of debt service on Obligation No. 7 and the Series 2016 Bonds (including transfers in connection with voluntary dissolution or liquidation) are, in the opinion of counsel to the Obligated Group, enforceable under the laws of the State of Florida except to the extent the enforceability of such obligations may be limited as described in the preceding paragraph.

In addition, a member may not be required to make any payment, loan or other transfer of moneys or assets to provide for the payment of any obligation or portion thereof, the proceeds of which obligation were not lent or otherwise disbursed to such member, to the extent that such transfer would render the member insolvent or which would conflict with, not be permitted by or be subject to recovery for the benefit of other creditors of such member under applicable law. There is no clear precedent in the law as to whether such transfers from a member to pay debt

service on obligations may be voided by a trustee in bankruptcy in the event of a bankruptcy of such member, or by third party creditors in an action brought pursuant to applicable State of Florida fraudulent conveyance statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under fraudulent conveyance statutes of the State of Florida, a creditor of a related guarantor, may avoid any obligation incurred by a related guarantor if, among other bases therefor: (i) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty, and (ii) the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or the State of Florida fraudulent conveyance statutes, or the guarantor is undercapitalized. If a member of the Obligated Group is considered undercapitalized, its obligation in connection with the Agreement and Obligation No. 7 may be limited to the amount of the proceeds actually received by such member of the Obligated Group and the joint and several obligations in excess of such amount of proceeds so received and interest thereon may be unenforceable. Application by courts of the tests of "insolvency," "reasonable equivalent value" and "fair consideration" has resulted in a conflicting body of case law. It is possible that, in an action to force a member of the Obligated Group to transfer moneys or assets to pay debt service on an obligation for which it was not the direct beneficiary, a court might not enforce such obligation to make such a transfer in the event it is determined that the member is analogous to a guarantor of the debt of the member who directly benefited from the borrowing and that fair consideration or reasonably equivalent value for such member's guaranty was not received or that the incurrence of such obligation has rendered or will render such member insolvent or that at the time of incurrence of such guaranty the guarantor was undercapitalized.

The provisions described above also apply to the ability of a member of the Obligated Group to force a Restricted Affiliate to make cash transfers to the Obligated Group as contemplated by the Master Indenture.

The Rights of Bondholders May Be Limited by Bankruptcy and Other Laws

The legal right and practical ability of the Bond Trustee to enforce rights and remedies under the Agreement may be limited by laws relating to bankruptcy, insolvency, reorganization, fraudulent conveyance or moratorium and by other similar laws affecting creditors' rights. Enforcement of such rights and remedies may require judicial actions that are subject to discretion and delay, that otherwise may not be readily available or that may be limited by certain legal principles.

In the event of bankruptcy of LRHS or any of its affiliates, the rights and remedies of the holders of the Series 2016 Bonds are subject to various provisions of the federal Bankruptcy Code. If LRHS or its affiliates were to file a petition in bankruptcy, payments made by LRHS or affiliates during the 90-day (or perhaps one-year) period immediately preceding the filing of such petition may be voidable as preferential transfers to the extent such payments allow the recipients to receive more than they would have received in the event of any such debtor's liquidation. Security interests and other liens granted to the Bond Trustee or Master Trustee and perfected during such preference period also may be voided as preferential transfers to the extent such security interest or other lien secures obligations that arose prior to the date of such perfection. Such a bankruptcy filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against LRHS or such affiliate and its property and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over its property as well as various other actions to enforce, maintain or enhance the rights of the Bond Trustee or the Master Trustee. If the Bankruptcy Court so ordered, the property of LRHS or its affiliates, including accounts receivable and proceeds thereof, could be used for the financial rehabilitation of any of the affiliates despite any security interest of the Bond Trustee or Master Trustee therein. The rights of the Bond Trustee or Master Trustee to enforce any security interests it may have could be delayed during the pendency of the rehabilitation proceeding.

If LRHS or any of its affiliates becomes the subject of a bankruptcy petition, it could file a plan of reorganization for the adjustment of its debts, which could include provisions modifying or altering the rights of creditors generally or any class of them, secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and, with certain exceptions, discharges all claims against the debtor to the extent provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are conditions that the plan is feasible and that it shall have been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly. Moreover, there is no assurance that certain covenants, including tax covenants, contained in the Agreement or other documents would survive. Accordingly, LRHS or its affiliates as debtors in

possession or a bankruptcy trustee appointed by the Bankruptcy Court could take action that would adversely affect the exclusion of interest on the Series 2016 Bonds from gross income for federal income tax purposes.

The various legal opinions delivered concurrently with the issuance of the Series 2016 Bonds are qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings, policies and decisions affecting remedies and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights or the enforceability of certain remedies or document provisions.

Matters Relating to Security for the Series 2016 Bonds

The holders of not less than a majority in aggregate principal amount of the outstanding Series 2016 Bonds and Outstanding Parity Bonds may consent to certain amendments to the Trust Agreement or the Master Indenture that could adversely affect the security of the holders of all Series 2016 Bonds. If Additional Bonds are issued under the Trust Agreement, such changes may be effectuated by a majority of all Bonds Outstanding. The holders of a majority in aggregate principal amount of Outstanding Bonds under the Trust Agreement may consent to certain amendments to the Trust Agreement that may adversely affect the security of the Bond Trustee, and, derivatively, the security of the holders of the Series 2016 Bonds. When issued, the Series 2016 Bonds and Obligation No. 7 will comprise approximately 25.3%* of the aggregate principal amount of the outstanding Bonds and Obligations, respectively.

The realization of any rights upon an Event of Default under the Trust Agreement will depend upon the exercise of various remedies specified in the Trust Agreement. Any attempt by the Bond Trustee to enforce such remedies may require judicial action, which is often subject to discretion and delay. Under existing law, certain of the legal and equitable remedies specified in the Trust Agreement may not be readily available.

The Security Interests Securing the Obligation No. 7 are of Limited Value

Although the Obligation No. 7 is secured by a pledge of certain receivables and revenues of the Obligated Group members, it is not secured by a mortgage of or security interest in any tangible property of the Obligated Group. The security interest in revenues, accounts receivable, receipts and certain contract rights granted by the Obligated Group members to the Master Trustee pursuant to the Master Indenture may be affected by various matters, including (i) federal bankruptcy laws which could, among other things, preclude enforceability of the security interest as to revenues arising subsequent to the commencement of bankruptcy proceedings and limit such enforceability as to revenues arising prior to such commencement to the extent a security interest therein would constitute a voidable preference or fraudulent conveyance, (ii) rights of third parties in cash, securities and instruments arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction and rights of donors of property, (v) claims that might obtain priority if continuation statements or financing statement amendments are not filed in accordance with applicable laws, (vi) the rights of holders of prior perfected security interests in equipment and other goods owned by the Obligated Group members and in the proceeds of sale of such property, (vii) statutory liens and (viii) the rights of parties secured by Permitted Liens. Accordingly, such security interest is expected to provide only limited value in the event of default.

If an event of default does occur, it is uncertain that either the Master Trustee or the Bond Trustee could successfully obtain an adequate remedy at law or in equity on behalf of the owners of the Series 2016 Bonds. In addition, obligations other than the Obligation No. 7 and the other outstanding Obligations may be issued from time to time in the future pursuant to the Master Indenture, and such obligations, if and when issued, will be on a parity with the Obligation No. 7 with respect to the benefits of the Master Indenture. In addition, should other entities become members of the Obligated Group in the future, the Obligated Group would become jointly and severally liable for any obligations issued on behalf of such entities under the Master Indenture.

No facilities are pledged as security for the Series 2016 Bonds.

Adequacy of Revenues

The ability of the Obligated Group and any other future members of the Obligated Group to make required payments on the Series 2016 Bonds is subject to, among other things, the capabilities of management of the

* Preliminary, subject to change.

Obligated Group and any other future members of the Obligated Group and future economic and other conditions which are unpredictable and which may affect revenues, and, in turn the payment of the principal of, premium, if any, and interest on the Series 2016 Bonds. Future revenues and expenses of the Obligated Group and any other future members of the Obligated Group will be affected by events and conditions relating generally to, among other things, demand for the Obligated Group's services, its ability to provide the services required by patients, physician relationships, design and support of strategic plans, economic developments in the Obligated Group's service area, the Obligated Group's ability to control expenses, maintenance of relationships with health maintenance organizations and preferred provider organizations, competition, rates, costs, third-party reimbursement, legislation and governmental regulation. Federal and state funding statutes and regulations are the subject of intense legislative debate and are likely to change, and unanticipated events or circumstances may occur which cause variances from the Obligated Group's expectations, and the variances may be material. THERE CAN BE NO ASSURANCE THAT THE REVENUES OF THE OBLIGATED GROUP OR UTILIZATION OF THE OBLIGATED GROUP'S FACILITIES WILL BE SUFFICIENT TO ENABLE THE OBLIGATED GROUP TO MAKE THE REQUIRED PAYMENTS ON THE 2016 BONDS.

None of the provisions, covenants, terms and conditions of the Master Indenture or the Agreement afford the Trustee any assurance that the principal and interest owing on the Series 2016 Bonds (which, except for pledged money held under the Master Indenture and the Trust Agreement, constitutes the sole source of funds for the payment of the Series 2016 Bonds) will be paid, as and when due, if the financial condition of the Obligated Group deteriorates to a point where the Obligated Group is unable to pay its debts as they become due or if the Obligated Group otherwise becomes insolvent.

Factors That Could Affect the Future Financial Condition of the Obligated Group

The future financial condition of the Obligated Group could be affected adversely by many factors, including but not limited to those set forth below. It is difficult to predict the effect of these and other factors on the operations of the Obligated Group; however, the factors described below could have a negative impact on such operations and such effect could be material.

Additional Debt. The Master Indenture permits the issuance of additional Obligations on a parity with Obligations Nos. 5, 6 and 7 and also permits incurrence of additional indebtedness directly by LRHS, LRMC or other members of the Obligated Group. The Master Indenture does not directly restrict the incurrence of indebtedness by Restricted Affiliates. See "APPENDIX C – SUMMARIES OF PRINCIPAL DOCUMENTS – THE MASTER INDENTURE – Limitations on Indebtedness." Subject to certain limitations, such additional indebtedness of the Obligated Group may be secured by the Pledged Assets of the Obligated Group.

Continued Utilization of the Obligated Group's Facilities. A significant portion of the Obligated Group's revenues are, and will likely continue to be, derived from the treatment of patients admitted to or provided services on an outpatient basis at the Obligated Group's facilities by members of the medical staff. Physicians on the medical staff have the option of admitting a particular patient, with the patient's consent, to the Obligated Group's facilities or to other acute care hospitals or to similar facilities that are not controlled by the Obligated Group. The revenues of the Obligated Group could decrease if medical staff members admit patients to such other similar facilities or hospitals instead of admitting such patients to the Obligated Group's facilities.

Technological Changes. Medical research and resulting discoveries have grown exponentially in the last decade. These discoveries may add greatly to the Obligated Group's cost of providing services with no or little offsetting increase in federal reimbursement and may also render obsolete certain of the Obligated Group's health services. The first effect, increased overall expense, may result because, for the most part, the costs of new drugs and devices are not typically accounted for in the DRG payments received by hospitals for inpatient care. The payment system imposed on outpatient services does permit a direct pass-through of certain technologies defined by the government. A second potential effect is that discoveries could render obsolete the way that services are currently rendered thereby either increasing expense or reducing revenues. However, any such effect cannot be predicted.

Economic Recovery and Disruptions to Credit Market

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

Economic conditions are adversely affecting revenue available to the State of Florida. This has been compounded by increasing expenses associated with various state programs, including Medicaid. Stresses on the state budget have resulted in delays of payments due under Medicaid and other state programs and may result in future delays, reductions in payments or changes in eligibility for Medicaid or other state programs.

The current economic climate has adversely affected the health care sector generally. Patient service revenues and inpatient volumes have not increased as historic trends would otherwise indicate. Until recently, unemployment rates were increasing nationally, which has resulted in increases in self-pay admissions, increased levels of bad debt and uncompensated care, reduced demand for elective procedures, and reduced availability and affordability of health insurance. The economic climate also increased stresses on state budgets, potentially resulting in reductions in Medicaid payment rates or Medicaid eligibility standards and delays in payment of amounts due under Medicaid and other state or local payment programs. Any similar economic recession in the future could have similar or worse effects.

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 ("***ARRA***"). ARRA includes several provisions that were intended to provide financial relief to the health care sector, including a requirement that states promptly reimburse health care providers. ARRA also established a framework for the implementation of a nationally-based health information technology program, including incentive payments that commenced in 2011 to eligible health care providers to encourage implementation of health information technology and "meaningful use" of certified electronic health record technology ("***CEHRT***"). The incentive payments are payable annually for a period of up to four years to eligible providers that demonstrate "meaningful use" of CEHRT, assuming federal funding exists. Pursuant to the ARRA, and beginning in 2016, Medicare eligible providers that do not demonstrate "meaningful use" of CEHRT records will receive a downward adjustment in federal reimbursement. The payment reduction starts at 1% and increases each year that an eligible professional does not demonstrate meaningful use, to a maximum of 5%. Additionally, beginning in 2014, the federal government (including the Centers for Medicare & Medicaid Services ("***CMS***"), an agency of the United States Department of Health and Human Services ("***HHS***")), has commenced audits of providers that have received meaningful use payments. A hospital or provider that fails the audit will have the opportunity to appeal. Ultimately, hospitals or providers that fail on appeal will have to repay any incentive payments received through these programs.

Federal and State Legislation; National Health Care Reform

General. A significant portion of the revenues of the Obligated Group are derived from Medicare, Medicaid and other third-party payors. For a breakdown of the sources of payment for services provided by the Obligated Group, see "APPENDIX A –FINANCIAL INFORMATION – Sources of Revenues – Percent of Gross Patient Charges."

Medicare is a federal program administered by CMS through fiscal intermediaries and carriers. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older, and Medicare Part B covers outpatient services, certain physician services, medical supplies and durable medical equipment. Medicaid is a federal/state medical assistance program administered by the various states. Medical benefits are available under each participating state's Medicaid program, within prescribed limits, to persons meeting certain minimum income or other need requirements.

Significant changes have been and may continue to be made in certain of these programs, which changes could have an adverse impact on the financial condition of the Obligated Group. In addition, bills have been and may be introduced in the Congress of the United States of America which, if enacted, could adversely affect the operations of the Obligated Group by, for example, decreasing payment by third-party payors such as Medicare and Medicaid or limiting the ability of the physicians on the medical staff of the Obligated Group to provide services or increase services provided to patients.

2010 National Health Legislation. In March 2010, Congress enacted major health care legislation, the Patient Protection and Affordable Care Act, which was signed into law on March 23, 2010, and the Health Care and Education Reconciliation Act of 2010, which was signed into law on March 30, 2010 (collectively, the "***2010 Health Legislation***"). The 2010 Health Legislation mandates substantial changes in how and to whom government and private health insurance is provided and how much providers of health care services to government program patients are paid.

Some of the provisions of the 2010 Health Legislation took effect immediately or within several months of final approval, while others have been phasing in over time, ranging from a few months following the approval to ten years. The 2010 Health Legislation is extremely complex, and as a result additional legislation is likely to be considered and enacted over time. The 2010 Health Legislation will also require the promulgation of substantial regulations, with significant effect on the health care industry. Thus, the health care industry will be subjected to significant new statutory and regulatory requirements and consequently to structural and operational changes and challenges for a substantial period of time, assuming the 2010 Health Legislation is not significantly modified by future legislation.

It is difficult to predict the full impact of the 2010 Health Legislation due to the law's complexity and gradual implementation, as well as an inability to foresee how states, businesses and individuals will respond to the choices afforded them by the law. Management cannot predict with any reasonable degree of certainty or reliability any interim or ultimate effects of the 2010 Health Legislation on current and projected operations, financial performance and financial condition.

The 2010 Health Legislation is complex, comprehensive and includes a myriad of new programs, initiatives and changes to existing programs, policies, practices and laws. Some of the pertinent provisions are discussed below, although this listing is not intended to be comprehensive.

Increased Health Insurance Coverage. A significant component of the 2010 Health Legislation is reformation of the sources and methods by which consumers will pay for health care for themselves and their families and by which employers will procure health insurance for their employees and dependents resulting in an expansion of the health care services consumer-base. One of the primary drivers of the 2010 Health Legislation is to provide or make available, or subsidize the premium costs of, health care insurance for some of uninsured (or underinsured) consumers who fall below certain income levels. The 2010 Health Legislation proposes to accomplish that objective through various provisions, including the following: (i) transparent insurance markets (referred to as exchanges) intended to increase competition among private health insurers and to allow individuals and small employers to purchase health care insurance for themselves and their families or their employees and dependents; (ii) subsidies for insurance premium costs to individuals and families based upon their income relative to federal poverty levels; (iii) individual mandate for consumers to obtain, and for certain employers to provide, a minimum level of health care insurance, enforced through penalties (i.e. taxes) on consumers and employers that do not comply with these mandates; (iv) prohibition on private insurers denying coverage or adjusting insurance premiums based on health status (i.e. pre-existing conditions), gender or other specified factors, and the elimination of lifetime or annual insurance caps; (v) substantially increased federal and state-funded Medicaid insurance programs, authorizing states to establish federally subsidized non-Medicaid health plans for low-income residents not eligible for Medicaid; (vi) voluntary expansion of Medicaid programs to a broader population with incomes up to 133 percent of federal poverty levels; and (vii) requiring most employers with more than 50 employees to provide health insurance to employees or pay a federal penalty, although the executive branch of the federal government extended the deadline to 2015 for employers with 100 or more full-time employees and 2016 for employers with 50 to 99 full-time employees.

In April of 2014, the Congressional Budget Office (the "***CBO***") estimated that 26 million more people will be insured each year from 2017 through 2024 than would have been without the 2010 Health Legislation. To the extent any or all of these provisions achieve the intended result, an increase in the utilization of health care services by those who are currently avoiding or rationing their health care can be expected and bad debt expenses may be reduced. Additionally, the governor and legislature of Florida have refused to expand Medicaid to date.

Reduced reimbursement. To offset the cost of expanded health care coverage and implementation, the 2010 Health Legislation includes cuts to Medicare reimbursement. Cost-cutting provisions, including those described below, will impact health care providers negatively:

- Reduced annual Medicare "market basket" updates for many providers, including hospitals, and adjustments to payment for expected productivity gains. Market baskets are used to determine compensation rates. Reduced adjustments may have a disproportionately negative effect on providers serving large Medicare populations.

- Reduced payments under the Medicare Advantage programs (Medicare managed care), which have been delayed to date, may result in increased premiums or out-of-pocket costs to Medicare beneficiaries enrolled in Medicare Advantage plans if implemented. These beneficiaries may

terminate their participation in those plans and opt for the traditional Medicare fee-for-service program. The reduction in payments to Medicare Advantage programs may also lead to decreased payments to providers by managed care companies operating Medicare Advantage programs. All or any of these outcomes would have a disproportionately negative effect upon providers with relatively high dependence upon Medicare managed care revenues.

- Reduced Medicare payments to disproportionate share hospitals ("***DSH***") by an estimated $4 billion over 10 years, accompanied by reduced states' Medicaid DSH allotment from federal funds.

- Reduced Medicare payments to hospitals with high rates of potentially preventable readmissions of Medicare patients for certain clinical conditions to account for those excess and "preventable" hospital readmissions. CMS continues to expand the readmission measures through final rulemaking.

- Reduced Medicare payments for services related to hospital care-acquired conditions ("***HACs***"). Failure to compare favorably with national averages for HACs and readmissions could adversely affect members of the Obligated Group.

- Incentive-based Medicare reimbursement payments to hospitals under the value-based purchasing program centered on quality and efficiency measures. These incentive payments are funded through a pool of money collected from all hospital providers as a result of the reduction of the hospital inpatient care payment, which was 1% in federal fiscal year 2013, and will increase to 2% by federal fiscal year 2017. The reduction is set at 1.75% for federal fiscal year 2016. This reduction may be offset by incentive payments that commenced in federal fiscal year 2013 for hospitals that meet or exceed quality standards.

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

The 2010 Health Legislation established the Independent Payment Advisory Board (the "***Board***") to develop proposals to improve the quality of care and limitations on cost increases. Beginning January 15, 2019, if the Medicare growth rate exceeds targeted levels, the Board is required to develop proposals to reduce the growth rate which the Secretary of HHS is required to implement unless Congress enacts alternative legislation related to the proposals that meet equivalent savings targets. While hospitals are largely exempted from the recommendations from the Board, industry experts also expect that government cost reduction actions may be followed by private insurers and payors.

Payments for services to federally-insured patients have been reduced under the 2010 Health Legislation because Congress anticipated that providers operating in markets with large Medicaid and Medicare and uninsured populations would benefit from increased revenues resulting from increased utilization of health care services and reductions in bad debt or uncompensated care. Nonetheless, if Florida continues to choose not to participate in the Medicaid expansion program, reductions in bad debt and charity care expenses may not be realized by the Obligated Group, as it is likely that a significant number of indigents in the Obligated Group's service areas will remain uninsured. In addition, health care insurance premium assistance will not be available for undocumented patients, so the 2010 Health Legislation is not expected to reduce the number of uninsured undocumented Obligated Group's patients. Therefore, the true effects of the 2010 Health Legislation on bad debt and charity care expenses remain to be seen.

Moreover, commencing January 1, 2015, health care insurers participating in the health insurance exchanges are now allowed to contract only with hospitals that have implemented programs designed to ensure patient safety and enhance quality of care. The effect of these provisions upon the process of negotiating contracts with insurers or the costs of implementing such programs cannot be predicted.

Fraud management. With varying effective dates, the 2010 Health Legislation mandates a reduction of waste, fraud and abuse in public programs by allowing provider enrollment screening, enhanced oversight period for new providers and suppliers, and enrollment moratoria in areas identified as being at elevated risk of fraud in all public programs, and by requiring all Medicare and Medicaid program providers and suppliers to establish compliance programs. The 2010 Health Legislation required the development of a database to capture and share health care provider data across federal health care programs and provides for increased penalties for fraud and abuse violations, and increased funding for anti-fraud activities.

The Obligated Group continues to analyze the 2010 Health Legislation, the related court decisions and the evolving regulations for effects on current and projected operations, financial performance and financial condition. However, management cannot predict with any reasonable degree of certainty or reliability any interim or ultimate effects of the 2010 Health Legislation.

Federal and State Policies Affecting Health Care Facilities. In recent years, in addition to the 2010 Health Legislation, a number of bills proposing to regulate, control, or alter the method of financing health care costs have been discussed and certain of these bills have been introduced in Congress and various state legislatures, including Florida. There are wide variations among these bills and proposals.

Legislation is periodically introduced in Congress and in the Florida Legislature which could result in limitations on revenues, reimbursements, costs or charges for health care facilities. No determination can be made concerning whether, or in what form, such legislation could be introduced and enacted into law. Health care facilities may be affected significantly by changes in federal or state health care policy. These changes may reduce federal or state payments under Medicaid and Medicare, increase or reduce federal or state regulation of health facilities and encourage more competition among health care providers or limit the ability of physicians to provide services provided to patients. The impact of future cost control programs and future legislation upon the projected financial performance of the Obligated Group cannot be determined at this time.

By way of example, in recent years, Congressional Committees and individual members of Congress have conducted investigations and public hearings on issues such as (i) unfair competition between nonprofit and for-profit corporations and the need for changes in the law relating to the taxation of unrelated business income of nonprofit corporations; (ii) hospital billing and collection practices and the prices charged to uninsured patients; (iii) perceived compensation abuses by various nonprofit organizations; and (iv) the contributions provided and the benefits received by hospitals and other health care institutions from being tax-exempt and the need for reform of the laws relating to tax-exempt status. Hospitals and hospital systems have also received requests for information about general operating issues, including charitable activities (*see* IRS Form 990 discussed below), patient billings, executive compensation and ventures with for-profit companies.

As part of 2011 legislation raising the federal government's borrowing capacity, Congress agreed to automatic federal program spending cuts, known as sequestration, over the next decade totaling $1.2 trillion, unless alternate budgetary reduction legislation was enacted. In December of 2013, Congress partially replaced the mandatory budget cuts but only for two years. While that legislation lifted certain sequestration cuts for defense and non-defense spending for fiscal years 2014 and 2015, it did not reduce the sequestration reductions impacting mandatory programs including Medicare. As a result, the 2% reduction to Medicare payments will continue until further notice for Medicare fee-for-service program claims with dates of service or dates of discharge on or after April 1, 2013, unless additional Congressional action is taken. The 2013 legislation achieves new savings for the federal government by extending sequestration for mandatory programs, including Medicare, for another two years, through 2023.

On November 2, 2015, President Obama signed the Bipartisan Budget Act of 2015 ("***2015 Budget Act***"), increasing the budget caps imposed by the Budget Control Act of 2011 for fiscal years 2016 and 2017 and authorizing $80 billion in increased discretionary spending over the next two years. The 2015 Budget Act also suspends the limit on the federal government's debt until March 15, 2017.

There can be no assurance that future changes in the laws, rules, regulations and policies governing the tax exemption or taxation of unrelated business income would not have an adverse effect on the future operations of the Obligated Group, and any such legislation could have the effect of subjecting a portion of the income of the Obligated Group to federal or state taxes. In addition, any changes in the law governing the tax-exempt status of the Obligated Group or the Series 2016 Bonds that would require an increase in the quantity of charity care provided or reduced rates for the provision of care to certain parties could adversely affect the operating results or financial condition of the Obligated Group.

Regardless of legislative and judicial actions to date, hospital providers across the country have continued to see a rise in uncompensated care. As noted above, while the 2010 Health Legislation is intended to reduce the number of uninsured and underinsured persons, it is not clear how quickly and effectively that will be accomplished. Moreover, general economic conditions, other governmental policies that result in coverage exclusions under local, state and federal health care programs (including Medicare and Medicaid), and future governmental policies that require tax-exempt hospitals to maintain minimum levels of indigent care as a condition to federal income tax exemption or state income or property tax exemption may increase the frequency and severity of uncompensated care. To the effect that uncompensated care continues to be an issue, increases in reimbursement rates from payors of insured claims may not be sufficient to fully offset the increased cost of uncompensated care.

Nonprofit Health Care Environment

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

Over the past several years, an increasing number of the operations or practices of health care providers have been challenged or questioned to determine if they are consistent with the regulatory requirements for nonprofit tax-exempt organizations. These challenges, in some cases, are broader than concerns about compliance with federal and state statutes and regulations, such as Medicare and Medicaid compliance, and instead are examinations of core business practices of the health care organizations. Areas that have come under examination have included pricing practices, billing and collection practices, charitable care, executive compensation, exemption of property from real property taxation and others. These challenges and questions have come from a variety of sources, including state attorneys general, the Internal Revenue Service (the "***IRS***"), labor unions, Congress, state legislatures, local property appraisers and tax collectors and patients, and in a variety of forums, including hearings, audits, and litigation. These challenges or examinations include the following, among others:

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

IRS Form 990 for Tax Exempt Organizations. IRS Form 990 is used by most 501(c)(3) not-for-profit organizations exempt from federal income taxation to submit information required by the federal government. Form 990 requires detailed disclosure of compensation practices, corporate governance, loans to management and others, joint ventures and other types of transactions, political campaign activities, and other areas the IRS deems to be compliance risk areas. The Form 990 also requires the reporting of information related to tax-exempt bonds, including compliance with the arbitrage rules and rules limiting private-use of bond-financed facilities, including compliance with the safe harbor guidance in connection with management contracts and research contracts.

Under the 2010 Health Legislation, Form 990 has been expanded for tax-exempt hospitals to report on their Code Section 501(r) requirements. These include obligations to conduct a community needs assessment and adopt an implementation strategy to meet those identified needs; adopt and publicize a financial assistance policy; limit charges to patients who qualify for financial assistance to the lowest amount charged to insured patients and prohibit the use of gross charges; and control the billing and collection processes. Failure to satisfy these conditions may

result in the imposition of fines and the loss of tax-exempt status. Form 990 is intended to provide enhanced transparency as to the operations of exempt organizations. It is likely that the IRS will use the detailed information to assist in its enhanced enforcement efforts.

Schedule K to Form 990 is intended to address what the IRS believes is significant noncompliance by tax-exempt organizations with recordkeeping and record retention requirements relating to their outstanding tax-exempt bonds. Schedule K requires significant additional efforts on the part of many tax-exempt organizations to complete. Schedule K also focuses on the investment of bond proceeds that could violate the arbitrage rebate requirements and on the private use of bond-financed facilities. Form 990 provides additional, detailed information to the IRS, as well as to states' attorneys general, unions, plaintiff class action lawyers and public interest groups, that is likely to result in increased enforcement actions, the effect of which cannot be determined at this time.

IRS Examination of Compensation Practices. In August 2004, the IRS announced a new enforcement effort to identify and halt abuses by tax-exempt organizations that pay excessive compensation and benefits to their officers and other insiders. Nearly 2,000 charities and foundations were contacted by the IRS regarding their compensation practices and procedures. This examination project is ongoing and may be extended to loans. The members of the Obligated Group have not been contacted by the IRS in connection with this enforcement effort. The effect of any such legislation, if enacted, on the nonprofit health care sector generally and on the Obligated Group cannot be determined at this time.

Litigation Relating to Billing and Collection Practices. Lawsuits have been filed in both federal and state courts alleging, among other things, that hospitals have failed to fulfill their obligations to provide charity care to uninsured patients and have overcharged uninsured patients. Many of these cases have since been dismissed by the courts, but a number of cases are still pending in various courts around the country with inconsistent results. While it is not possible to make general predictions, some hospitals and health care systems have entered into substantial settlements.

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

Actions by Purchasers of Hospital Services and Consumers. Major purchasers of hospital services could take action to restrain hospital charges or charge increases. As a result of increased public scrutiny, it is also possible that the pricing strategies of hospitals may be perceived negatively by consumers, and hospitals may be forced to reduce fees for their services. Decreased utilization could result, and hospitals' revenues may be negatively affected.

Indigent Care. Tax-exempt health care providers often treat large numbers of indigent patients who are unable to pay in full for their medical care. These hospitals and health care providers may be susceptible to economic and political changes that could increase the number of indigents or their responsibility for caring for this population. General economic conditions affect the number of employed individuals who have health coverage and the ability of patients to pay for their care. Similarly, changes in governmental policy, which may result in coverage exclusions under local, county, state and federal health care programs (including Medicare and Medicaid) may increase the frequency and severity of indigent treatment by such hospitals and other health care providers. It also is possible that future legislation or court decisions could require that tax-exempt hospitals and other health care providers maintain minimum levels of indigent care as a condition to federal income tax exemption or exemption from certain state or local taxes.

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

Patient Service Revenues

The Medicare Program. As noted above, a significant portion of the revenues of the Obligated Group are derived from the Medicare program. Medicare is a federal program administered by CMS through fiscal intermediaries and carriers. Available to individuals age 65 or over, and certain other classes of individuals, the Medicare program provides, among other things, health care benefits that cover, within prescribed limits, the major costs of physician and hospital care for such individuals, subject to certain deductibles and co-payments.

Hospitals are reimbursed under an Inpatient Prospective Payment System ("***IPPS***") for inpatient hospital services. Under the IPPS system, HHS determines prospectively a payment amount for each hospital Medicare discharge. With certain exceptions, such payments are not adjusted for a hospital's actual costs or a patient's length of stay. Discharges are classified into Diagnosis Related Groups ("***DRGs***") and the payments for various DRGs are derived from historical Medicare cost data. If a hospital treats a patient and incurs less than the applicable DRG-based payment, the hospital will generally be entitled to retain the difference. Conversely, with limited exception, if a hospital's cost for treating the patient exceeds the DRG-based payments, the hospital will not be entitled to any additional amount. For certain Medicare beneficiaries who have unusually costly hospital stays ("***outliers***"), CMS will provide additional payments above those specified for the DRG. Outlier payments cease to be available upon the exhaustion of such patient's Medicare benefits or a determination that acute care is no longer necessary, whichever occurs first. There is no assurance that any of these payments will cover the actual costs incurred by a hospital. In addition, revisions to the outlier regulations, implemented in order to curb outlier payment abuse, may adversely affect hospitals' ability to receive such subsidies. In addition to outlier payments, DRG payments are adjusted for area wage differentials on a yearly basis.

In theory, IPPS payments are to be adjusted annually based on the hospital "market basket" index, or the cost of providing health care services; however, in practice, historically the government either has not increased payment rates annually or the increases to the DRG rates have been at rates which were less than the increase in the cost of delivering health care services. Moreover, there is no assurance that future updates to PPS payment rates will keep pace with the increases in the cost of providing hospital services.

The Deficit Reduction Act of 2005 was enacted to slow the growth of Medicare and Medicaid funding and contains provisions that affect Medicare reimbursement for hospital and physician services. Significant changes include, for example, extending and revising the requirement that hospitals submit quality data to obtain a full market basket increase in inpatient and outpatient rates (and avoid a 2% reduction in the increase).

In 2006, CMS implemented a documentation and coding adjustment to account for changes in payments under the new MS-DRG system that are not related to changes in case mix. The 2010 Health Legislation will reduce the annual Medicare market basket updates through federal fiscal year 2019. Since federal fiscal year 2011, hospitals have had to report additional quality measures in order to qualify for the full market basket update, to not forgo 25% of the projected increase for failing to submit quality data.

Since federal fiscal year 2012, the annual Medicare market basket updates have been subject to productivity adjustments also, further reducing Medicare payments to hospitals. The reductions in market basket updates and the productivity adjustments have had a disproportionately negative effect upon those providers that are relatively more dependent upon Medicare than other providers. Additionally, these reductions were effective prior to the periods during which insurance coverage and the insured consumer base was expanded. The combination of reductions to the market basket updates and the imposition of the productivity adjustments may, in some cases and in some years, result in reductions in Medicare payment per discharge on a year-to-year basis. Changes in the payments received for all services, including specialty services, could have an adverse effect on the Obligated Group.

The Secretary of HHS is required to review the DRG categories annually to take into account any new procedures, reclassify DRGs and recalibrate the DRG relative weights that reflect the relative hospital resources used by hospitals with respect to discharges classified within a given DRG category. From time to time, CMS creates new DRGs and revises or deletes others in order to better recognize the severity of illness for each patient. CMS may only adjust DRG weights on a budget-neutral basis. As a result, there is no assurance that Medicare payments will adequately reflect changes in the cost of providing health care or in the cost of health care technology being made available to the Obligated Group's patients.

CMS has implemented provisions preventing hospitals from assigning patient cases to DRGs with higher payments where a secondary diagnosis warranting higher payment is one of several specified health conditions and was acquired in the hospital. These rules identify certain conditions, including certain infections and serious preventable errors ("***Never Events***") for which CMS will not reimburse hospitals unless the conditions were present at the time of admission. CMS has also announced its intent to identify additional conditions for which higher payment will be unavailable. Various HMO's and other private insurers have followed suit in refusing to pay for certain hospital-acquired conditions. There can be no assurance that these future payment limitations will not adversely affect the revenues of the Obligated Group. Never Events may be more likely to be publicized and may negatively impact a hospital's reputation, thereby reducing future utilization and potentially increasing the possibility of liability claims.

CMS could further modify the factors used in calculating the prospective payments for units of service in the future, as it has from time to time in the past, which may reduce revenues for particular services. Additionally, as part of the federal budgetary process, Congress has regularly amended, and could in the future further amend, the Medicare laws to reduce increases in payments that are otherwise scheduled to occur, or to provide for reductions in payments for particular services. Such actions could adversely affect the members of the Obligated Group.

Additionally, effective October 1, 2013, CMS adopted a policy known as the Inpatient Hospital Prepayment Review "Probe & Educate" review process or the "Two-Midnight" rule. With some exceptions, the "Two-Midnight" policy specifies that hospital stays spanning two or more midnights after the beneficiary is properly and formally admitted as an inpatient will be presumed to be "reasonable and necessary" for purposes of inpatient reimbursement. CMS adopted the policy due to growing concern with the overuse of the "observation" status at hospitals; CMS found that Medicare beneficiaries were spending extended period of times in observation units without being admitted as inpatients. On March 31, 2014, Congress voted to extend the enforcement moratorium on the "Two-Midnight" rule through March 31, 2015. As a result Medicare Recovery Audit Contractors ("***RACs***") won't be able to audit inpatient hospital claims from October 1, 2013 through March 31, 2015.

CMS proposed changes to the "Two-Midnight" rule in mid-2015, and adopted those changes in October 2015 as part of the 2016 Medicare Outpatient Prospective Payment System ("***OPPS***") final rule. As modified, stays of less than two midnights are not automatically considered inappropriate for inpatient reimbursement, but are subject to a "physician judgment" exception if the medical necessity of the short stay is appropriately documented. Moreover, the 2015 Medicare OPPS final rule implemented a change to the requirement that certifications must be provided for all inpatient admissions. Going forward, CMS will require physician certification only for outlier cases and long stay cases of 20 days or more. An admission order will continue to be required for all inpatients when that patient has been formally admitted to the hospital. The effect of the Two Midnight rule on the Obligated Group's operations is still unclear.

Payments to rehabilitation hospitals, rehabilitation units and inpatient psychiatric hospitals and psychiatric units are based entirely on a federal prospective payment rate. Similar to the IPPS system, the PPS methodology for rehabilitation hospitals, rehabilitation units and inpatient psychiatric hospitals and psychiatric units will cause such hospital or unit with costs above the PPS payment rate to incur losses on the services provided to Medicare patients.

Medicare beneficiaries may obtain Medicare coverage through a managed care Medicare Advantage plan (formerly known as a "Medicare+Choice" plan). A Medicare Advantage plan may be offered by a coordinated care plan (such as an HMO or PPO), a provider sponsored organization ("***PSO***") (a network operated by health care providers rather than an insurance company), a private fee-for-service plan, or a combination of a medical savings account ("***MSA***") and contributions to a Medicare Advantage plan. Each Medicare Advantage plan, except an MSA plan, is required to provide benefits approved by the Secretary of HHS. A Medicare Advantage plan will receive a monthly capitated payment from HHS for each Medicare beneficiary who has elected coverage under the plan. Health care providers such as the members of the Obligated Group must contract with Medicare Advantage plans to treat Medicare Advantage enrollees at agreed upon rates or may form a PSO to contract directly with HHS as a Medicare Advantage plan. Covered inpatient and emergency services rendered to a Medicare Advantage beneficiary by a hospital that is an out-of-plan provider (i.e., that has not entered into a contract with a Medicare Advantage plan) will be paid at Medicare fee-for-service payment rates as payment in full. There is no guarantee that the rates negotiated for the treatment of such enrollees will be sufficient to cover the cost (both capital and operating) of providing services to such patients at the facilities of the members of the Obligated Group.

Future changes to the Medicare Advantage program, the impact of other changes in Medicare reimbursement including programs to bundle payments for hospital services with other types of services, and the

general trend toward increased managed care and other cost containment measures cannot be determined. The net effect, however, could be lower revenues which could adversely affect the operations and financial condition of members of the Obligated Group. In addition, further reductions in Medicare coverage and decreased Medicare reimbursement rates may be required due to the aging U.S. population.

The members of the Obligated Group are certified as providers for Medicare service, and each intends to continue to participate in the Medicare program. For the Fiscal Years ended 2014 and 2015 and nine months ended June 30, 2016, approximately 46.7%, 46.8% and 46.1%, respectively, of the gross patient service revenues of the Obligated Group were associated with services provided to Medicare beneficiaries. See "APPENDIX A –FINANCIAL INFORMATION – Sources of Revenues – Percent of Gross Patient Charges."

Skilled Nursing Care. Currently, Medicare Part A reimburses on a prospective payment basis for certain post-hospital inpatient skilled nursing and rehabilitation care services furnished by skilled nursing facilities ("***SNFs***"). SNF services are covered only if the beneficiary spent at least three consecutive days as a hospital inpatient prior to admission at the SNF and if the beneficiary was admitted to the SNF within 30 days of discharge from the hospital. Medicare Part A covers nursing services furnished by or under the supervision of a registered professional nurse, as well as physical, occupational and speech therapy provided by the SNF. Certain "ancillary" services furnished to SNF patients are also covered under Medicare Part B. Medicare will pay for SNF services for up to 100 days for each episode of illness, and the payments are subject to deductibles payable by the patient.

Under the Balanced Budget Act of 1997 (the "***BBA***"), Congress mandated Prospective Payment System for SNFs ("***SNF PPS***") beginning in the SNF's first cost reporting period which began on or after July 1, 1998. Reimbursement is based on Resource Utilization Groups ("***RUGS***"). The prospective payment amount is the Federal per diem rate adjusted for the beneficiary case-weight. Payments under the SNF PPS are to be updated annually in future years by a market basket rate similar to the method employed for the hospital IPPS.

The BBA also affected SNF reimbursement by requiring that post-hospitalization SNF services be "bundled" into the hospital's DRG reimbursement in certain circumstances. Where this rule applies, the hospital and the SNF must, in effect, divide the reimbursement which otherwise would have been paid to the hospital alone for the patient's treatment, and no additional funds are paid by Medicare for SNF care of the patient. This provision applies only to a limited number of DRGs but has an effect on SNF utilization and reimbursement, either because hospitals find it difficult to place patients in SNFs who will be subjected to the bundled payment or because hospitals are reluctant to discharge patients to SNFs and lose part of their reimbursement. It is possible that the bundling requirement could be extended to more DRGs in the future, increasing the negative impact on SNF utilization and reimbursement.

There is no assurance that the continued implementation of SNF PPS and the application and possible extension of bundling of post-hospital SNF services will not have a material adverse effect upon members of the Obligated Group, particularly to the extent that the amount of Medicare reimbursement to the members of the Obligated Group for providing skilled nursing services will be less than the costs of providing such services.

Fiscal Year 2016 SNF prospective payment rates reflect a 2.6 percent adjustment based on market basket index, reduced by a 0.6 percent multi-factor productivity adjustment. As a result, this final rule will increase SNF prospective payment rates by 2.0 percent in Fiscal Year 2016. However, it is unclear what effect these provisions will have on members of the Obligated Group's Medicare reimbursement beyond the 2016 Fiscal Year at this time.

The Fiscal Year 2016 federal budget proposes to reduce SNF Medicare payments by up to 3 percent beginning in 2018 for facilities with high rates of care-sensitive preventable readmissions. This proposal is intended to reduce payment for patients that are discharged from a hospital to a SNF and are subsequently readmitted to the hospital for conditions that could have been avoided. The Fiscal Year 2015 federal budget proposed to implement an expanded value-based purchasing program that would include providers beyond those currently participating in value-based purchasing initiatives. The proposal would, in part, tie at least 2 percent of payments to quality and efficiency of care requirements for SNFs. As a result of the Fiscal Year 2015 budget proposals, the Fiscal Year 2016 final rules specifies a SNF hospital readmission measure and considers a SNF value-based purchasing program.

Capital Reimbursement of Hospitals. Hospitals are reimbursed on a fully prospective basis for capital costs (including depreciation and interest) related to the provision of inpatient services to Medicare beneficiaries.

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

Reimbursement for Part B Physician Services. Certain physician services are reimbursed under Medicare Part B on the basis of a national fee schedule called the "resource based-relative value scale" ("***RBRVS***"). The RBRVS fee schedule establishes payment amounts for all physician services, including services of provider-based physicians, and is subject to annual adjustment.

The Sustainable Growth Rate ("***SGR***"), imposes a limit on the growth of Medicare payments for physician services and is linked to changes in the U.S. Gross Domestic Product over a ten-year period. SGR targets are compared to actual expenditures in order to determine subsequent physician fee schedule updates. Since 2003, Congress has passed legislation to delay application of the SGR. On April 16, 2015, the Medicare Access and CHIP Reauthorization Act of 2015 was signed into law, which ended use of the SGR. The measure went into effect in July 2015. The legislation moves the SGR program from a fee-for-service to a pay-for-performance model that will control the growth of physician payments based on clinical outcomes. This legislation increases physician Medicare reimbursement by 0.5% annually until 2019 and then provides for no additional increases to base physician reimbursement through 2025. In addition to the base payment methodology, physicians can earn merit-based payments based on factors including compliance with meaningful use of electronic health records requirements and demonstration of the principles of quality-based medicine. Ultimately, it remains unclear what effect this legislation will have on the members of the Obligated Group's operations, including whether the reimbursement will cover the actual costs of providing physician services to Medicare beneficiaries.

Reimbursement of Outpatient Hospital Services. Certain pre-admission services rendered on an outpatient basis are not considered outpatient services but are included in the PPS payment for inpatient operating costs.

CMS generally pays hospitals for Medicare outpatient hospital services. Under the OPPS, which is based on Ambulatory Patient Classification Groups ("***APCs***"). Each APC is assigned a weight that is derived from median hospital costs (operating and capital) of services in the group. The APC weights are converted to payment rates through the application of a conversion factor. The 2010 Health Legislation provides for a reduction to the market basket used to determine annual OPPS increases by an adjustment factor for federal fiscal years 2010 through 2019 and by a productivity adjustment for federal fiscal year 2012 and subsequent years. Application of the productivity adjustment can result in a market basket increase of less than zero, such that payments in a current year may be less than the prior year. There is no guarantee that APC rates, as they change from time to time, will cover actual costs of providing services to Medicare patients. Additionally, Congress or regulators in the future may impose further limits or cutbacks in such payments or modify the method of calculating such payments.

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

In addition to the APC rate, there is a predetermined beneficiary coinsurance amount for each APC group. There can be no assurance that the beneficiary will pay this amount.

Prescription Drug Benefit. The Medicare Modernization Act of 2003 ("***MMA***") also provides for a prescription drug benefit for Medicare enrollees under Medicare Part D, which became effective January 1, 2006. Given the complicated design of the program as established by Congress, the numerous variations in benefit designs and coverage policies that plan sponsors are permitted to make, the many differences under the program for different groups of beneficiaries, and the varying individual situations of each Medicare patient, this benefit and Medicare Part D continues to impact the members of the Obligated Group, both as health care providers and as employers.

Medicaid Program. Medicaid is the federally assisted, state administered, medical assistance program authorized under Title XIX of the Social Security Act that provides reimbursement for a portion of the cost of caring for persons who are aged, blind or disabled, or members of families who are eligible for Aid To Families with Dependent Children. The Medicaid program provides payments for medical items and services for any person who

is determined to be eligible for Medicaid assistance on the date of service. Federal and State funds support the Medicaid program. Medicaid benefits are available, within prescribed limits, to persons meeting certain minimum income or other need requirements.

The Florida Medicaid Program is administered by the Agency for Health Care Administration ("***AHCA***") and is funded by federal and state appropriations. The financial condition of and budgetary factors facing the State of Florida may affect the level of Medicaid revenues.

As with the participation in the Medicare program, participating hospitals in the Medicaid program are subject to numerous requirements and regulations under the program. Failure to remain in compliance with any program requirements may subject the Medicaid provider to civil and/or criminal penalties, including fines and suspension or expulsion from the program, preventing the provider from receiving any funds under the Medicaid program. Noncompliance with Medicaid requirements, and suspension or exclusion from the Medicaid program, can also be a basis for mandatory or permissive suspension or exclusion from the Medicare program.

Payments made to health care providers under the Medicaid program are subject to changes as a result of federal or State legislative and administrative actions, including further changes in the methods for calculating payments, the amount of payments that will be made for covered services and the types of services that will be covered under the program. Increasing budgetary pressures may lead to further reimbursement limits, reductions in existing programs or elimination of coverage for certain individuals under the Florida Medicaid Program. Federal legislation could result in a reduction of Medicaid funding or an increase in state discretionary funding through block grants, or a combination thereof. It is possible that any such federal or state changes may have a material adverse effect on the operations or financial condition of the members of the Obligated Group. See also " – Florida Medicaid Reform" below.

For the Fiscal Years ended 2014 and 2015 and nine months ended June 30, 2016, approximately 17.1%, 16.9% and 16.9%, respectively, of the gross patient service revenues of the Obligated Group were associated with services provided to Medicaid beneficiaries. See "APPENDIX A –FINANCIAL INFORMATION – Sources of Revenues – Percent of Gross Patient Charges.

Florida Medicaid Reform. In 2005, the Florida Senate adopted legislation which authorized requesting a federal Medicaid waiver to permit the State, through legislative enactment, to limit annual spending on the Medicaid program to the amount appropriated in the state budget and authorized AHCA to continue developing a plan to implement a capitated managed care system to replace the current fee-for-service Medicaid system. On October 19, 2005, CMS approved an 1115 Research and Demonstration Waiver (the "***1115 Waiver***").

Another element of the 2005 Florida Medicaid reform was the replacement of the Medicaid Upper Payment Limit ("***UPL***") program with a Low Income Pool ("***LIP***") program. The 1115 Waiver authorized the State to implement the LIP program and terminate the UPL program. In 2010, the Florida Senate adopted legislation which authorized AHCA to request an extension to the 1115 Waiver and established the Medicaid and Public Assistance Fraud Strike Force. The 2010 legislation preserved the LIP program.

In 2011, the Florida Legislature voted to expand the Medicaid Reform Pilot through the Statewide Medicaid Managed Care program. The Pilot Program was expanded to a statewide mandatory managed care enrollment for most Medicaid recipients. Two separate managed care programs were created: the medical assistance program for primary and acute care, and long-term managed care for residential, home and community-based care. The Medicaid Medically Needy continue to receive coverage and will be enrolled in qualified managed care plans. On July 31, 2014 CMS approved Florida's request to extend the Pilot Program through June 30, 2017, and the LIP supplemental payment authority through June 30, 2015. The aim of this extension is to provide stability for providers as Florida transitions to statewide Medicaid managed care. As noted previously, Florida's Governor will not expand Medicaid enrollment to individuals earning up to 133 percent of the federal poverty level.

Actions taken by the Governor, State Legislature and CMS with respect to Medicaid, such as the foregoing, have affected and will continue to affect the Obligated Group's financial condition.

Florida Indigent Assistance. Florida's Public Medical Assistance Act (the "***Assistance Act***") provides a mechanism for the funding of health care services to indigent persons. The Assistance Act imposes upon each hospital in the State of Florida an assessment in an amount equal to 1.5% of each hospital's annual net operating revenue for inpatient services and 1% of the annual operating revenue for outpatient services each fiscal year, with

the exception of outpatient radiation therapy services. AHCA determines such revenues based on a hospital's actual experience reported to AHCA and certifies the amount of the assessment for each hospital within six months after the end of each hospital's fiscal year. The assessment is payable to and collected by AHCA in equal quarterly amounts, on or before the first day of each calendar quarter beginning with the first full calendar quarter that occurs after AHCA certifies the amount of assessment for each hospital. All moneys collected pursuant to the Assistance Act are to be deposited into the Public Medical Assistance Trust Fund. AHCA may impose administrative fines for the failure of any hospital to timely pay it quarterly assessment. Purchasers, successors or assignees of a facility, which are subject to AHCA's jurisdiction, are liable for any assessments, fines or penalties incurred by a facility or its employees, regardless of when it was identified.

The State of Florida Long-Range Outlook Fiscal Year 2013-14 through 2015-16 Fall 2012 Report projects that Medicaid program expenditures will increase by 15.5% over that period due to the continuing economic crisis and the requirements under the 2010 Health Legislation. Budget deficits for the State of Florida may lead to changes to the Medicaid program and such changes may have a material adverse effect on the operations or financial condition of the Obligated Group.

Polk County Indigent Assistance. Polk County has included in its county sales tax a one-half cent indigent care surtax since 2004 when voters approved a measure creating this "healthcare safety net." This surtax has generated between $32 and $40 million annually, which has been used to fund Polk County's cost share for Medicaid, the Polk Healthcare Plan ("***PHP***") (the county's health plan for residents not qualifying for other plans) and other community partnerships and statutory programs. In November 2016, Polk County will conduct a voter referendum to extend the one-half cent surtax. If the referendum passes, the surtax will extend through 2044, but if it fails, the surtax may expire in 2019 since the vote in 2004 authorized the surtax for a period of 15 years.

The Obligated Group has contracted with PHP to provide services to plan participants, which are primarily seen at the Family Health Center, the Obligated Group's hospital-based outpatient primary care clinic. For the nine months ended June 30, 2016, the Obligated Group anticipates receipt of approximately $1.8 million in direct reimbursement for patient care of PHP participants. If the November 2016 referendum fails, reimbursement from PHP will decrease significantly as will the indirect benefits to the Obligated Group of the half-cent tax (i.e., Medicaid cost sharing, etc.), which may affect the Obligated Group's financial condition. See "SERVICE AREA – Origin of Patient Discharges" in APPENDIX A herein.

State Children's Health Insurance Program. State Children's Health Insurance Program ("***SCHIP***") is a federally funded insurance program for families whose income levels preclude them from being eligible for Medicaid, but who cannot afford commercial health insurance. CMS administers SCHIP, but each state creates its own program based upon minimum federal guidelines. A SCHIP program can either be part of a state's Medicaid program, or a completely separate state program.

While generally considered to be beneficial for both patients and providers by reducing the number of uninsured children, it is difficult to assess the fiscal impact of SCHIP on the payments to the Obligated Group because the program is relatively new, and because each state SCHIP program is unique. Moreover, each state must periodically submit its SCHIP plan to the CMS for review to determine if it meets the federal requirements. If it does not meet the federal requirements, a state can lose its federal funding for its program.

The 2010 Health Legislation temporarily increased reimbursement for primary care visits for Medicaid enrolled individuals, funded 100% by the federal government in 2013 and 2014. The federal funding for the increase expired at the end of 2014. Under the Medicare Access and CHIP Reauthorization Act of 2015, federal funding for SCHIP was extended through September 30, 2017. When such funding expires there can be no assurances that funding for an increase will be reestablished at either a state or federal level, or that professional and /or facility reimbursement rates will not subsequently be reduced in efforts to manage costs.

Private Health Plans and Managed Care. Most private health insurance coverage is provided by various types of "managed care" plans, including health maintenance organizations ("***HMOs***") and preferred provider organizations ("***PPOs***"), that generally use discounts and other economic incentives to reduce or limit the cost and utilization of health care services such as inpatient hospital care. Medicare and Medicaid also purchase hospital care using managed care options. Payments to the Obligated Group from these plans typically are lower than those received from traditional indemnity/commercial insurers.

Many PPOs and HMOs currently pay providers on a negotiated fee-for-service basis or, for institutional care, on a fixed rate per day of care, which, in each case, usually is discounted from the typical charges for the care provided. As a result, the discounts offered to HMOs and PPOs may result in payment to a provider that is less than its actual cost. Additionally, the volume of patients directed to a provider may vary significantly from projections, and changes in the utilization of certain services offered by the provider may be dramatic and unexpected, further jeopardizing the provider's ability to contain costs.

Some HMOs employ a "capitation" payment method under which hospitals are paid a predetermined periodic rate for each enrollee in the HMO who is "assigned" or otherwise directed to receive care at a particular hospital. In a capitation payment system, the hospital assumes a financial risk for the cost and scope of institutional care given to such HMO's enrollees. If payment under an HMO or PPO contract is insufficient to meet the hospital's actual costs of care, or if utilization by such enrollees materially exceeds projections, the financial condition of the hospital could erode rapidly and significantly.

Often, HMO contracts are enforceable for a stated term, regardless of hospital losses, and may require hospitals to care for enrollees for a certain time period, regardless of whether the HMO is able to pay the hospital. As with other large health care systems, the members of the Obligated Group from time to time have disputes with managed care payors concerning contract interpretation issues. Such disputes may result in mediation, arbitration or litigation, and may delay or prevent the ability of the members of the Obligated Group to receive reimbursement for services provided. Management of the members of the Obligated Group expect that these types of issues ultimately will be resolved, sometimes through renegotiation or termination of the contract.

Defined broadly, for the Fiscal Years ended 2014 and 2015, and nine months ended June 30, 2016, managed care/commercial payments (excluding Medicare and Medicaid managed care contracts) constituted approximately 23.6%, 24.8%, and 24.8%, respectively, of the gross patient service revenues of the Obligated Group, but there is no assurance that the Obligated Group will maintain managed care contracts or obtain other similar contracts in the future. Failure to maintain contracts could have the effect of reducing the market share and net patient services revenues. Conversely, participation may maintain or increase the patient base but could result in lower net income to the Obligated Group if they are unable to adequately contain their costs.

As a consequence of the above factors, the effect of managed care on the Obligated Group's financial conditions is difficult to predict and may be different in the future than that reflected in the financial statements for the current period.

Increased Enforcement Affecting Research. In addition to increasing enforcement of laws governing payment and reimbursement, the federal government has also increased enforcement of laws and regulations governing the conduct of clinical trials at hospitals. HHS elevated and strengthened its Office of Human Research Protection, one of the agencies with responsibility for monitoring federally funded research. In addition, the National Institutes of Health significantly increased the number of facility inspections that these agencies perform. The Food and Drug Administration ("***FDA***") also has authority over the conduct of clinical trials performed in hospitals when these trials are conducted on behalf of sponsors seeking FDA approval to market the drug or device that is the subject of the research. Moreover, the Office of the Inspector General of the Department of Health and Human Services (the "***OIG***"), in its recent "Work Plans," has included several enforcement initiatives related to reimbursement for experimental drugs and devices (including kickback concerns). The United States Department of Justice may also become involved in enforcement actions relating to the use of federal funds or submission of information to federal agencies. There have been a number of recent government investigations and settlements involving hospital use of federal grant funding in connection with clinical trials and also a settlement involving the submission of claims to Medicare for services provided in a clinical trial. These agencies' enforcement powers range from substantial fines and penalties to exclusion of researchers and suspension or termination of entire research programs, and errors in billing of the Medicare or Medicaid programs for care provided to patients enrolled in clinical trials that are not eligible for Medicare reimbursement can subject the members of the Obligated Group to sanctions as well as repayment obligations.

Additionally, the Physician Payments Sunshine Act ("***Sunshine Act***") requires manufacturers of drugs, medical devices and biologicals that participate in U.S. federal health care programs to report certain payments and items of value given to physicians and teaching hospitals. Under the Open Payment Program, manufacturers are required to submit reports on payment, transfer and ownership information. Most recently, the Open Payments Program database of transactions reported under the Sunshine Act has launched. Because this data may give rise to misinterpretation, particularly in light of likely reporting inconsistencies based on unclear guidance in the Sunshine

Act regulations and potential errors in the data set, the impact of this on the Obligated Group's financial condition is unclear.

International Classification of Disease, 10th Revision Coding System. On October 1, 2015, the International Classification of Diseases, 10th Revision coding system ("***ICD-10***") diagnostic code set went live. At this time, it is too early to predict whether health care organizations will experience negative effects due to ICD-10 implementation. ICD-10 provides a common approach to the classification of diseases and other health problems, allowing the United States to align with other nations to better share medical information, diagnosis, and treatment codes. ICD-10 is not without risk as staff had to be retrained, processes redesigned, and computer applications modified as the current available codes and digit size dramatically increased. Additionally, there is a potential for temporary coding and payment backlog, as well as potential increases in claims errors. There is a potential for revenue stream disruption for health care organizations and the magnitude of the transition within the industry may add pressure to health care organizations cash flows. Health care organizations were dependent on outside software vendors, clearinghouses and third-party billing services to develop products and services to allow timely, full and successful implementation of ICD-10. At this time, however, it is not possible to predict the effects of full ICD-10 implementation. With the recent implementation deadline, the full impact of the implementation of ICD-10 is evolving.

Negative Rankings Based on Clinical Outcomes, Cost, Quality, Patient Satisfaction and Other Performance Measures. Health plans, Medicare, Medicaid, employers, trade groups and other purchasers of health services, private standard-setting organizations and accrediting agencies increasingly are using statistical and other measures in efforts to characterize, publicize, compare, rank and change the quality, safety and cost of health care services provided by hospitals and physicians. Published rankings (such as "score cards"), tiered hospital networks with higher co-payments and deductibles for non-emergent use of lower-ranked providers, "pay for performance" or "value based purchasing" plans, and other financial and non-financial incentive programs have been introduced to affect the reputation and revenue of hospitals and the members of their medical staffs and to influence the behavior of consumers and providers such as the Obligated Group. Prevalent currently are measures of quality based on clinical outcomes of patient care, reduction in costs, patient satisfaction, and investment in health information technology. Measures of performance set by others that characterize a hospital negatively may adversely affect its reputation and financial condition.

Regulatory Environment

Fraud and Abuse Enforcement. Health care fraud and abuse laws have been enacted at the federal and state levels to regulate both the provision of services to government program beneficiaries and the methods and requirements for submitting claims for services rendered to such beneficiaries. Under these laws, individuals and organizations can be penalized for various activities, including submitting claims for services that are not provided, are billed in a manner other than as actually provided, are not medically necessary, are provided by an improper person, are accompanied by an illegal inducement to utilize or refrain from utilizing a service or product, or billed in a manner that does not comply with applicable government requirements.

Federal and state governments have a range of criminal, civil and administrative sanctions available to penalize and remediate health care fraud and abuse, including exclusion of the provider from participation in the Medicare/Medicaid programs, civil monetary penalties, and suspension of payments. See "BONDHOLDERS' RISKS – Patient Service Revenues – The Medicare Program" and "– Medicaid Program" herein. Fraud and abuse cases may be prosecuted by one or more government entities and private individuals, and more than one of the available penalties may be imposed for each violation.

Laws governing fraud and abuse apply to a hospital and to virtually all individuals and entities with which a hospital does business, including other hospitals, home health agencies, long-term care entities, infusion providers, pharmaceutical and durable medical equipment providers, insurers, HMOs, PPOs, third party administrators, physicians, physician groups, and physician practice management companies. Fraud and abuse prosecutions can have a catastrophic effect on such entities and potentially a material adverse impact on the financial condition of other entities in the integrated health care delivery system of which that entity is a part.

False Claims Act. The federal False Claims Act, or "FCA," makes it illegal to submit or present a false, fictitious or fraudulent claim to the federal government, and may include claims that are simply erroneous. FCA investigations and cases have become common in the health care field and may cover a range of activity from intentionally inflated billings, to highly technical billing infractions, to allegations of inadequate care. Violation or

alleged violation of the FCA can result in settlements that require multi-million dollar payments and compliance agreements. The FCA also permits individuals to initiate civil actions on behalf of the government in lawsuits called "*qui tam*" actions. *Qui tam* plaintiffs, or "whistleblowers," can share in the damages recovered by the government or recover independently if the government does not participate. The FCA has become one of the government's primary weapons against health care fraud. FCA violations or alleged violations could lead to settlements, fines, exclusion or reputation damage that could have a material adverse impact on a hospital or other health care provider. Recent federal legislation creates financial incentives for states to enact analogous false claims acts. The legislation also imposes financial penalties on any state that does not require health care providers receiving more than $5 million in annual Medicaid revenues to adopt policies and train employees on the federal and state false claims acts.

A number of states, including Florida, have passed statutes similar to the False Claims Act that expand the prohibition against the submission of false claims to commercial and private third party payors.

The 2010 Health Legislation amended certain provisions of the FCA to include retention of overpayments as a violation of the FCA. It also added provisions respecting the timing of the obligation to identify, report and reimburse overpayments.

In February 2016, CMS issued a final rule addressing the requirement to report and return overpayments, with an emphasis for providers on developing robust compliance programs. In the final rule, CMS imposes a new "reasonable diligence" standard for identifying overpayments that must be reported and returned within 60 days. CMS clarifies that the 60-day timeframe for report and return begins when either reasonable diligence is completed (including determination of the overpayment amount) or on the day the person received credible information of a potential overpayment if the person failed to conduct reasonable diligence and the person in fact received an overpayment. In the final rule, CMS instructed that 6 years is the appropriate lookback period for identifying historical overpayments. The final rule also imposes an affirmative duty to proactively determine whether overpayments have been made. The effect of these changes on existing programs and systems of the members of the Obligated Group cannot be predicted.

Anti-Kickback Law. The federal Anti-Kickback Law is a criminal statute that prohibits anyone from knowingly or willfully soliciting, receiving, offering or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in return for a referral (or to induce a referral) for any item or service that is covered by any federal or state health care program. The Anti-Kickback Law applies to many persons and entities with which a hospital does business. In recent years, it has been enforced aggressively. Health care providers, their affiliates, and physicians have exposure relating to the Anti-Kickback Law. Enforcement actions have increased in recent years, as evidenced by recent court decisions and activities by the Office of the Inspector General ("***OIG***") of the HHS.

Violation or alleged violation of the Anti-Kickback Law most often results in settlements that require multi-million dollar payments and compliance agreements. The Anti-Kickback Law can be prosecuted either criminally or civilly. Violation of the Anti-Kickback Law is a felony, subject to a maximum fine of $25,000 for each criminal act, imprisonment for up to five years and exclusion from the Medicare and Medicaid programs. The OIG also can initiate an administrative exclusion of a provider from the Medicare and Medicaid programs. In addition, civil monetary penalties of $10,000 per item or service in noncompliance ($50,000 in some cases) or an "assessment" of three times the amount claimed may be imposed for some violations.

The outcome of any government efforts to enforce the Anti-Kickback Law against health care providers is difficult to predict. Health care providers may act to reduce their financial exposure for Anti-Kickback violations through prompt repayment of sums received as a result of inaccurate claims, prompt voluntary reporting to the government of illegal arrangements and the implementation of effective corporate compliance programs, and by taking steps to require that their subsidiaries and affiliates do the same.

The members of the Obligated Group have in place policies and corporate responsibility programs (the "***Compliance Programs***") that management of each entity believes will effectively reduce its exposure for Anti-Kickback violations. However, because the government's enforcement efforts presently are widespread within the industry, there can be no assurance that the Compliance Programs will significantly reduce or effectively eliminate the exposure of the members of the Obligated Group.

Medicare Audits and Withholds. Medicare participating hospitals are subject to audits and retroactive audit adjustments with respect to the Medicare program. Generally, the members of the Obligated Group maintain some degree of reserves for anticipated or proposed audit adjustments which are likely to be contested.

Nevertheless, such adjustments could exceed reserves and could be substantial. Medicare regulations also provide for withholding Medicare payment in certain circumstances, and such withholding could have an adverse effect on the ability of the members of the Obligated Group to make payments with respect to the Series 2016 Bonds or on their overall financial condition. None of the members of the Obligated Group are aware of any situation where a material amount of Medicare payments are currently being withheld.

Investigations of Billing Practices. The United States Department of Justice, the Federal Bureau of Investigation and the OIG have been conducting investigations and audits of the billing practices of many health care providers. Health care providers such as the members of the Obligated Group may be required to undergo such audits by one or more of these agencies and may be required to make payments to resolve any such audits. It is possible that any such payments may be substantial and could have a material adverse effect on their operations or condition, financial or otherwise.

In addition, the Health Insurance Portability and Accountability Act of 1996 ("***HIPAA***") imposes provisions that outlaw certain types of manipulative Medicare billing practices. These include improperly coding (for billing purposes) services rendered in order to claim a higher level of reimbursement. Another section of the law prohibits billing for the provision of services or items that were not medically necessary. Furthermore, HIPAA (discussed below) also created two new crimes that are based on the traditional crimes of fraud and theft but are applied specifically to health benefit programs. This law increases the legal risk of provider billing and increases the risk that a Medicare provider will be the subject of a fraud investigation.

RAC Audits. CMS has contracts with RACs to search for improper Medicare payments in all 50 states. RACs retrospectively review provider claims for the following types of services: hospital inpatient and outpatient, skilled nursing facility, physician, ambulance and laboratory, as well as durable medical equipment. The RAC program was expanded through the 2010 Health Legislation to Medicare Part C (Medicare Advantage plans), Medicare Part D (prescription drug coverage) and Medicaid.

Management of the Obligated Group aggressively pursues the recovery of any amounts they determine were inappropriately recouped by the RACs. Any additional RAC Program audits or other audit adjustments could be in excess of any reserves maintained by the members of the Obligated Group, and such excesses could be substantial. Medicare regulations also provide for withholding Medicare payment in certain circumstances, as do the practices of other payors, and such withholds could have a substantial adverse effect on the ability of the members of the Obligated Group to make payments on their obligations or on their overall financial condition. There is no assurance that a significant payment may not be withheld from the members of the Obligated Group in the future.

Similarly, as a result of an overpayment by one payor, it is possible that claims may be asserted by other payors. Further, a third-party payor might seek other fines, penalties or damages with respect to the claims resulting in the overpayments, including civil or criminal sanctions under the federal False Claims Act or other federal or state statutes.

The members of the Obligated Group do not anticipate or have reason to believe that a substantial audit adjustment would be recommended as a result of a RAC audit; however, there can be no assurance that, if any audit adjustments were to be assessed, they would not have a material adverse effect on the financial position of the Obligated Group.

Referral Restrictions. In addition to the foregoing, Medicare reimbursement limitations, other aspects of the Medicare program may affect the Obligated Group. In 1977, Congress adopted the Medicare and Medicaid Anti-Fraud and Abuse Amendments of 1977 (as amended, the "***Anti-Fraud and Abuse Law***"), which have been strengthened by subsequent amendments and the creation of the Office of Inspector General to enforce compliance with the statute. HIPAA and numerous other laws including the 2010 Health Legislation also contain provisions for enhanced enforcement, increases to the scope of the Anti-Fraud and Abuse Law, additional sanctions for violations of the laws and other measures designed to protect the integrity of federal health care programs. The laws provide for civil monetary and criminal penalties and exclusion from the Medicare/Medicaid programs for knowing and willful solicitation, receipt, offer or payment of remuneration directly or indirectly in return for or to induce the referral of Medicare or Medicaid business. They also provide for penalties for persons who contract with a provider that the person knows or should know is excluded from the Medicare program.

Because the language of the Anti-Fraud and Abuse Law and similar applicable anti-fraud and abuse statutes is very broad, these statutes potentially apply to many ordinary business arrangements pursuant to which remuneration passes between health care providers, physicians, suppliers and others who are in a position to make referrals to each other. While the members of the Obligated Group currently are parties to such arrangements of this general type, the management of each entity believes that all such arrangements are being conducted in material compliance with applicable law and they are not aware of any pending challenges or investigations with respect to any such arrangements other than as described in this Official Statement. There can be no assurance that additional challenges or investigations will not occur in the future, or that existing arrangements will not require restructuring or elimination in order to comply with applicable laws of this nature, particularly if the trend toward greater regulation of relationships between health care providers continues.

In addition, other types of common business activities of hospitals and other health care providers, such as establishing reserves for potential adjustments to payments from third-party payors, are being viewed as conduct subject to civil and criminal penalties. Arrangements with physicians are particularly suspect, with increased emphasis on activities often engaged in by hospitals, including the members of the Obligated Group, such as joint ventures with physicians, physician recruitment and retention programs, physician referral services, hospital-physician service or management contracts, loans by hospitals to physicians, space or equipment rentals and service or vendor relationships. While none of the members of the Obligated Group are aware of any investigations pending or threatened against it other than as described in this Official Statement, there is no assurance that additional investigations might not ensue, with the potential for sanctions that could have a material adverse effect on the operations or financial condition of the members of the Obligated Group.

Stark Self-Referral and Payment Prohibitions. The federal physician self-referral and payment prohibitions (codified in 42 U.S.C. 1395nn, Section 1877 of the Social Security Act) generally forbid, absent qualifying for one of the exceptions, a physician from making referrals for the furnishing of any "designated health services" for which payment may be made under the Medicare or Medicaid programs, to any entity with which the physician (or an immediate family member) has a "financial relationship." The legislation was effective in 1992 for clinical laboratory services ("***Stark I***") and 1995 for ten other designated health services ("***Stark II***"). A "financial relationship" under Stark I and II includes any direct or indirect "compensation arrangement" with an entity for payment of any remuneration, and any direct or indirect "ownership or investment interest" in the entity. Stark I and Stark II may be referred to collectively as the "***Stark Law***."

Penalties for violating the Stark Law include denial or refund of payment for any services rendered by an entity in violation of the prohibition, civil monetary penalties of up to $15,000 for each offense, and exclusion from the Medicare and Medicaid programs. Additionally, if an individual enters into an arrangement or scheme that the person knows has a principal purpose of assuring referrals to an entity which, if the individual directly made referrals to such entity, would violate the Stark Law, the person is subject to a civil monetary penalty of up to $100,000 for each such circumvention arrangement and possible exclusion from participation in federal health care programs. Penalties may be assessed against either the referring physician or the hospital that receives a prohibited referral, or both. Because certain provisions of the civil monetary penalties statute apply to violations of the Stark Law, each person violating the Stark Law can be subject to an assessment three times the amount claimed for each item or service in lieu of damages sustained by the United States or a state agency because of such claims. Violations of the Stark Law also may serve as a basis for private or governmental suits and substantial penalties under state or federal false claims acts.

The Stark Law self-referral and payment prohibitions include specific reporting requirements providing that each entity furnishing covered items or services must provide the Secretary of HHS with certain information concerning its ownership, investment, and compensation arrangements. The information must be provided in such form, manner and at such times as the Secretary specifies. Reportable information includes the covered items and services provided by the entity, and the names and unique physician identification numbers of all physicians who have a financial relationship with the entity. The Secretary has deferred indefinitely the Stark Law reporting requirements pending the Secretary's development of implementation procedures and a streamlined reporting system. Under the 2010 Health Legislation, the Secretary of HHS implemented a disclosure protocol for actual and potential Stark Law violations. The self-referral disclosure protocol is intended to allow providers to self-disclose actual or potential violations of the Stark Law. The 2010 Health Legislation provides for discretion to reduce penalties for providers submitting a self-disclosure.

Other changes under the 2010 Health Legislation include a requirement for a referring physician, in certain circumstances to inform patients in writing at the time of a referral that the patients may obtain specified imaging or

other services from persons other than the referring physician, a physician who is a member of the same group practice or an individual directly supervised by the physician or by another physician in the group practice. The referring physician is also required to provide the patient with a written list of suppliers who furnish such services in the area in which the patient resides. As noted above, other changes in the 2010 Health Legislation include limitations on physician-owned hospitals, including limitations on expansion of physician investment therein and expansion of certain hospital facilities. The effect of these changes on the Obligated Group is unknown at this time, but could be significant.

Enforcement activities under the Stark Law and its regulations and/or the publication of additional Stark Law or other regulations may have significant impact on arrangements currently being conducted by health care providers, including the members of the Obligated Group. Current arrangements in effect may need to be restructured or terminated. In addition, any general investigations of the members of the Obligated Group, could potentially lead to questions of compliance with the Stark Law.

The members of the Obligated Group have entered into a number of arrangements pursuant to which they either employ or contract with primary care and specialty physicians. All of the members of the Obligated Group have internal policies and procedures and have developed and implemented compliance programs (the "***Compliance Programs***") that management of each entity believes will reduce exposure for Stark violations. Nevertheless, because of the expansiveness of the Stark prohibition, the lack of previous regulatory guidance and the scarcity of case law interpreting the Stark Law, and because even technical or inadvertent noncompliance can be sufficient to create a violation, the instances in which an alleged violation could arise are numerous. In the Physician Fee Schedule final rule for calendar year 2016, CMS eased some of the technical burdens associated with Stark Law compliance (e.g., CMS explains in the final rule that a single contract is not necessary and instead a collection of documents will suffice to demonstrate Stark Law compliance), but the practical outcome remains unclear. While the Compliance Programs may reduce the exposure of the Obligated Group to Stark violations, no assurance can be given that, as a result of the existence of the Compliance Programs or otherwise, potential liability is eliminated. Liability for a Stark violation may have a material adverse impact on the financial condition of the Obligated Group**.**

HIPAA. HIPAA also includes administrative simplification provisions that provide, among other things, for the privacy and security of protected health information and the communication of protected health information through standard electronic transactions.

Under HIPAA and its associated regulations, providers are required to implement, among other things, policies and procedures to process claims and receive payment using the electronic transactions standards and to ensure that all health information protected by HIPAA is used and disclosed pursuant to HIPAA requirements. The Secretary of HHS continues to publish additional regulations requiring covered entities to undertake a wide range of activities designed to enhance security, including physical security of facilities (such as locked areas), software security measures (such as user authentication) and data transmission protection (such as encryption) as technology changes. In 2011, ARRA made changes to HIPAA that substantially broaden the scope and impact of the existing security and privacy rules and require the Secretary of HHS to conduct periodic compliance audits of covered entities such as the Obligated Group. In addition, ARRA strengthens the enforcement provisions of the privacy and security rules by broadening the reach of the criminal penalty provisions, establishing civil money penalties up to $50,000 per violation, and giving state attorneys general the authority to bring suit in federal district court against any person violating the rules. HIPAA and the State of Florida counterpart, the Florida Information Protection Act (FIPA), both require notification of actual or anticipated breaches within specified time frames; however, the time frame for breach notification is more restrictive under FIPA (30 days) than under HIPAA (60 days). Certain compliance costs have been and will continue to be incurred by the Obligated Group in connection with compliance with these regulations. Future regulations may require significant changes in operations and the members of the Obligated Group may need to make significant capital expenditures to comply with the operational and technical requirements of HIPAA. The cost of the capital expenditures and the possible disruption in reimbursement could have a material adverse effect on the financial condition of the Obligated Group.

The Health Information Technology for Economic and Clinical Health Act (the "***HITECH Act***"), which is part of ARRA, significantly changes the landscape of federal privacy and security law with regard to individually identifiable health information. The HITECH Act (i) extended the reach of HIPAA and the security regulations, (ii) imposed a breach notification requirement on HIPAA covered entities, (iii) limited certain uses and disclosures of individually identifiable health information, (iv) increased individuals' rights with respect to individually identifiable health information and (v) increased enforcement of, and penalties for, violations of privacy and security of individually identifiable health information.

Any violation of the HITECH Act is subject to HIPAA civil and criminal penalties. Additionally, the HITECH Act broadens the applicability of the criminal penalty provisions under HIPAA to employees of covered entities and requires penalties on violations resulting from willful neglect. The HITECH Act also significantly increases the amount of civil penalties to up to $1.5 million for violations during a calendar year under HIPAA. In addition, the HITECH Act authorizes state attorneys general to bring civil actions seeking either injunction or damages in response to violations of HIPAA privacy and security regulations that threaten state residents.

The members of the Obligated Group believe that they are in substantial compliance with all applicable current requirements of HIPAA.

Waiver Programs. Some hospitals are engaged in programs which waive certain Medicare coinsurance and deductible amounts. Such waiver programs may be considered to be in violation of certain rules and policies applicable to the Medicare program and may be subject to enforcement action. The members of the Obligated Group may at times waive certain Medicare coinsurance and deductible amounts. If an agency or court were to conclude that such waivers violate the applicable law, there is a possibility that the members of the Obligated Group, could be assessed fines, which could be substantial, that certain Medicare payments might be withheld or, in a serious case, that the members of the Obligated Group could be excluded from the Medicare program. While management of the members of the Obligated Group are not aware of any challenge or investigation with respect to such matters, there can be no assurance that such challenge or investigation will not occur in the future.

Civil Monetary Penalty Act. The federal Civil Monetary Penalty Act ("***CMP***") provides for administrative sanctions against health care providers for a broad range of billing and other abuses. A health care provider is liable under the CMP if it knowingly presents or causes to be presented improper claims for reimbursement under Medicare, Medicaid and other federal health care programs. A hospital that participates in arrangements known as "gainsharing" and pays a physician to limit or reduce services to Medicare fee-for-service beneficiaries also could be subject to CMP penalties. In the 2010 Health Legislation, Congress amended CMP to authorize civil monetary penalties for a number of additional activities, including (i) knowingly making or using a false record or statement material to a false or fraudulent claim for payment; (ii) failing to grant OIG timely access for audits, investigations, or evaluations; and (iii) failing to report and return a known overpayment within statutory time limits. Violations of the Civil Monetary Penalties Law can result in substantial civil money penalties plus three times the amount claimed. The CMP authorizes imposition of a civil money penalty ranging from $10,000 to $50,000 per incident and treble damages.

Health care providers may be found liable under the CMP even when they did not have actual knowledge of the impropriety of the claim. The imposition of civil money penalties on a health care provider could have a material adverse impact on the provider's financial condition.

Exclusions from Medicare or Medicaid Participation. The Secretary of HHS is required to exclude from program participation for not less than five years any individual or entity who has been convicted of a criminal offense relating to the delivery of any item or service reimbursed under Medicare or a state health care program, any criminal offense relating to patient neglect or abuse in connection with the delivery of health care, fraud against any federal, state or locally financed health care program or an offense relating to the illegal manufacture, distribution, prescription, or dispensing of a controlled substance. The Secretary of HHS also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud, theft, embezzlement, breach of fiduciary duty, or other financial misconduct relating either to the delivery of health care in general or to participation in a federal, state or local government program. Exclusion from the Medicare/Medicaid program means that a hospital would be decertified and no program payments could be made. Any exclusion would result in a materially adverse effect on the operations of the members of the Obligated Group.

Compliance with Conditions of Participation. CMS, in its role of monitoring participating providers' compliance with conditions of participation in the Medicare program, may determine that a provider is not in compliance with such conditions. In that event, a notice of termination of participation may be issued to such provider or other sanctions potentially could be imposed. As of the date of this Official Statement, none of the members of the Obligated Group aware of any such notices pending or contemplated against the members of the Obligated Group or their facilities, which would have material adverse consequences on the financial condition of the members of the Obligated Group.

Enforcement Activity. Enforcement activity against health care providers has increased, and enforcement authorities are adopting more aggressive approaches. In the current regulatory climate, it is anticipated that many

hospitals and physician groups will be subject to an investigation, audit or inquiry regarding billing practices or false claims.

Enforcement authorities are sometimes in a position to compel settlements by providers charged with or being investigated for false claims violations by withholding or threatening to withhold Medicare, Medicaid or similar payments or by instituting criminal action. In addition, the cost of defending such an action, the time and management attention consumed thereby and the facts of a particular case may dictate settlement. Therefore, regardless of the merits of a particular case or cases, any affected hospital could experience materially adverse settlement costs, as well as materially adverse costs associated with implementation of any settlement agreement. Prolonged and publicized investigations could be damaging to the reputation, business and credit of the Obligated Group, regardless of the outcome, and could have material adverse consequences on the Obligated Group's financial condition.

Certain acts or transactions may result in violation or alleged violation of a number of the federal health care fraud laws described above, and therefore penalties or settlement amounts are often compounded. Generally, these risks are not covered by insurance.

Liability Under State Laws. Health care providers in Florida also are subject to prosecution and civil penalties under a variety of state laws, notably the following:

Florida FCA. Florida's civil FCA is modeled on the federal law, expanding the prohibition against the submission of false claims to commercial and private third party payors.

Florida Patient Self-Referral Act. In 1992, the Florida Legislature enacted the Patient Self- Referral Act. This law contains provisions that are similar to those of the federal Fraud and Abuse Law and the Stark Law described above. The Florida Legislature has amended the Patient Self-Referral Act several times, most commonly to expand the prohibitions contained therein. In addition, in 1996 the Florida Legislature adopted a patient brokering law that contains certain expansions of the prohibitions. Unlike the federal laws, the Florida laws apply to all patients regardless of payor class. Although the members of the Obligated Group believe that they are in compliance with these laws and regulations, there can be no assurance that federal or state regulatory authorities will not challenge past, current or future activities under these laws, and there can be no assurance that members of the Obligated Group will not be found to have violated these laws, and if so, whether any enforcement activity would have a material adverse effect on the operations and financial condition of the members of the Obligated Group.

Florida Hospital Licensing Law. Florida's hospital licensing law includes a requirement for treatment of persons with emergency medical conditions that is similar to that contained in the Medicare law. While the members of the Obligated Group believe that they are in material compliance with licensure requirements, there can be no assurance that the Florida Agency for Health Care Administration ("***AHCA***") will not challenge the member's past, current or future activities under these laws and regulations, or that they will be able to comply on a cost effective basis with licensure requirements that may be enacted or adopted in the future.

EMTALA. The Emergency Medical Treatment and Active Labor Act ("***EMTALA***") is a federal civil statute that requires hospitals to treat or conduct an appropriate and uniform medical screening for emergency conditions on all patients and to stabilize a patient's emergency medical condition before releasing, discharging or transferring the patient to another hospital. A hospital that violates EMTALA is subject to civil penalties of up to $50,000 per offense and exclusion from the Medicare and Medicaid programs. In addition, the hospital is liable for any claim by an individual who has suffered harm as a result of such violation.

Licensing, Surveys, Investigations and Audits. Health facilities, including those of the Obligated Group, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements relating to Medicare and Medicaid participation and payment, state licensing agencies, private payors and the Joint Commission. Renewal and continuance of certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews. An adverse determination could result in a suspension or exclusion from the Medicare and Medicaid programs, loss or reduction in the scope of licensure, certification or accreditation or a reduction in payments received or require repayment of amounts previously remitted, or could result in the payment of fines or penalties. Moreover, under certain circumstances, actions taken against the members of the Obligated Group, including for example actions related to violations of other laws, may serve as the basis for separate actions taken by other governmental agencies (or third-party payors) to terminate the tax-exempt status of the members of the Obligated

Group, to terminate third-party payment program participation by the members of the Obligated Group, to terminate licensure or to take other actions that would, if taken and if successfully pursued by the governmental agency or third-party payor, either individually or when considered together, result in a material adverse effect on the operations or financial condition of the members of the Obligated Group.

All of the Obligated Group's hospital facilities have full accreditation from The Joint Commission. Management anticipates no difficulty renewing or continuing currently held accreditations, licenses or certifications, nor do they anticipate a reduction in third-party payments from such events that would materially adversely affect the operations or financial condition of the Obligated Group. Nevertheless, actions in any of these areas could result in the loss of utilization or revenues or the Obligated Group's ability to operate all or a portion of their facilities and, consequently, could have a material and adverse effect on the Obligated Group's ability to make payments relating to the Series 2016 Bonds.

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

In their role as owners or operators of properties or facilities, the members of the Obligated Group may be subject to liability for investigating and remedying any hazardous substances that have come to be located on the property, including any such substances that may have migrated off the property. Typical health care provider operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, health care provider operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations or increase their cost; may result in legal liability, damages, injunctions or fines; and may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance. There can be no assurance that the members of the Obligated Group will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the members of the Obligated Group.

Business Relationships and Other Business Matters

Concentration Risks. The Obligated Group's operations are limited to Central Florida, and a substantial amount of its revenue is realized from facilities in close proximity in Lakeland, Florida. This concentration makes it particularly sensitive to regulatory, economic, environmental and competitive conditions and changes in the State of Florida. Any material change in the current payment programs or regulatory, economic, environmental or competitive conditions in Florida could have a substantial effect on its overall business results. In addition, the Obligated Group's facilities are located in areas prone to hurricanes. Hurricanes have had a disruptive effect on the operations of hospitals in Florida and the patient populations in Florida. A hurricane, tornado, fire, earthquake, or other natural disaster could adversely affect the Obligated Group, especially if insurance is inadequate to cover resulting property and business losses. The Obligated Group maintains property insurance coverage for buildings, business personal property and business interruption, including the peril of Named Storm (hurricanes and tropical storms). A $50,000 "All Other Peril" deductible is applicable per occurrence for Property Damage and Business Interruption combined, while a 3% Named Storm Deductible is applicable per building for Property Damage and Business Interruption combined.

Hospital Pricing. Inflation in hospital costs may evoke action by legislatures, payors, employers or consumers. It is possible that legislative action at the state or national level may be taken with regard to the pricing of health care services.

Health Care Integration. Hospitals and hospital systems often own, control or have affiliations with relatively large physician groups. Generally, the sponsoring hospital or health care system will be the primary

capital funding source for such alliances and may have an ongoing financial commitment to provide growth capital and support operating deficits.

These types of alliances are generally designed to respond to existing trends in the delivery of medicine, to increase physician availability to the community and to enhance the managed care capability of the affiliated health care provider and physicians. However, these goals may not be achieved, and an unsuccessful alliance may have a material and adverse effect on the financial condition of the sponsoring hospital or health system and also may be counterproductive to any of the above-stated goals.

All integrated delivery systems carry with them the potential for legal or regulatory risks in varying degrees. The ability of hospitals or health care systems to conduct integrated physician operations may be altered or eliminated in the future by regulatory agencies, participating physicians or changes in the manner in which such organizations are operated. There can be no assurance that such issues and risks will not lead to material adverse changes to the financial condition of the Obligated Group. In addition, participating physicians may seek their independence for a variety of reasons, thus putting the hospital's investment at risk and potentially reducing its managed care leverage or overall utilization.

Certificate of Need Program. Florida law provides for a certificate of need program which applies to the offering or development of certain new institutional health services. The certificate of need program in Florida is administered by AHCA. Florida's certificate of need program requires, among other things, AHCA's review of proposed capital expenditures by or on behalf of a hospital in excess of threshold amounts, the review of proposed additions or terminations of health services by or on behalf of the hospitals under certain conditions and the proposed acquisition of major medical equipment in excess of specified expenditure minimums. If the Obligated Group were to proceed with a future capital expenditure program which required a certificate of need but for which a certificate of need had not been obtained, it would be subject to the penalties of Florida's certificate of need program, including loss of license. No assurance can be given as to the Obligated Group's ability to obtain certificate of need approval of future projects necessary for the maintenance of competitive rates and charges or quality and scope of care.

Indigent Care. Tax-exempt hospitals and other providers often treat large numbers of "indigent" patients who, for various reasons, are unable to pay in full for their medical care. The Hospital has historically treated significant numbers of indigent patients. These hospitals and other providers may be susceptible to economic and political changes that could increase the number of indigents or their responsibility for caring for this population. General economic conditions that affect the number of employed individuals who have health coverage affect the ability of patients to pay for their care. Similarly, changes in governmental policy, which may result in coverage exclusions under local, state and federal health care programs (including Medicare and Medicaid) may increase the frequency and severity of indigent treatment by such hospitals and other providers. It also is possible that future legislation could require that tax-exempt hospitals and other providers maintain minimum levels of indigent care as a condition to federal income tax exemption or exemption from certain state or local taxes. Therefore, indigent care commitments of the Obligated Group could have a material and adverse effect on the financial condition of the Obligated Group.

Physician Contracting and Relations. The members of the Obligated Group have entered into a wide variety of relationships with physicians. Many of these relationships may be of material importance to the operations of the Obligated Group's facilities, but these relationships pose a variety of legal and business risks.

The primary relationship between a hospital and physicians who practice at the hospital is through the hospital's organized medical staff. Medical staff bylaws, rules and policies establish the criteria and procedures by which a physician may have his or her privileges or membership curtailed, denied or revoked. Physicians who are denied medical staff membership or certain clinical privileges, or who have such membership or privileges curtailed or revoked often file legal actions against hospitals and medical staffs. Such actions may include a wide variety of claims, some of which could result in substantial uninsured damages to a hospital. In addition, failure of the hospital governing body to adequately oversee the conduct of its medical staff may result in hospital liability to third parties. All hospitals are subject to such risks.

Access to the Medical Staffs of the Hospital. The operation of the Obligated Group's hospital is dependent on their ability to recruit and retain highly qualified physicians to the hospitals' medical staffs, and to encourage non-employed physicians to admit patients to those hospitals rather than to competing hospitals where they maintain privileges. The Obligated Group hospital has a variety of relationships with physicians. Many of

these relationships may be of material importance to operations. In an increasingly complex legal and regulatory environment, these relationships pose a variety of legal and business risks. Physicians are increasingly organizing or joining physician practice groups that are comprised of a large number of physicians. This consolidation increases the importance of attracting physicians in the groups to hospitals' medical staff and increases the risk of the loss of the physicians as a group.

Physician Supply. Sufficient community-based physician supply is important to hospitals. CMS annually reviews overall physician reimbursement formulas. Changes to physician compensation formulas could lead to physicians locating their practices in communities with lower Medicare populations. In addition, the availability of certain specialists is limited, which can restrict hospitals' ability to staff a necessary service. Limited physician supply can restrict hospital service lines and can affect hospitals' ability to provide full coverage and call coverage of departments. Hospitals may be required to invest additional resources in recruiting and retaining physicians, and securing coverage for necessary departments and for call in order to continue serving the growing population base and maintain market share.

Hospital Affiliation, Merger, Acquisition and Disposition. As with many multi-provider systems, the Obligated Group, may plan for, evaluate and pursue potential merger and affiliation candidates on a consistent basis as part of its overall strategic planning and development process. Such planning and discussions might result in the growth of the number and change in composition of entities affiliated with the Obligated Group over time. As part of their ongoing planning and property management functions, the members of the Obligated Group review the use, compatibility and business viability of many of the Obligated Group's operations and, from time to time, may pursue changes in the use or disposition of various assets, including their hospital facilities. Likewise, the Obligated Group may conduct discussions with third parties about the potential acquisition of operations or properties that may become affiliated with the Obligated Group in the future or about the potential sale of some of the operations and properties that currently are affiliated with the Obligated Group. Discussions with respect to affiliation, merger, acquisition, disposition, or change of use are held on a frequent and usually confidential basis with other parties and may include the execution of non-binding letters of intent.

The Obligated Group may pursue investments, ventures, affiliations, development and acquisitions of other health care-related entities. These may include home health care, long-term care entities or operations, pharmaceutical providers, and other health care enterprises that support the overall operations and mission of the Obligated Group. In addition, the Obligated Group may pursue such transactions with health insurers, HMOs, PPOs, third-party administrators, and other health insurance-related businesses. All such initiatives may involve significant capital commitments and present significant risks, and some may arise in businesses in which management may have limited expertise. There can be no assurance that these projects, if pursued, will not have a material adverse effect on the financial condition of the Obligated Group.

Competition Among Health Care Providers. Increased competition from a wide variety of potential sources, including, but not limited to, other hospitals and health care systems, inpatient and outpatient health care facilities, long-term care and skilled nursing services facilities, specialty hospitals, ambulatory surgery centers, clinics, physicians and others, could adversely affect the utilization and revenues of the Obligated Group. Existing and potential competitors may not be subject to various restrictions applicable to the Obligated Group, and competition, in the future, may arise from new sources not currently anticipated or prevalent. In addition, if the Florida legislature revokes the Certificate of Need program administered by AHCA, it could have a negative impact on the financial condition of the Obligated Group. While the effect of such actions is uncertain, it can be expected to increase competition in the health care field generally, and the utilization and revenues of the Obligated Group could be adversely affected thereby.

Additionally, scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety and outpatient health care delivery may reduce utilization and revenues of the Obligated Group in the future. Technological advances in recent years have accelerated the trend toward the use by hospitals and other health care providers of sophisticated and costly equipment and services for diagnosis and treatment, as well as of the increased administration of outpatient care. The acquisition and operation of certain equipment or services may continue to be a significant factor in hospital and other provider utilization, but the ability of the members of the Obligated Group to offer such equipment or services may be subject to the availability of equipment or specialists, governmental approval or the ability to finance such acquisitions or operations. In some cases, hospital investment in facilities and equipment for capital-intensive services may be lost as a result of rapid changes in diagnosis, treatment or clinical practice brought about by new technology or new pharmacology.

Health Plan Financial Pressure and Insolvency. Over the last several years, a number of health plans have become insolvent or experienced financial pressure or cash flow issues. Such plans range in size from smaller local provider-based plans to some of the largest plans in the United States. These plans include traditional indemnity insurers, as well as health maintenance organizations and preferred provider organizations. Health plans that experience financial pressure may slow payment to providers, withhold pay entirely, or utilize claims payment methodology that systematically reduces compensation on a per claim basis. Health plans that become insolvent may seek either federal bankruptcy or state insurance insolvency protection. Such bankruptcy or insurance insolvency protection may require that providers repay certain claims to the health plan, or result in certain claims becoming uncollectible. It is not possible at this time to predict the future of the managed care industry in general or of specific third-party payors, or to predict what impact the state of the financial health of such organizations might have on the Obligated Group.

Antitrust. Enforcement of the antitrust laws against health care providers is becoming more common. Antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, payor contracting, physician relations, joint ventures, merger, affiliation and acquisition activities, certain pricing or salary setting activities, as well as other areas of activity. The application of the federal and state antitrust laws to health care is still evolving, and enforcement activity appears to be increasing. Violation of the antitrust laws could result in criminal and civil enforcement proceedings by federal and state agencies, as well as actions by private litigants. In certain actions, private litigants may be entitled to treble damages, and in others, governmental entities may be able to assess substantial monetary fines. The most common areas of potential liability are joint action among providers with respect to payor contracting, medical staff credentialing, merger, acquisition and affiliation activity and use of a hospital's local market power for entry into related health care businesses. From time to time, the members of the Obligated Group are or may be involved with all of these types of activities, and none of the members of the Obligated Group can predict in general when or to what extent liability, if any, may arise. Liability in any of these or other trade regulation areas may be substantial, depending upon the facts and circumstances of each case.

Physicians who are subject to adverse peer review proceedings may file federal antitrust actions against hospitals and seek treble damages. Hospitals regularly have disputes with physicians regarding credentialing and peer review and, therefore, may be subject to liability in this area. In addition, hospitals occasionally indemnify medical staff members who are involved in such credentialing or peer review activities and also may be liable with respect to such indemnity. Recent court decisions also have established private causes of action against hospitals that use their local market power to promote ancillary health care businesses in which they have an interest. Such activities may result in monetary liability for the participating hospitals under certain circumstances where a competitor suffers business damage.

Malpractice and General Liability Insurance. In recent years, the number of malpractice and general liability suits and the dollar amount of damage recoveries have increased nationwide, resulting in substantial increases in insurance premiums. Actions alleging wrongful conduct and seeking punitive damages are often filed against hospitals. Insurance does not provide coverage for judgments for punitive damages. Although there are various medical malpractice and other negligence claims, both threatened and pending, against the members of the Obligated Group, management believes that existing funding levels and coverage limits adequately cover any such liability exposures and the final disposition of any such claims will not have a material adverse effect upon the financial condition of the Obligated Group. For a discussion of the insurance coverage of the Obligated Group, see "APPENDIX A –INSURANCE."

Labor Relations and Collective Bargaining. Hospitals are large employers with a wide diversity of employees. Increasingly, employees of hospitals are becoming unionized, and many hospitals have collective bargaining agreements with one or more labor organizations. Employees subject to collective bargaining agreements may include essential nursing and technical personnel, as well as food service, maintenance and other trade personnel. Renegotiation of such agreements upon expiration may result in significant cost increases to the Obligated Group. In addition, employee strikes or other adverse labor actions may have an adverse impact on the Obligated Group. As of the date of issuance of the Series 2016 Bonds, only the registered nurses and technical employees of the members are covered by collective bargaining agreements. See "APPENDIX A – SERVICES AND PROGRAMS – Human Resources."

Health Care Worker Classification. Health care providers, like all businesses, are required to withhold income taxes from amounts paid to employees. If the employer fails to withhold the tax, the employer becomes liable for payment of the tax imposed on the employee. On the other hand, businesses are not required to withhold

federal taxes from amounts paid to a worker classified as an independent contractor. The IRS has established criteria for determining whether a worker is an employee or an independent contractor for tax purposes. Misclassification of workers as independent contractors can lead to significant annual losses from social security and unemployment taxes. In the past several years, the IRS, through the Employment Tax Examination Program, has assessed employers many millions of dollars in back taxes and penalties and has forced the reclassification of hundreds of thousands of workers. None of the members of the Obligated Group believes that it has improperly classified workers.

Staffing. In recent years, the health care industry has suffered from a scarcity of nursing personnel, respiratory therapists, pharmacists and other qualified health care technicians and personnel. A significant factor underlying this trend includes a decrease in the number of persons entering such professions. This may be expected to intensify in the future, aggravating the shortage of such personnel. Management cannot predict whether this trend will continue, but, if it does, it could have a material adverse impact on the business, financial condition and results of operations of the Obligated Group.

340B Drug Pricing Program

On August 28, 2015, the federal Health Resources and Services Administration ("***HRSA***") published proposed omnibus guidance for the 340B Drug Pricing Program. Under the program, drug manufacturers are required to provide outpatient drugs to eligible health care organizations at significantly reduced prices. The guidance includes proposals to, among other things, (i) narrow the definition of patients who are eligible to receive 340B discounted drugs, (ii) exclude patients receiving infusion services from 340B eligibility if the only health care services received by the patient are infusion services, and (iii) change the definition of "covered outpatient drug" such that outpatient drugs that are part of a bundled payment for Medicaid reimbursement would not qualify for 340B drug discounted pricing. The American Hospital Association and other trade groups have issued public comments stating that the proposed guidance could reduce the volume of drugs eligible for 340B drug discount pricing and increase the cost of drugs to hospitals and other health care organizations. HRSA collected comments on the proposed omnibus guidance from the general public through October 27, 2015. The agency has not announced when it expects to issue its final guidance. As of March 1, 2016, LRMC no longer maintains qualification as a 340B drug provider. See "APPENDIX A – FINANCIAL INFORMATION – Management's Discussion and Analysis of Financial Results of Operations of the Obligated Group – Nine Months Ended June 30, 2016 Compared to Nine Months Ended June 30, 2015" herein.

Lease and Transfer Agreement

The Hospital is owned by and located on land owned by the Issuer and leased to LRMC pursuant to the Lease and Transfer Agreement. In the event LRMC defaults on its obligations under the Lease and Transfer Agreement, the Issuer may exercise remedies thereunder including terminating the Lease and Transfer Agreement and conveyance to the Issuer of all property, inclusive of real property, personal property and cash of LRMC and all its affiliates. In the event the Series 2016 Bonds are outstanding, such remedies are subject to certain conditions, including, the assumption by the Issuer of the obligations represented by the Series 2016 Bonds but payable solely from net revenues of the Hospital under certain circumstances. Upon an event of default under the Lease and Transfer Agreement and a subsequent request of termination by the Issuer, holders of the Series 2016 Bonds may be adversely affected by virtue of having the Series 2016 Bonds accelerated and being paid a price of par in advance of maturity, substitution of an operator other than LRMC, or by having their security limited (as a result of the Issuer assuming the payment of the Series 2016 Bonds) solely to revenues of the Hospital, operations, net of expenses. See "APPENDIX C – SUMMARIES OF PRINCIPAL DOCUMENTS – THE LEASE AND TRANSFER AGREEMENT – Remedies" and "BONDHOLDERS' RISKS – Tax-Exempt Status and Other Tax Matters" herein.

IT System Vulnerability

The Obligated Group's operations are heavily dependent on the performance of its information technology ("***IT***") system. Its IT system is essential to financial accounting and reporting, proper billing and collecting, managing inventory, managing patient records, and complying with regulatory requirements, among other functions. In addition, recent legislation creates future financial incentives for health care providers to make more extensive use of electronic health records. Any IT system failure could adversely affect operations or delay the collection of revenues. Even though the Obligated Group has implemented network security measures, its servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering. The occurrence of any of these events could result in interruptions, delays, the loss or corruption of data, or cessations in the availability of systems,

all of which could have a material adverse effect on the Obligated Group's financial position and results of operations and harm its business reputation. In addition, a breach of the Obligated Group's IT system that results in a violation of the HIPAA security and privacy rules could result in damages or civil or criminal penalties, or increase operating expenses as necessary to notify affected individuals, correct problems, comply with federal and state regulations, defend against potential claims and implement and maintain any additional requirements imposed by government action.

Tax-Exempt Status and Other Tax Matters

Maintenance of the Tax-Exempt Status of the Obligated Group and Certain Affiliates. The tax-exempt status of interest on the Series 2016 Bonds depends upon the maintenance by the members of the Obligated Group and certain other affiliates of their status as organizations described in section 501(c)(3) of the Code. The maintenance of such status is dependent on their continued compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and other permissible purposes (as discussed above) and their avoidance of transactions that may cause their earnings or assets to inure to the benefit of private individuals. As these general principles were developed primarily for public charities that do not conduct large-scale technical operations and business activities, they often do not adequately address the myriad of operations and transactions entered into by a modern health care organization. Although traditional activities of health care providers, such as medical office building leases, have been the subject of interpretations by the IRS in the form of private letter rulings, many activities or categories of activities have not been addressed in any official opinion, interpretation or policy of the IRS.

In recent years, the IRS has issued a number of formal and informal statements of policy and interpretation that have increased uncertainty over the IRS's position on a wide variety of activities commonly undertaken by health care organizations. As a result, tax-exempt health care providers currently are subject to an increased degree of scrutiny and enforcement activity by the IRS.

The members of the Obligated Group participate in a variety of joint ventures and transactions with physicians either directly or indirectly. Management believes upon the advice of counsel that the joint ventures and transactions to which the members of the Obligated Group are a party are consistent with the requirements of the Code as to tax-exempt status, but, as noted above, there is uncertainty as to the state of the law in this regard.

In recent years, the IRS has increased the frequency and scope of its audit and other enforcement activity regarding tax-exempt health care organizations. If the IRS were to find that any of the members of the Obligated Group has participated in activities in violation of certain regulations or rulings, the tax-exempt status of such entity could be jeopardized. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit health care corporations, it could do so in the future. Loss of tax-exempt status by any of the members of the Obligated Group could result in loss of exclusion from gross income for federal income tax purposes of interest on the Series 2016 Bonds and of other tax-exempt debt of the members of the Obligated Group and defaults in covenants regarding the Series 2016 Bonds and other related tax-exempt debt and obligations of the members of the Obligated Group likely would be triggered. Loss of tax-exempt status also could result in substantial tax liabilities on the income of the members of the Obligated Group. For these reasons, loss of the tax-exempt status of the members of the Obligated Group could have a material adverse effect on the financial condition of the members of the Obligated Group.

In lieu of revocation of exempt status, the IRS may impose penalty excise taxes on certain "excess benefit transactions" involving 501(c)(3) organizations and "disqualified persons." An excess benefit transaction is one in which a disqualified person or entity receives more than fair market value from the exempt organization or pays the exempt organization less than fair market value for property or services, or shares the net revenues of the tax-exempt entity. A disqualified person is a person (or an entity) who is in a position to exercise substantial influence over the affairs of the exempt organization during the five years preceding an excess benefit transaction. The statute imposes excise taxes on the disqualified person and any "organization manager" who knowingly participates in an excess benefit transaction. The intermediate sanctions rules do not penalize the exempt organization itself, so there would be no direct impact on the members of the Obligated Group or the tax status of the Series 2016 Bonds if an excess benefit transaction were subject to IRS enforcement. However, these intermediate sanctions do not replace other remedies available to the IRS, including revocation of tax-exempt status.

In a number of recent cases, the IRS has imposed substantial monetary penalties on tax-exempt hospitals in lieu of revoking their tax-exempt status. In such cases, the IRS and such exempt hospitals have entered into "closing

agreements" with respect to the hospitals' alleged violations of certain informal physician recruiting guidelines applied by the IRS. The closing agreements require such hospitals to make substantial tax payments to the IRS. These liabilities could be materially adverse.

The 2010 Health Legislation contain new requirements for tax exempt hospitals. Under the 2010 Health Legislation, each tax exempt hospital facility is required to (1) conduct a community health needs assessment at least every three years and adopt an implementation strategy to meet the identified community needs; (2) adopt, implement and widely publicize a written financial assistance policy and a policy to provide emergency medical treatment without discrimination; (3) limit charges to individuals who qualify for financial assistance under the hospital's financial assistance policy to no more than the amounts generally billed to individuals who have insurance covering such care and refrain from using "gross charges" when billing such individuals; and (4) refrain from taking extraordinary collection actions without first making reasonable efforts to determine whether the individual is eligible for assistance under the hospital's financial assistance policy. A failure to comply with the provisions of Section 501(r) of the Code and the final regulations issued thereunder could result in a loss of tax-exempt status or otherwise subject revenues of a hospital facility to federal income tax. In addition, under the 2010 Health Legislation, the Treasury Department is required to review information about a hospital's community benefit activities at least once every three years. In recent years legislation has been proposed to repeal the exemption of nonprofit hospitals from federal income taxes. The 2010 Health Legislation may make it more difficult to comply with community benefit requirements. Any reduction in community benefits provided by nonprofit hospitals generally could increase the risk of passage of such legislation.

The IRS has periodically conducted audit and other enforcement activity regarding tax-exempt health care organizations. Such audits are conducted by teams of revenue agents, often take years to complete and require the expenditure of significant staff time by both the IRS and taxpayers. These audits examine a wide range of possible issues, including tax-exempt bond financing, partnerships and joint ventures, retirement plans and employee benefits, employment taxes, political contributions and other matters.

There is no assurance that the members of the Obligated Group will not be the subject of the audit program in the future. Management of each of the entities believes that it has properly complied with the tax laws. Nevertheless, because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, an audit pursuant to the audit program could result in additional taxes, interest and penalties. Such an audit ultimately could affect the tax-exempt status of the members of the Obligated Group, as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Series 2016 Bonds and other tax-exempt debt of the Obligated Group.

State and Local Tax Exemption. In recent years, state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt health care providers with respect to their real property tax exemptions. In some cases, particularly where authorities are dissatisfied with the amount of services provided to indigents, the real property tax-exempt status of the health care providers has been questioned. The majority of the real property of the members of the Obligated Group is currently treated as exempt from real property taxation. Although the real property tax exemptions of the members of the Obligated Group with respect to their core health care facilities has not, to the knowledge of management, been under challenge, an investigation or audit could lead to a challenge that could adversely affect the real property tax exemption of the members of the Obligated Group.

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

Unrelated Business Income. In recent years, the IRS and state, county and local tax authorities have been undertaking audits and reviews of the operations of tax-exempt hospitals with respect to their exempt activities and the generation of unrelated business taxable income ("***UBTI***"). The members of the Obligated Group participate in activities that generate UBTI. An investigation or audit could lead to a challenge that could result in taxes, interest and penalties with respect to unreported UBTI and in some cases ultimately could affect the tax-exempt status of the members of the Obligated Group as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Series 2016 Bonds and other tax-exempt debt of the Obligated Group.

Maintenance of Tax-Exempt Status of Interest on the Series 2016 Bonds. The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Series 2016 Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States, and a requirement that issuers file an information report with the IRS as well as maintenance by the Obligated Group members and certain affiliates of their status as organizations described in Section 501(c)(3) of the Code (see "Maintenance of the Tax-Exempt Status of the Obligated Group and Certain Affiliates" above). The Obligated Group has covenanted in certain of the documents referred to herein that it will comply with such requirements. Failure by the Obligated Group to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Series 2016 Bonds as taxable, retroactively to the date of issuance. The Issuer has also covenanted in certain of the documents referred to herein that it will not take any action or refrain from taking any action that would cause interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes.

IRS officials have recently indicated that more resources will be invested in audits of tax-exempt bonds, including the use of their proceeds, in the charitable organization sector. The Series 2016 Bonds may be, from time to time, subject to audits by the IRS. The Obligated Group believes that the Series 2016 Bonds properly comply with the tax laws. In addition, Nabors, Giblin & Nickerson, P.A. will render opinions with respect to the exclusion from gross income for federal income tax purposes of interest on the Series 2016 Bonds, as described under the caption, "TAX EXEMPTION." The Obligated Group has not sought to obtain a private letter ruling from the IRS with respect to the Series 2016 Bonds, and the opinion of Nabors, Giblin & Nickerson, P.A. is not binding on the IRS. There is no assurance that an IRS examination of the Series 2016 Bonds will not adversely affect the market value of the Series 2016 Bonds. See "TAX EXEMPTION" herein.

The tax-exempt status of interest on the Series 2016 Bonds is based on the continued compliance by the Issuer and the Obligated Group with certain covenants relating generally, among other things, to the use of the facilities financed or refinanced with the proceeds of the Series 2016 Bonds, arbitrage limitations and rebate of certain excess investment earnings to the federal government. Failure to comply with such covenants with respect to the Series 2016 Bonds could cause interest on the Series 2016 Bonds to become subject to federal income taxation retroactively to their original date of issue. In such event, the Series 2016 Bonds are not subject to redemption solely as a consequence thereof, although the principal thereof may be accelerated.

Limitations on Contractual and Other Arrangements Imposed by the Internal Revenue Code. As tax-exempt organizations, the members of the Obligated Group are limited with respect to their use of practice income guarantees, reduced rent on medical office space, low interest loans, joint venture programs, and other means of recruiting and retaining physicians. Uncertainty in this area has been reduced somewhat by the issuance by the IRS of guidelines on permissible physician recruitment practices. The IRS scrutinizes a broad variety of contractual relationships commonly entered into by hospitals and has issued a detailed audit guide suggesting that field agents scrutinize numerous activities of hospitals in an effort to determine whether any action should be taken with respect to limitations on or revocation of their tax-exempt status or assessment of additional tax. Any suspension, limitation, or revocation of the member's tax-exempt status or assessment of significant tax liability would have a materially adverse effect on the Obligated Group and might lead to loss of exclusion from gross income for federal income tax purposes of interest on the Series 2016 Bonds and other tax-exempt obligations of the Obligated Group.

Form 990 and Instructions. On June 14, 2007, the IRS released for comment a Discussion Draft of a redesigned Form 990. The Form 990 is the annual information return filed by tax-exempt organizations, including nonprofit exempt health care organizations. The IRS released the final 2008 Form 990 on December 20, 2007. The revised Form 990 applies to tax years which began on or after January 1, 2008.

As a result of revised IRS Form 990, health care organizations had significantly increased compliance and reporting obligations, particularly relating to community benefit, collection and billing practices and charity care, including reporting on requirements under Code Section 501(r). These specific reporting obligations generally are set forth in an additional schedule to the return (Schedule H) and apply for tax years which began on or after January 1, 2009.

Nonprofit health care organizations also became subject to additional reporting for tax-exempt bonds, the most significant of which are required for tax years which began on or after January 1, 2009. These reporting and recordkeeping requirements go beyond what many hospitals have done historically and require substantial additional

efforts on the part of hospitals with outstanding tax-exempt bonds. An additional schedule to the Form 990 return (Schedule K) is intended to address what the IRS believes is significant noncompliance with recordkeeping and record retention requirements. These concerns were reinforced, in the IRS's view, by the results of a bond questionnaire distributed to select hospitals in September 2007, the results of which were released in April 2008. Schedule K also focuses on the investment of bond proceeds that could violate the arbitrage rebate requirements and the private use of bond-financed facilities.

Financial Information

Certain audited financial information of the Obligated Group is set forth in APPENDIX B hereto. There can be no assurance that the financial results achieved by the Obligated Group in the future will be similar to historical results. Such future results will vary from historical results, and actual variations may be material. Therefore, the historical operating results of the Obligated Group cannot be taken as a representation that any of the members of the Obligated Group will be able to generate sufficient revenues in the future from the operation of its facilities to fulfill its obligations under the Trust Agreement, the Agreement, and the Master Indenture.

Marketability of Series 2016 Bonds

Although the Underwriter expects to engage in the purchase and sale of the Series 2016 Bonds in the secondary market, there can be no assurance that there will always be a secondary market for the purchase and sale of the Series 2016 Bonds, and from time to time there may be no market for them depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market, and the financial condition and results of operations of the Obligated Group and their facilities. The Series 2016 Bonds should therefore be considered long-term investments in which funds are committed to maturity.

Bond Rating

There is no assurance that the rating assigned to the Series 2016 Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Series 2016 Bonds.

Not All Affiliates are Restricted

The economic strength of the Obligated Group could be affected by the economic strength of any of the affiliates (whether or not they are Obligated Group members or Restricted Affiliates) of LRHS. The Master Indenture does not impose restrictions on LRHS' affiliates which are not Obligated Group members or Restricted Affiliates. Although substantially all of the revenue-producing operations of LRHS and its affiliates are currently conducted by the Obligated Group, circumstances could change in the future either by the release of Obligated Group members or the development or acquisition of operations outside the Obligated Group. Affiliates may engage in a variety of not-for-profit and for-profit businesses. Should any of these business ventures have financial difficulties and LRHS or any Obligated Group member be obligated or choose to contribute financial assistance, the financial condition of the Obligated Group could be adversely impacted.

Other Risk Factors

Economic Condition and Unemployment. The business of the members of the Obligated Group is susceptible to variation with regional economic conditions. Because hospitals are required to provide emergency care without regard to a patient's ability to pay, poor economic conditions and increased unemployment, which can increase the population that does not have health care coverage and cannot pay for care out-of-pocket, can increase the uncompensated care that the members of the Obligated Group provides. In addition, poor economic conditions and increased unemployment can lead patients to postpone or forego elective procedures, thereby reducing volume and revenue.

Other Future Risks. In the future, the following additional factors, among others, may adversely affect the operations of health care providers, including the Obligated Group, to an extent that cannot be determined at this time:

(a) Reduced demand for the services provided by the Obligated Group that might result from decreases in the population.

(b) Efforts by insurers and governmental agencies to limit the cost of hospital services, to reduce the number of beds and to reduce the utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety and outpatient care, or comparable regulations or attempts by third-party payors to control or restrict the operations of certain health care facilities.

(c) Cost and availability of any insurance, such as professional liability, fire, wind, automobile and general comprehensive liability coverages that health care facilities of a similar size and type generally carry.

(d) Developments generally adversely affecting the federal or state tax-exempt status of nonprofit organizations.

(e) Regulatory actions which might limit the ability of the Obligated Group to undertake capital improvements to their facilities or to develop new institutional health services.

(f) Adoption of a so-called "flat tax" federal income tax or replacement of the federal income tax with another form of taxation which might adversely affect the market value of the Series 2016 Bonds or make tax-exempt financing for future capital projects unavailable. For example, the Bipartisan Tax Fairness and Simplification Act of 2010 was introduced in the United States Senate, which would have provided for a simplification of existing Code provisions relating to income taxation, including the introduction of a "flat tax" of 25% and the elimination of the exclusion from gross income for federal income tax purposes of interest on state and local bonds, but with the allowance of a tax credit for holders of such bonds. Such legislation, if ever enacted, would also prohibit the advance refunding of obligations issued after the date of the act.

TAX EXEMPTION

Opinion of Bond Counsel

The Code includes requirements which the Issuer and the members of the Obligated Group must continue to meet after the issuance of the Series 2016 Bonds in order that interest on the Series 2016 Bonds not be included in gross income for federal income tax purposes. The Issuer's or any member's failure to meet these requirements may cause interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Issuer and the members of the Obligated Group have covenanted to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2016 Bonds.

In the opinion of Bond Counsel, assuming continuing compliance by the Issuer and the members of the Obligated Group with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2016 Bonds 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 such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on "corporations" (as defined in the Code). Bond Counsel is further of the opinion that the Series 2016 Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined therein.

As to questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon the representations and covenants made on behalf of the Issuer in the Trust Agreement and the Agreement and the Obligated Group in the Master Indenture and the Agreement, certificates of appropriate officers and certificates of public officials (including certifications as to the use of proceeds of the Series 2016 Bonds and of the property financed and refinanced thereby), and on the opinion being delivered by Peterson & Myers, P.A., counsel to the Obligated Group, in connection with the delivery of the Series 2016 Bonds with respect to each of the members of the Obligated Group being organizations described in Section 501(c)(3) of the Code, without undertaking to verify the same by independent investigation.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of, the Series 2016 Bonds. Prospective purchasers of the Series 2016 Bonds should be aware that the ownership of the Series 2016 Bonds may result in other collateral federal tax consequences. For example, ownership of the Series 2016 Bonds

may result in collateral tax consequences to various types of corporations relating to (1) denial of interest deduction to purchase or carry the Series 2016 Bonds, (2) the branch profits tax, and (3) the inclusion of interest on the Series 2016 Bonds in passive income for certain S corporations. In addition, the interest on the Series 2016 Bonds may be included in gross income by recipients of certain Social Security and Railroad Retirement benefits.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE 2016 BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Other Tax Matters

Interest on the Series 2016 Bonds may be subject to state or local income taxation under applicable state or local laws in jurisdictions other than Florida. Purchasers of the Series 2016 Bonds should consult their tax advisors as to the income tax status of interest on the Series 2016 Bonds in their particular state or local jurisdiction.

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Series 2016 Bonds. In some cases these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Series 2016 Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Series 2016 Bonds and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Series 2016 Bonds.

Tax Treatment of Original Issue Premium

The difference between the principal amount of the Series 2016 Bonds and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Series 2016 Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis from the date of issuance of each Series 2016 Bond through the earliest optional call date that results in the lowest yield on such Series 2016 Bonds. For purposes of determining gain or loss on the sale or other disposition of a Series 2016 Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Series 2016 Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Series 2016 Bonds. Owners of the Series 2016 Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Series 2016 Bonds.

FINANCIAL ADVISOR

The Borrower has retained Ponder & Co., Hawthorne, Florida, as financial advisor in connection with the issuance of the Series 2016 Bonds. Although Ponder & Co. has assisted in the preparation of this Official Statement, Ponder & Co. was not and is not obligated to undertake, and has not undertaken to make, an independent verification and assumes no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

INDEPENDENT AUDITORS

The consolidated financial statements of Lakeland Regional Health Systems, Inc. and Subsidiaries as of September 30, 2015 and 2014, and for each of the years then ended, included in APPENDIX B to this Official Statement have been audited by KPMG LLP, independent certified public accountants, as stated in their report appearing in APPENDIX B to this Official Statement, which includes an explanatory paragraph regarding the consolidating information included in schedules 1 and 2 to the consolidated financial statements.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore P.C. (the "***Verification Agent***"), will independently verify, and issue a report on, the arithmetical accuracy of the computations included in schedules provided to them by the Underwriter indicating the sufficiency of the anticipated receipts from the United States Treasury Obligations deposited under the Escrow Deposit Agreement, together with an initial cash deposit, to pay the redemption price of and interest on the Refunded Bonds on and prior to their redemption date. Such verification will be based solely on assumptions and information supplied by the Underwriter. Furthermore, the Verification Agent will have restricted its procedures to verifying the arithmetical accuracy of such computations and will not have made any study or evaluation of the assumptions and information on which the computations were based and, accordingly, will not express an opinion on such assumptions and information, the reasonableness of such assumptions, or the achievability of future events. Such verification report will be relied upon by Bond Counsel in rendering its opinions with respect to the defeasance of the Refunded Bonds.

LEGAL MATTERS

Certain legal matters incident to the issuance of the Series 2016 Bonds and with regard to the tax-exempt status of the interest on the Series 2016 Bonds (see "TAX EXEMPTION") are subject to the legal opinion of Nabors, Giblin & Nickerson, P.A., as Bond Counsel, whose approving opinion will be available at the time of the delivery of the Series 2016 Bonds. The form of Bond Counsel opinion is attached hereto as APPENDIX D and reference is made to such proposed form of opinion for the complete text thereof. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion subsequent to its date. Certain legal matters will be passed upon for the Obligated Group by its counsel, Peterson & Myers, P.A., Lakeland, Florida, for the Underwriter by its counsel, Norton Rose Fulbright US LLP, Dallas, Texas, and certain legal matters pertaining to the Issuer will be passed upon by Timothy McCausland, Esq., City Attorney.

Bond Counsel has not been engaged nor undertaken to review (1) the accuracy, completeness or sufficiency of this Official Statement or any other offering material related to the Series 2016 Bonds, except as may be provided in a supplemental opinion of Bond Counsel to the Underwriter, upon which only they may rely, and which may relate only to certain information contained in the sections "INTRODUCTORY STATEMENT – The Series 2016 Bonds," "– Security for the Series 2016 Bonds" and "– Security under the Master Indenture," "DESCRIPTIONS OF THE SERIES 2016 BONDS," "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2016 BONDS," "TAX EXEMPTION" and "APPENDIX C – SUMMARIES OF PRINCIPAL DOCUMENTS" or (2) the compliance with any federal or state law with regard to the sale or distribution of the Series 2016 Bonds.

CONTINUING DISCLOSURE

General

The Obligated Group will enter into a Continuing Disclosure Agreement, in the form set forth in APPENDIX E hereto (the "***Continuing Disclosure Agreement***") whereby it has engaged Digital Assurance Certification, L.L.C. ("***DAC***"), to serve as its dissemination agent with respect to the Series 2016 Bonds. The Obligated Group is entering into the Continuing Disclosure Agreement for the benefit of the holders and beneficial owners from time to time of the Series 2016 Bonds, in accordance with, and as the only obligated person with respect to the Series 2016 Bonds under, Rule 15c2-12 (the "***Rule***") of the Securities and Exchange Commission (the "***SEC***"), to provide or cause to be provided such financial information and operating data of the Obligated Group, audited financial statements and notices, in such manner, as may be required for purposes of paragraph (b)(5)(i) of the Rule. The Obligated Group will provide the annual financial and operational data no later than 120 days after the end of each fiscal year.

Quarterly Reports

As of the date of this Official Statement, the Obligated Group also intends to provide to DAC for distribution to the Municipal Securities Rulemaking Board (the "***MSRB***"), within 45 days after the end of each of the first three quarterly fiscal periods of each fiscal year of the Obligated Group (presently December 31, March 31 and June 30), and not later than 75 days after the end of the fourth fiscal quarter of each fiscal year of the Obligated Group (presently September 30), commencing with the quarter ended September 30, 2016 and DAC or any

successor dissemination agent is irrevocably instructed to provide to each NRMSIR, currently only the MSRB, if any, such quarterly reports. The quarterly reports will contain a fiscal year to date balance sheet and summary of revenues and expenses for the Obligated Group.

Availability of Information from MSRB

The obligation of the Obligated Group is to provide the foregoing information only to DAC to be filed with the MSRB. The Obligated Group has not undertaken any other continuing disclosure obligation. All such information filed with MSRB will be available to the public through the MSRB's website located at emma.msrb.org.

Compliance with Prior Undertakings

During the last five years, the Obligated Group has timely filed annual reports as required by the continuing disclosure agreements entered into by the Obligated Group in accordance with the Rule.

UNDERWRITING

The Series 2016 Bonds are to be purchased by J.P. Morgan Securities LLC (the "***Underwriter***") at an aggregate purchase price equal to $_____ (representing par value, [plus/less] an original issue [premium/discount] of $_____, and less an underwriting discount of $_____). The Bond Purchase Agreement provides that the Underwriter will not be obligated to purchase any Series 2016 Bonds if all of such are not available for purchase and contains the agreement of the Obligated Group to indemnify the Underwriter against certain losses, claims, damages and liabilities, including those arising under federal securities laws. The initial public offering prices set forth on the inside cover page hereof may be changed by the Underwriter.

The Underwriter intends to offer the Series 2016 Bonds to the public initially at the prices and yields set forth on the inside cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2016 Bonds to the public. The Underwriter may offer and sell the Series 2016 Bonds to certain dealers at prices lower than the public offering prices. In connection with this offering, the Underwriter may overallot or effect transactions that stabilize or maintain the market price of the Series 2016 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The obligation of the Underwriter to accept delivery of the Series 2016 Bonds will be subject to various conditions of the Bond Purchase Agreement.

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

The Underwriter has entered into negotiated dealer agreements (each, a "***Dealer Agreement***") with each of Charles Schwab & Co., Inc. ("***CS&Co.***") and LPL Financial LLC ("***LPL***") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2016 Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Series 2016 Bonds that such firm sells.

RATING

Moody's Investors Service ("***Moody's***") has assigned a rating of "A2" to the Series 2016 Bonds. Such rating reflects only the view of Moody's and any desired explanation of the significance of such rating should be obtained from Moody's, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will apply for any given period of time or that the rating will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Series 2016 Bonds.

LITIGATION

There is not now pending or, to the knowledge of the Issuer, any threatened litigation restraining or enjoining the issuance, sale or delivery of the Series 2016 Bonds or questioning or affecting the validity of the Series 2016 Bonds or the proceedings or authority under which the Series 2016 Bonds are to be issued. There is no litigation pending or, to the Issuer's or the Obligated Group's knowledge, threatened which in any manner questions the right of the Issuer to issue the Series 2016 Bonds, loan the proceeds thereof to the Obligated Group pursuant to the Agreement and use the proceeds thereof in the manner provided in the Trust Agreement. See "APPENDIX A – INSURANCE."

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Section 517.051, Florida Statutes, and the regulations promulgated thereunder (the "***Disclosure Act***") requires that the Issuer make a full and fair disclosure of any bonds or other debt obligations that it has issued or guaranteed and that are or have been in default as to principal or interest at any time after December 31, 1975 (including bonds or other debt obligations for which it has served only as a conduit issuer such as the Series 2016 Bonds or industrial development or private activity bonds issued on behalf of private businesses). The Issuer is not and has not since December 31, 1975 been in default as to principal and interest on its bonds or other debt obligations.

MISCELLANEOUS

The Obligated Group has furnished all information herein relating to LRHS and LRMC and the Issuer does not take any responsibility for such information. The Issuer has furnished all information herein relating to the Issuer. Any statements herein involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The summaries of the Master Indenture, Trust Agreement and the Agreement contained herein and in APPENDIX C are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions, and reference is hereby made to the complete documents relating to such matters, copies of which will be furnished by the Trustee upon request.

This Official Statement has been approved by the Obligated Group and its use and distribution has been authorized by them.

CITY OF LAKELAND

By:_____
R. Howard Wiggs, Mayor

LAKELAND REGIONAL HEALTH SYSTEMS, INC.

By:_____
Elaine Thompson, Ph.D., FACHE,
President and Chief Executive Officer

APPENDIX A

LAKELAND REGIONAL HEALTH SYSTEMS, INC. AND AFFILIATED ENTITIES

TABLE OF CONTENTS

OVERVIEW AND BACKGROUND

This Appendix A contains information related to the business, affairs and financial condition of Lakeland Regional Health Systems, Inc. ("***LRHS***") and certain controlled affiliates and their subsidiaries (collectively, the "***Health System***").

LRHS owns and operates a regional health care delivery system in the City of Lakeland (the "***City***"), which includes Lakeland Regional Medical Center (the "***Hospital***"), a licensed 849-bed acute care hospital facility that is the fifth largest acute care hospital in Florida, and, as of June 30, 2016, a medical staff of 603 of which 119 were employed physicians. LRHS was organized in 1986 with the purpose of promoting continued development of high-quality, cost-effective health care services in Lakeland, Florida and surrounding communities. The City is located approximately 30 miles east of Downtown Tampa, Florida and 55 miles Southwest of Downtown Orlando, Florida and has a population just over 100,000.

Prior to October 1, 1986, the Hospital was governed by the Municipal Hospital Board of the City of Lakeland, Florida (the "***Municipal Hospital Board***"), which was established pursuant to Chapter 57-1506, Laws of Florida, enacted by the Legislature of the State of Florida. The members of the Municipal Hospital Board were appointed by the City Commission and were authorized to establish policies for the administration and management of the Hospital.

On October 1, 1986, the Municipal Hospital Board developed a plan of reorganization to position the Hospital for its long term viability. The reorganization created Lakeland Regional Medical Center, Inc. ("***LRMC***"). In connection with the reorganization, a lease and transfer agreement with the Municipal Hospital Board (the "***Lease and Transfer Agreement***") was executed between the City and LRMC. The Lease and Transfer Agreement grants control of all Hospital operations to LRMC. The term of the Lease and Transfer Agreement expires September 30, 2040, and may be extended by mutual agreement.

Obligated Group Members

LRHS is the sole corporate member of LRMC. LRHS and LRMC are currently the only members of the Obligated Group. LRMC operates as a subsidiary of LRHS. Both LRHS and LRMC are nonprofit Florida corporations and organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

The Hospital has served the City and the Polk County community for 100 years. LRMC operates the Hospital on a 71-acre campus located within one-half mile of the central business district of the City. The campus has been expanded by approximately 32 acres as a result of strategic land acquisitions made in recent years. The Hospital consists of a seven story facility with approximately 1.1 million square feet of space. The completion of the Carol Jenkins Barnett Pavilion for Women and Children (the "***Pavilion***") will increase the size of the facility by approximately 300,000 square feet. See "STRATEGIC INITIATIVES – Strategic Expansions" herein.

LRMC also conducts certain activities as Lakeland Regional Health Hollis Cancer Center (the "***Cancer Center***") which is an operating unit of LRMC. The Cancer Center provides specialized services including medical

oncology, hematology, radiation oncology, gynecologic oncology, surgical oncology and urology/urologic oncology to the surrounding community. As of June 30, 2016, LRHS employs 11 board certified physicians in the specialties of surgical oncology, medical oncology, radiation oncology, urologic oncology, and gynelogic oncology with approximately 120 staff in clinical, administrative and research roles. The Cancer Center currently operates an approximately 82,000-square-foot comprehensive cancer treatment facility located on 16.7 acres of land approximately two miles from the Hospital. The Cancer Center's facility was expanded by approximately 21,400 square feet with the proceeds of the Series 2015 Bond issue. Participation in cancer clinical trials is a major component of the Cancer Center. The Cancer Center has an active clinical trials program with 38 active protocols. Over 200 patients are participating in research studies as of June 30, 2016. Since 2002, clinical trials services have been provided to over 2,300 patients.

In 2013, LRHS purchased the assets and employed all of the providers of Clark and Daughtrey Medical Group, P.A. (the "***C&D Medical Group***"), a 40-physician multispecialty group with 350 employees on the date of acquisition. As of June 30, 2016, LRHS employs 119 physicians including the C&D Medical Group physicians.

For the fiscal year ended September 30, 2015, the Obligated Group accounted for approximately 100% of total revenue, expenses and assets of the Health System. For the nine months ended June 30, 2016 and 2015, the Obligated Group accounts for approximately 100% of total revenue and expenses and approximately 96% and 100% of total assets of the Health System. See "FINANCIAL INFORMATION – Sources of Revenues" in this APPENDIX A and the consolidating schedule in APPENDIX B. See also APPENDIX C – "SUMMARIES OF PRINCIPAL DOCUMENTS – The Master Indenture – Membership in the Obligated Group".

Health System Affiliates

In addition to the Obligated Group, the Health System includes the following affiliates:

Lakeland Regional Medical Center Foundation, Inc. (the "***Foundation***"), LRHS is the sole corporate member of the Foundation which was created to support, promote, advance, and strengthen LRMC and LRHS. The Foundation is a nonprofit Florida corporation and solicits, receives and administers philanthropic contributions to provide grants to LRMC and LRHS for new and replacement equipment, for construction and renovation, for education, and for establishment of new healthcare programs. The property, affairs, business and operation of the Foundation is managed by a board of directors, consisting of not less than thirteen (13) nor more than twenty-five (25) directors. One director is the President/Chief Executive Officer of LRHS who also serves as President of the Foundation. The Chief Financial Officer of LRHS also serves as the Treasurer of the Foundation. As of June 30, 2016, the Foundation's cash equivalents and investment balances totaled $18.6 million for general, restricted, and endowment funds. Gifts and contributions to the Foundation have totaled over $33 million since 2012.

Lakeland Regional Health Ventures, Inc. ("***Ventures***"), Ventures is a Florida for-profit Corporation created in 1986 to develop, own, and manage for-profit programs and activities which support and encourage healthcare and related services to meet the needs and mission of LRMC.

The Lakeland Surgical & Diagnostic Center ("***LSDC***"), LSDC is a free standing ambulatory surgery center located approximately 450 feet from the west side of the Hospital's main building. LSDC is a Georgia limited liability partnership of which 44.75% is owned by LRHS, 44.75% is owned by the Watson Clinic (the "***Clinic***", refer to "MEDICAL STAFF" within the "SERVICES AND PROGRAMS" section herein for further information on the Clinic) and 10.5% is owned by independent physicians practicing at LSDC.

RIS and LRH Imaging, LLC, formerly known as The Women's Imaging Center ("***WIC***"), WIC was a free-standing women's diagnostic center providing diagnostic imaging services including 3D mammography. WIC was a limited liability company owned 50% by LRHS and 50% by Radiology and Imaging Specialists of Lakeland, P.A. ("***RIS***"), a prominent radiology physician group located in the City. In 2015, LRHS and RIS entered into an agreement to expand the scope of services of WIC to include additional imaging modalities and provide imaging services at additional locations. As part of this expansion, WIC was renamed to RIS and LRH Imaging, LLC effective February 1, 2016.

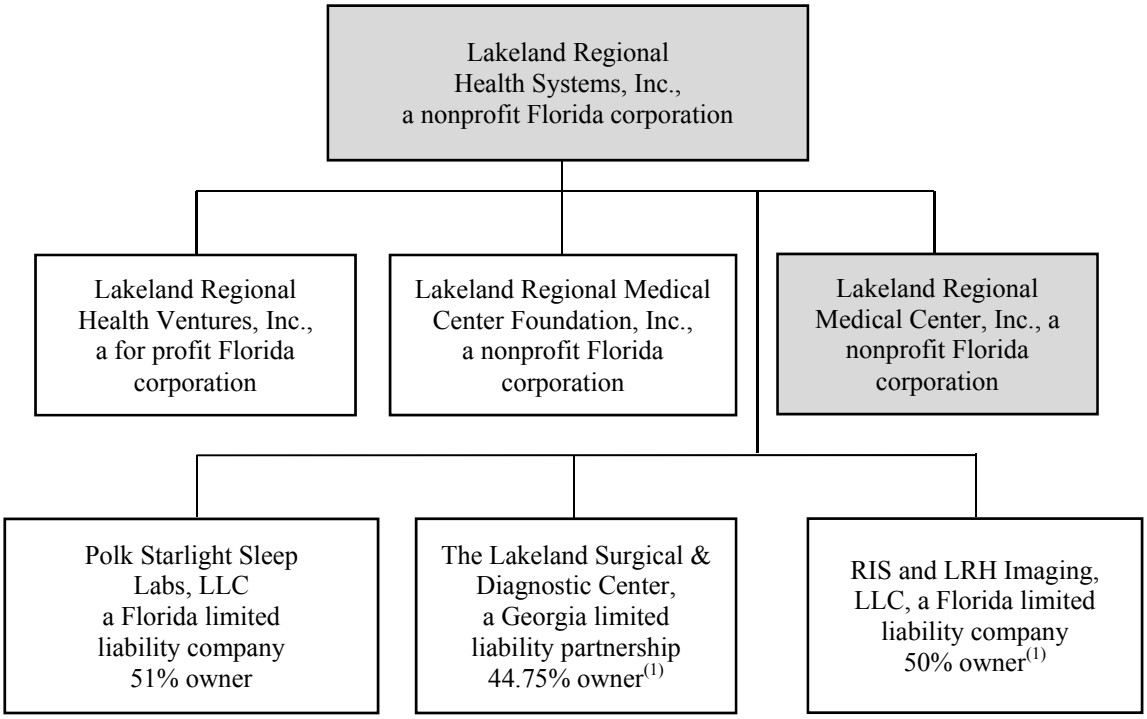
Polk Starlight Sleep Labs, LLC ("***PSSL***"), PSSL is a free standing sleep testing facility for the diagnosis and treatment of various sleep disorders. PSSL is a limited liability corporation owned 51% by LRHS and 49% by Evans Healthcare, LLC.

ONLY LRHS AND LRMC ARE CURRENTLY MEMBERS OF THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE SECURING THE OUTSTANDING PARITY BONDS AND THE SERIES 2016 BONDS. THE FOUNDATION, VENTURES, LSDC, PSSL, AND RIS AND LRH IMAGING, LLC HAVE

NO OBLIGATION TO SUPPORT OR MAKE PAYMENT ON ANY OBLIGATIONS ISSUED PURSUANT TO THE MASTER TRUST INDENTURE, INCLUDING OBLIGATION NO. 7.

Corporate Organization

The following chart shows the structure and affiliates of the Health System.



(1) The Lakeland Surgical and Diagnostic Center and RIS and LRH Imaging, LLC are not controlled affiliates and thus not part of the defined term "Health System" used throughout this Appendix A.

Lease and Transfer Agreement

Under the Lease and Transfer Agreement, LRMC must pay rent of $1.00 per operating year plus additional payments (the "***Lease Payments***") to the City. In 2011, an agreement was reached with the City to cap the Lease Payments in fiscal years 2012, 2013 and 2014 at $12.1 million, instead of using the prior formula that calculated Lease Payments based on a percentage of net income. In 2014, an additional agreement was reached with the City that capped the Lease Payments at $12.9 million for fiscal year 2015. In 2015, an agreement was reached with the City to extend the term of the Lease and Transfer Agreement by seven years to September 30, 2040. In addition to the extension, the 2015 amendment provided a lump sum payment of $15 million to the City by LRMC on October 1, 2015, with annual Lease Payments of $13.3 million beginning in fiscal year ending September 30, 2016 and continuing through fiscal year ending September 30, 2040 increasing by 2.75% annually. See also "APPENDIX C – SUMMARIES OF PRINCIPAL DOCUMENTS – THE LEASE AND TRANSFER AGREEMENT – General.

Beginning October 1, 2036 and continuing through September 30, 2037, the City and LRMC shall enter into negotiations to either extend the Lease and Transfer Agreement for an additional 25 years or the City may notify LRMC of its desire to sell the hospital facilities to LRMC. If the option to extend the Lease and Transfer Agreement is agreed upon, the annual Lease Payments shall be consistent with payments then being made by other acute care not-for-profit hospitals in Florida which lease their facilities from governmental entities such as counties, municipalities and hospital districts. In the event the City chooses to sell the hospital facilities or the City and LRMC are unable to agree upon the terms and conditions of a new lease, LRMC will have the option to purchase the hospital facilities with a closing date of October 1, 2040. If LRMC exercises its option to purchase the hospital facilities or the City elects to begin negotiations with LRMC for the sale of the hospital facilities, the purchase price

will be at fair market value as determined by an appraisal process utilizing nationally recognized health care appraisal firm(s) mutually agreed to by the City and LRMC. LRMC will receive a credit against the purchase price for all Lease Payments made to the City since the inception of the Lease and Transfer Agreement on October 1, 1986 through September 30, 2040. In the event that LRMC elects not to purchase the hospital facilities or LRMC and the City are unable to agree on the terms and conditions of a lease extension or purchase, the City will be free to sell the hospital facilities to a third party or otherwise operate the hospital free of LRMC's claims and interests. Refer to "APPENDIX C – SUMMARIES OF PRINCIPAL DOCUMENTS – The Lease and Transfer Agreement" for additional information.

For a discussion of the termination rights of the City during the term of the Series 2016 Bonds, see "APPENDIX C – SUMMARIES OF PRINCIPAL DOCUMENTS – THE LEASE AND TRANSFER AGREEMENT – Events of Default," "– Remedies" and "– Dissolution of LRMC; Distribution of Assets" herein and "BONDHOLDERS' RISKS – Lease and Transfer Agreement" in the forepart of this Official Statement.

GOVERNANCE AND MANAGEMENT

The Board of Directors of LRHS (the "***Board***") is comprised of no less than eleven nor more than fifteen members. The current Board consists of fourteen members. The President/Chief Executive Officer of LRHS is an ex-officio non-voting member of the Board and is not counted as a Director for numerical purposes. Directors, other than those who serve in an ex-officio status, are elected to a three-year term and may serve for successive terms but may not generally serve for more than a total of nine years. A five member Executive Committee has the authority to act for the Board during the interim between meetings of the Board. The Executive Committee consists of the Chairman of the Board, the Vice Chairman of the Board and the immediate Past Chairman of the Board. The remaining two members of the Executive Committee are designated from time to time by the Chairman of the Board. Except for the three designated members of the Executive Committee, the Chairman of the Board appoints all committee members and chairs. The membership of the LRHS Board and the LRMC Board is the same and the Board meets on a monthly basis; however, the LRMC Board has two additional ex-officio non-voting members, the President of the Medical Staff of LRMC and the President of LRMC. The present members of the LRHS and LRMC Boards, excluding the ex-officio non-voting members, and their principal occupations or affiliations are as follows:

BOARD OF DIRECTORS

Name	Business Affiliation	Length of Service
Jay Mulaney, M.D. – Chairman*	Central Florida Eye Associates, Owner and an Ophthalmologist	8 years
Laura Hawley, CFP – Vice Chairman*	Allen & Company of Florida, Inc., Executive Vice President	6 years
Jack R. Harrell, Jr. – Past Chairman*	Harrell's, LLC., Chairman and CEO	10 years
Lee Jackson	Lakeland Animal Nutrition, Former Owner	6 years
Frank Kendrick	Nujak Construction, Inc., President	9 years
Weymon P. Snuggs, III	Citizens Bank and Trust, Lakeland, Executive Vice President/Chief Consumer Officer	8 years
James D. Melton, III, M.D.	LRMC Emergency Medicine, Medical Director	5 years
Dale Dreyer	Center State Bank, Senior Vice President and Community President of the Central Polk Region of Center State Bank	4 years
Ayanna Rolette, M.D.	Lakeside Pediatrics, Partner	3 years
Clayton Hollis	Publix Super Markets, Retired Vice President of Public Affairs	3 years
Tracy Wilson	Marriott Vacations Worldwide Corporation, VP, IT Global Business Services	2 years
Sylvia Blackmon-Roberts	Blackmon Roberts Group, Inc., President/CEO	1 year
Anne Kerr, Ph.D	Florida Southern College, President	1 year
Cory Petcoff	Baron Realty, President/CEO	1 year

* Signifies member of the Executive Committee.

Potential Conflicts of Interest

The Board has adopted specific policies and procedures and a code of conduct that governs transactions between insiders, including directors, and the Health System. Management believes that there are no transactions or relationships on terms that are inconsistent with arm's length, fair market value arrangements between unaffiliated

parties. Management does not believe the objectivity of the Board is compromised in any way due to any current or contemplated relationships.

Senior Management

The day to day management of Health System is the responsibility of the President/Chief Executive Officer of LRHS and her administrative staff. The President/Chief Executive Office of LRHS is appointed by the Board and has been delegated the authority to select the members of her administrative team. Summaries of the President/Chief Executive Officer of LRHS and those of the key members of her staff follow:

Elaine C. Thompson, PhD, FACHE, President/Chief Executive Officer, LRHS, Chief Executive Officer, LRMC (60). Dr. Elaine C. Thompson joined LRHS in 2010 and immediately began the process to create a strategic vision centered on medical staff collaboration and performance, and patient safety improvements. One of her first initiatives was a multi-disciplinary performance improvement effort of the Emergency Department resulting in a redesigned facility and workflow. She also spearheaded an initiative to digitize the Hospital with a single electronic health records system. She works with community, legislative and business leaders, and physicians to improve health services and serves on numerous community, professional, and corporate boards that reflect both her professional and personal interests. She currently sits on the Boards of the Florida Hospital Association, the YMCA of West Central Florida and the Early Learning Coalition of Polk County.

In 2012, she was named to *Becker's Hospital Review* Top 100 Non-Profit Hospital CEOs to Know, and in 2013, 2014 and 2015, she was listed as one of their 130 Nonprofit Hospital and Health System CEOs to Know. In addition, Dr. Thompson was recently recognized for her achievements in healthcare and higher education by Arcadia University with an honorary Doctorate of Medicine degree. Before her appointment as LRHS's CEO, Dr. Thompson served as President of Lankenau Hospital in Wynnewood, Pennsylvania, and Executive Vice President and Chief Operating Officer of St. Luke's Hospital and Health Network in Bethlehem, Pennsylvania. Dr. Thompson holds a PhD in Biomedical Science from Drexel University, a Master of Science degree in Physical Therapy from Temple University, a Bachelor of Science degree in Physical Therapy from the University of Pennsylvania, and a Bachelor of Arts degree in Psychology from the University of Pennsylvania.

Mack Reavis, MD, Chief Medical Officer, LRHS, President, LRMC (68). Dr. Reavis relies on his over 35 years of medical practice and executive-leadership level experience in his role as President of LRMC and Chief Medical Officer of LRHS. He serves as the liaison between the administration and the medical staff, making sure that policies and practice are synchronized. He also oversees the clinical chairs and chiefs, medical directors and the Office of Medical Affairs, working with the medical staff and the leadership team to develop and direct programs that improve performance, quality and patient safety. He also led quality initiatives to improve perinatal safety and surgical services. His collaborative leadership approach has resulted in the development of a highly qualified medical staff, paving the way for advanced hospital certifications and accreditations. Dr. Reavis maintains a physician needs assessment across all medical specialties to ensure adequate staffing to position LRHS to meet the future needs of its patients.

Dr. Reavis holds a Bachelor of Science degree from Davidson College and a MD degree from the University of North Carolina School of Medicine. He subsequently completed a residency in anatomic and clinical pathology as well as a fellowship in forensic pathology also at UNC, Chapel Hill. He is Board Certified in each of those areas of pathology. He has served previously on the Boards of the LRHS, LRMC and the Foundation. In addition, he was Chairman of the Board of both LRHS and LRMC for 2009-2010. Dr. Reavis is planning to retire in September 2016. Dr. Timothy Regan, Chief Quality Officer and Chief Medical Informatics Officer of LRHS, discussed below, will be promoted to President of LRMC and Chief Medical Officer for LRHS effective October 1, 2016.

Janet Fansler, DNP, RN, CENP, Executive Vice President and Chief Nurse Executive, LRHS (62). Dr. Fansler is responsible for integrating LRMC objectives within the LRHS strategic plan, overseeing the efficient operation of LRMC, and ensuring delivery of high quality patient care. Her passionate vision for nursing and deep commitment to exceptional patient care led to the adoption of the evidence-based Quality Caring Model to integrate caring concepts and patient outcomes.

Dr. Fansler joined LRHS in 1993 with hospital management and executive level experience in Kentucky, Illinois and Florida. Before being appointed to her current role, Dr. Fansler also served LRHS as Vice President and Chief Nurse Executive. In addition to her accomplishments at LRHS and LRMC, Dr. Fansler has coauthored articles in the Journal of Nursing Administration and Nurse Leader. She holds a Doctorate of Nursing Practice degree from the College of Nursing, University of Illinois, Chicago, a Master of Science degree in Nursing from the

University of South Florida ("***USF***") and a Bachelor of Science degree in Nursing from the University of Eastern Kentucky.

Evan Jones, MBA, Executive Vice President and Chief Financial Officer of LRHS (60). Mr. Jones joined LRHS in 2011. Since joining LRHS, he has directed efforts to make significant improvements to the revenue cycle and operational efficiency. Mr. Jones also supported critical efforts to mitigate reductions in Medicaid reimbursements that were proposed during Florida's 2012 legislative session and played a key role in working with the Polk County Board of County Commissioners to increase access to care for participants in the Polk County Health Plan.

Prior to joining the LRHS executive leadership team, Mr. Jones was employed by Main Line Health System in Bryn Mawr, Pennsylvania and served in the role of Vice President of Finance for Lankenau Hospital, Wynnewood, Pennsylvania, with additional responsibility for Riddle Hospital and the Lankenau Institute for Medical Research. Prior to assuming his role at Main Line Health System, Mr. Jones served as Chief Financial Officer of St. Luke's Hospital and Health Network in Bethlehem, Pennsylvania for more than 20 years. He holds a Master of Business Administration degree from Wilkes University and a Bachelor of Business Administration degree from Pennsylvania State University.

Elizabeth Kerns, MS, Senior Vice President and Chief Information Officer of LRHS (52). Ms. Kerns joined LRHS in 2007 and has served in various information technology leadership roles. She is currently responsible for all aspects of the planning and delivery of Information Services, Medical Records, Supply Chain Management, and Biomedical Engineering. Ms. Kerns is passionately driven to lead teams to use technology to advance safe and quality patient care and achieve service excellence and efficiency. During her tenure, Ms. Kerns led the conversion to electronic health records and the implementation of a community health information exchange and patient portal. Through these efforts, LRHS recently achieved two extraordinary industry milestones: Hospitals & Health Network's Most Wired Hospital and HIMSS Analytics Stage 6 for EMR technology adoption.

Prior to joining the LRHS team, Ms. Kerns led IT divisions in manufacturing, petroleum, and legal services industries in the United States and overseas for over 20 years. She holds a Bachelor of Science degree in Chemical Engineering with Honors from University of Wisconsin at Madison, Wisconsin, a Master of Science degree in Information Systems with Distinction and Valedictorian from Hawaii Pacific University at Honolulu, Hawaii, and numerous industry certifications.

Timothy Regan, MD, Chief Quality Officer and Chief Medical Informatics Officer of LRHS (42). Dr. Regan is certified by the American Board of Emergency Medicine. He leads LRMC's efforts to use strategic data from the electronic health record to improve patient care. He played an essential role in the Hospital's recent electronic health record system conversion and the multi-disciplinary performance improvement effort of the Emergency Department. For the last six years, he has served as the Associate Director of the Emergency Department. He has also worked as a physician in the Emergency Department since 2005. Dr. Regan is currently the President of the LRMC Medical Staff.

Prior to his career at LRMC, Dr. Regan worked at South County Hospital in Wakefield, RI, where he was Assistant Medical Director of the Emergency Department for three years and held a position in Strategic Clinical Informatics. Dr. Regan holds a Bachelor of Science degree from the University of Notre Dame and a MD degree from Loyola University–Stritch School of Medicine in Chicago, Illinois. He completed a residency at Orlando Regional Medical Center in emergency medicine. Effective October 1, 2016, Dr. Regan will be promoted to President of LRMC and Chief Medical Officer of LRHS.

Danielle Drummond, MS, Executive Vice President and Chief Operating Officer of LRHS (39). Ms. Drummond joined LRHS in May 2013 and her responsibilities include oversight of LRMC, Physician Group, the Cancer Center, clinical joint ventures and affiliations, and facility design and construction. She also supports strategic planning and growth initiatives. Ms. Drummond uses her extensive background in Biomedical Engineering and Healthcare Technology Management, and her expertise in statistics and operating principles to create and implement best practices in quality and process improvement. Her work ensures that LRHS resources and systems are developed to meet ever changing patient needs.

Prior to joining LRHS, Ms. Drummond spent nine years at Main Line Health System, a network of four hospitals and health centers in the Philadelphia area. In her role as Vice President and Chief Operations Executive, she provided administrative leadership for clinical, ancillary, outpatient, quality and facilities departments for Lankenau Hospital, Wynnewood, Pennsylvania, a 331-bed academic medical center. Ms. Drummond holds a Master of Science degree in Healthcare Technology Management from Marquette University and the Medical College of Wisconsin and a Bachelor of Science degree in Biomedical Engineering from Washington University. In

addition, she is a Six Sigma Black Belt. This prestigious certification designates her as the highest level expert in operating principles and process improvement.

Jonn Hoppe, General Counsel and Chief Legal Officer, LRHS (43). Mr. Hoppe joined LRHS in June 2015 and is responsible for the identification and administration of all legal matters for LRHS and the oversight of all external legal engagements. Mr. Hoppe has also assumed the responsibility of overseeing the Talent Division of LRHS, implementing new strategies to create a more cost efficient department, while maintaining the integrity of LRHS's promises to its employees.

Prior to joining LRHS, Mr. Hoppe served as Senior Healthcare Attorney for Publix Super Markets, Inc., and also as an attorney at Peterson & Myers, P.A., primarily handling matters for LRHS. Mr. Hoppe holds a Bachelor of Science degree in Telecommunication from the University of Florida and gained his Juris Doctorate with high honors from Florida State University College of Law. In 2010, Mr. Hoppe received an AV Peer Review Rating from Martindale-Hubbell.

Sarah Bhagat, Vice President of Organizational Effectiveness, LRHS, Chief Operating Officer, LRMC (34). Mrs. Bhagat joined LRHS in March 2015 and is responsible for overseeing the efficient operation of LRMC and ensuring delivery of high quality patient care. She collaborates with leadership and team members to improve operational systems, achieve a higher degree of quality and superior patient care by utilizing performance improvement principles, including Lean Six Sigma, simulation, date and statistical analysis. As part of her role, she serves as a valuable coach and adviser in several strategic healthcare initiatives at LRHS.

Prior to joining LRHS, Mrs. Bhagat served as a Senior Associate at RTKL Associates Inc., in Dallas, Texas. She is an Industrial and Operations Engineer and a graduate of the University of Michigan. Mrs. Bhagat has worked in multiple manufacturing and healthcare organizations. She is a member of the Institute for Healthcare Improvement, Institute for Industrial Engineers, American Society for Quality and the Society for Women Engineers. In addition, Mrs. Bhagat is certified as Lean Six Sigma Black Belt.

STRATEGIC INITIATIVES

Vision/Mission

LRHS established a multi-year strategic initiative entitled "Vision 2020" in 2014 as well as a strategic operating plan. The strategic plan is the foundation for the Health System to deliver to the community the expectation that "Our Promise is Your Health". It includes three critical components.

1. Delivering nationally recognized healthcare through a patient care model that will collaborate among the highest quality providers in both ambulatory and inpatient settings.

2. To be the healthiest community in Florida by focusing on prevention and wellness and by collaborating with community partners to educate and empower individuals to make positive, long-term changes.

3. To be the future of healthcare by becoming the health partner of choice for individuals and businesses and by creating new, innovative and affordable healthcare services and solutions**.**

Strategic Growth

Physicians Group Growth. In May 2013, LRHS purchased the assets of the C&D Medical Group. The acquisition gives the Health System an expanded footprint with clinics in the City, Winter Haven (15 miles east of the City) and Sebring (40 miles southeast in Highland County). In July 2013, the C&D Medical Group oncology practice moved from a building located on the Watson Clinic Campus that it jointly owned with the Watson Clinic to the Cancer Center campus. LRHS also acquired a 51% ownership interest in Polk Starlight Sleep Labs as part of the transaction. In 2015, LRHS continued the growth of the physicians group by adding two new locations providing primary care in Polk County. This continued growth brought the total number of LRHS employed physicians to 119, plus 55 mid-level providers (Advanced Registered Nurse Practitioners), as of June 30, 2016.

Graduate Medical Education. LRMC is currently pursuing a Graduate Medical Education program. Based upon its research, LRMC believes that it is the second largest hospital in the nation that is not engaged in graduate medical education. Florida ranks 42nd in the nation in number of medical residency positions per 100,000 people. Florida also has a shortage of more than 800 medical residency positions. LRMC also recognizes the critical role that residencies play in providing access to care for underserved communities. LRMC began the process of

implementing medical residency training programs that would ultimately train 200 to 250 residents, but discovered through discussions with CMS staff, that CMS believes LRMC established a minimal resident cap by accepting minor in rotations of residents from the USF and Florida Hospital-Orlando. The minimal cap would severely limit the Medicare reimbursement that LRMC would receive for its residency programs. LRMC is currently working with members of Congress to determine if it is possible to resolve this issue in a manner that would allow LRMC to become a teaching hospital. Recently, a bill entitled "Advancing Medical Resident Training in Community Hospitals Act of 2016" was introduced in the U.S. Senate and in the House of Representatives. If voted into law, this would allow hospitals like LRMC to establish new residency programs even after hosting resident rotators for short durations. If the issue is resolved in an acceptable fashion, LRMC expects that new programs in family medicine, emergency medicine, internal medicine, psychiatry, pediatrics, obstetrics/gynecology, and general surgery will help alleviate some of the health care disparities experienced in its Service Area (defined herein).

Nemours Affiliation. In July 2015, LRHS entered into an affiliation agreement with the Nemours Foundation ("***Nemours***"). In addition to its Delaware facilities, Nemours operates a specialty children's hospital in Orlando, Florida and several ambulatory clinics which provide physician services throughout Florida. It has expertise in the development and operation of a children's hospital and pediatric specialty services. This affiliation will lay the groundwork to provide the patients and families served by LRHS with consistent access to specialized pediatric care from providers dedicated to serving our community. These specialists will offer a full range of services including consultations, examinations, testing, procedures and inpatient care for pediatric patients. The new relationship will be enhanced when the Pavilion, discussed below, opens in early 2018 on the LRMC campus. The agreement provides for recruitment of pediatric specialty physicians and other care team members to serve patients in the greater Lakeland area and provides for inpatient and outpatient specialty care including pediatric surgery, neurology, pulmonology, cardiology, gastroenterology, endocrinology, ophthalmology, orthopedics, urology, otolaryngology, audiology and intensivist services.

Heart Center. As the most established heart program in Polk County, the Heart Center has three Centers of Excellence: Heart Rhythm, Interventional Cardiology and Cardiothoracic Surgery. The Heart Center includes an Accredited Level 4 Chest Pain Center, one of the only two healthcare systems in Polk County with that high of a designation through the Society of Cardiovascular Patient Care. LRHS' team of board certified, highly-experienced cardiologists, cardiovascular and thoracic surgeons, electrophysiologists and specialty-trained cardiac nurses, along with other multidisciplinary heart specialists, continue to lead the way in performance of less-invasive procedures performed in Polk County's only hybrid operating rooms and hybrid catheterization lab.

Strategic Expansions

Projects Funded with Series 2015 Bonds.

The Carol Jenkins Barnett Pavilion for Women and Children. The Pavilion project will include the design, construction and equipping of a new eight story building that includes over 300,000 square feet of clinical services as well as educational space. The clinical spaces are expected to include, without limitation, Outpatient Services (multipurpose physician practice space, including 34 exam rooms for use by OB/GYN, Pediatrics, Maternal Fetal Medicine or other specialties), a 33 bed Pediatric Emergency Department, 17 Labor and Delivery Suites, an eight bed Obstetric Emergency Department and Triage, four Operating Rooms, a 30 bed NICU, a 32 bed Mother Baby Unit, an 18 bed Pediatrics Unit, a 16 bed Antepartum Unit, and 48 beds for Medical/Surgical and/or Critical Care. The building will also house an Auditorium and Educational Center, a new data center, a Wellness Center, chapel, and cafeteria. In addition, the project includes a new 826 space parking garage, improved roadways and surface parking, and a central utility plant. The estimated cost for the new construction is $275 million, up from the $250 million originally proposed, due to integration needs from the Nemours affiliation and the relocation of the Data Center from an older building on the main campus to the Pavilion. As a result of the Nemours Affiliation, the project was expanded to include more space for pediatric specialists, four pediatric operating rooms, 12 additional inpatient pediatric beds and an MRI to accommodate the preference for this image modality for children. The project will be funded with a mix of proceeds of the Series 2015 Bonds, operating revenues, investment income, and philanthropy. Construction is underway and is anticipated to be completed in early 2018. The proceeds of the Series 2015 Bonds are expected to fund approximately $150 million of the project, with the remaining funds coming from philanthropy and operating cash flow. Approximately $56.0 million in expenditures has been incurred through June 30, 2016.

The Lakeland Regional Health Hollis Cancer Center Expansion. Due to increasing patient volumes, a $16.7 million expansion project was completed in July 2016 to increase the number of chemotherapy treatment stations at the Cancer Center from 23 to 40. Chemotherapy volume increased from 35 patients to 46 patients per day and Radiation Therapy has increased from 44 patients to 57 patients per day through the integration

of the C&D Medical Group in 2013, and growth has continued in 2015 and 2016. The 40 chemotherapy stations are thoughtfully designed to provide patients with a view of the lake and accessibility to care team members. A third linear accelerator that offers patients TruBeam STX technology designed to treat tumors with advanced speed and high precision using image-guided radiotherapy and radiosurgery was also added and will be operational in August 2016. In addition, the pharmacy and laboratory at the Cancer Center were expanded to support the increased chemotherapy demand. The expansion project also includes an auditorium and additional meeting space to meet the needs of the clinical staff as well as patients and the community. In addition, the project includes improvements in access to the site as well as additional parking spaces to accommodate the increased activity at the Cancer Center campus.

Emergency Department Expansion. The Hospital has the busiest single-site emergency department in the State of Florida and in the country, based on data from the American Hospital Directory, with over 212,000 visits in fiscal year 2015. Emergency Department visits have continued to increase, with 5.7% growth in fiscal year 2015. The $7 million construction project added an additional 22 rooms to the existing Emergency Department, bringing the total rooms to 133 as of January 2015. Approximately 80% of LRMC's patients are admitted through the Emergency Department.

Operating Room Expansion. In March 2015, the $14.6 million project to expand the Operating Room Suite was completed. It included two additional state-of-the-art hybrid operating rooms, which brings LRMC's total to three hybrid operating rooms. LRMC's hybrid operating rooms allow physicians to perform the least invasive surgeries possible while offering the flexibility of traditional procedures when necessary. Two oversized surgical suites that can accommodate robotic surgery and a post-anesthesia care unit were also part of the expansion.

Bannasch Institute for Advanced Rehabilitation Medicine. A 32 private bed inpatient rehabilitation facility with day space and modern gym and therapy treatment areas is now housed on the sixth floor of the East/West/North wing of the Hospital. The unit features a harness track system in the ceiling to provide increased mobility opportunities for patients on the unit. Each patient room also serves as a treatment area as part of an innovative care delivery model to provide eight to ten hours of therapeutics to each patient every day. The $13.2 million facility was completed and began seeing patients in August 2015.

Additional Capital Improvements. The Health System has a formal process to evaluate its investments in routine equipment replacement, new technology, and infrastructure improvements. Requests are evaluated by using both quantitative and qualitative criteria. Anticipated projects and the expected incremental capital and operating impacts are integrated into the annual budget process. LRHS anticipates that approximately $40 million of routine annual capital expenditures will be needed over the next three years to adequately provide for routine replacements and investment in new technology, including the Cerner Revenue Cycle. See "SERVICES AND PROGRAMS – Information Technology" herein. Management anticipates that the annual capital budget will be funded by operating revenues.

In addition to routine annual capital expenditures, in June 2016 the construction of a $25 million medical office building was completed. The medical office building at Grasslands (the "***Grasslands***") is a 60,000-square-foot facility adjacent to an existing 20,000-square-foot medical office building that will have an Orthopedic Center of Excellence, Specialty Care including Pulmonary, ENT, OB/GYN and Pediatrics, and Primary Care, Wound Care and Nemours Children's Health System specialty clinics. The Grasslands is located approximately four miles to the South of the main campus of the Hospital. The Grasslands project eliminated the need for several leases of medical office space that were terminated in June 2016. The termination of these leases will save the Health System approximately $800,000 in office lease expense annually.

In July 2015, LRHS completed a $7.5 million purchase of 100 acres of land located approximately 12 miles southeast of LRMC's main campus. Although not finalized, the potential development of the land includes a free-standing emergency department, satellite cancer services and physician offices. Building a free-standing emergency room would allow LRHS to create a regional approach to emergency care.

At this time, there are no plans to incur additional indebtedness to fund the capital plans.

SERVICES AND PROGRAMS

The Hospital is the largest general acute care provider in its Service Area as measured by bed complement. The following table shows the LRMC's licensed/staffed bed complement by service as of fiscal years ended September 30, 2013, 2014, and 2015.

LICENSED AND STAFFED BED COMPLEMENT

	As of September 30,						As of June 30,	
	2013		2014		2015		2016	
Licensure Category	Licensed Beds	Staffed Beds	Licensed Beds	Staffed Beds	Licensed Beds	Staffed Beds	Licensed Beds	Staffed Beds
ICU	71	72	71	54[(1)]	71	54[(1)]	71	54
Medical/Surgical	652	666	652	653[(2)]	618	619[(3)]	618	619
Pediatric/PICU	45	39	45	39	45	39	45	39
Psychiatry	54	53	54	59	54	59	54	59
Substance Abuse	14	0	14	0	14	0	14	0
Nursery ICU	15	15	15	15	15	15	15	15
Inpatient Rehabilitation	0	0	0	0	32	8	32	24
Total	**851**	**845**	**851**	**820**	**849**	**794**	**849**	**810**

Source: Hospital Records

(1) A critical care unit was closed in fiscal year 2014 due to the operating room expansion project.
(2) In preparation for the construction of the Inpatient Rehabilitation unit, the 6EW medical/surgical floor was closed as of September 30, 2014, resulting in a reduction in the number of staffed beds.
(3) During fiscal year 2015, medical/surgical beds were reduced by 34, and 32 were converted to Inpatient Rehabilitation beds, a distinct part unit.

As a major healthcare provider for the City, Polk County and the region, LRMC offers a comprehensive array of inpatient and outpatient diagnostic and treatment services. LRMC also operates a Level II Trauma Center and holds accreditation as a Primary Stroke Center.

The Hospital is a tertiary care facility with specialized nursing units devoted to trauma, orthopedics, cardiology, urology, oncology, pediatrics, nephrology, psychiatric services, and obstetrics and gynecology. Four intensive care units provide care to surgical, trauma, medical, and pediatric critical care patients. An intermediate care unit is also available to provide step-down care. A dedicated mother and baby unit has pre-partum evaluation areas, Cesarean Section operating rooms, labor and delivery suites, a post-partum unit and a Level II Neonatal Intensive Care Unit.

A broad range of inpatient and outpatient surgical procedures are performed at LRMC including cardiac surgery and neurosurgery. In addition, advanced minimally invasive procedures are done in the hospital's interventional radiology and cardiac catheterization laboratories, hybrid cardiac catheterization laboratory, and traditional operating rooms. Procedures performed include robotically assisted general, gynecologic, and urologic surgery, catheter-based Trans-catheter Aortic Valve Replacement (TAVR), and stroke treatment including clot busting and removal. A full array of cardiology services are provided in interventional and electrophysiology laboratories and noninvasive testing areas. Full spectrum imaging capabilities include nuclear medicine, MRI, CT, Diagnostic, and Ultrasound. Gastrointestinal procedures are performed in a dedicated endoscopy suite. Wound Care services, including hyperbaric therapy, are also available.

The Hospital also has the busiest single-site Emergency Room in the State of Florida with over 200,000 annual visits. It is staffed by emergency-medicine-trained physicians. During fiscal year 1991, the Hospital opened a pediatric emergency specialty area within the general emergency room. In April 1994, a Fast Track Program was opened for non-urgent care. In 1997, a Level II Trauma Service was initiated with trauma surgeons providing coverage 24 hours per day.

In 2011, the Hospital embarked on an "ED Lean" project to improve patient flow through the emergency department and significantly decrease emergency patient wait times. The goals were to have 80% of the patients admitted or discharged from the emergency department in under three hours and reduce the number of people who leave without being seen to less than 0.5%. The project was a collaborative effort of the Hospital's leadership, physicians, and supporting departments.

The Emergency Department now utilizes a "Pod" layout, with 12-14 beds in each pod along with a dedicated physician, nurse supervisor, and RN team. Critical care beds were put in each pod to spread these patients among all pods and physicians. Additionally, direct bedding, quick registration, and quick triage practices were implemented to improve the flow of the patient through the Emergency Department. Improvements in the turnaround time of laboratory and radiology tests were also a key focus point in making this project successful.

The goals were achieved in the first quarter of fiscal year 2013, and have been sustained since that time. This achievement has resulted in LRMC's ranking in the top 1% of emergency department throughput for inpatients at hospitals with "very high" volumes of emergency department visits. The Emergency Department Lean project has been followed by a hospital-wide throughput initiative which is currently in progress.

Medical Staff

Physicians practicing at the Hospital are formally organized as a medical staff (the "***Medical Staff***") under Medical Staff bylaws. The Medical Staff has an Executive Committee which meets monthly. The Chief Executive Officer, the Chairman of the Board, Executive Vice President/Chief Operating Officer, Chief Nurse Executive, President/Chief Medical Officer of the Hospital, and the Chief Quality/Medical Informatics Officer are all ex-officio, non-voting members of the Executive Committee. The President of the Medical Staff is an ex-officio, non-voting member of LRMC's Board of Directors. The President of the Medical Staff is elected from the Medical Staff membership and, alternating every two years, is customarily a representative of either the Watson Clinic, a multi-specialty private physician group, or independent physicians.

The Medical Staff is appointed by the LRMC Board of Directors and is composed of individuals who are required to be graduates of recognized medical, dental or podiatric schools and licensed to practice in the State of Florida. In addition, all members of the Medical Staff must have completed an approved residency/fellowship, which qualifies them to apply for and obtain board certification in their primary or subspecialty area of practice within five years of residency/fellowship completion. A revision to the Medical Staff bylaws was completed in June 2015, and includes a requirement for all Medical Staff members credentialed after February 1988 to maintain board certification.

As of June 30, 2016, there are currently 603 practicing members of the Medical Staff, organized into the membership categories listed below. All categories consist of physicians, dentists and/or podiatrists.

Category	# of Physicians	Description of Category
Active	432	Physicians who regularly admit or are consistently involved in the care of 12 or more patients per year.
Community Affiliate	65	Physicians with a practice in the community who consistently refer their patients to LRMC. They do not hold privileges to provide care of treatment to patients within LRMC. They may attend Medical Staff meetings, but cannot hold office or vote. Providers with less than 3 encounters per year are moved to this category.
Consulting	57	Physicians who provide a service not otherwise available on the Medical Staff. This category may treat patients according to the privileges granted to them, but may not admit to LRMC or be solely responsible for the care management of a patient. They may attend Medical Staff meetings, but cannot hold office or vote.
Courtesy	10	Physicians who are no longer eligible for the Active category, but who for good and sufficient reason, are permitted to continue to attend, admit or be involved in the care of patients at the hospital by the Board on recommendation of the Executive Committee. Courtesy Staff members may attend Medical Staff meetings but are not eligible to hold office or vote. Patient volume of 3-12 patients per year.
Non-Members	39	Physicians who have clinical privileges, but not Medical Staff membership. Examples: temporary staff (locums); tele-monitoring.

Honorary Medical Staff members are physicians who have retired from active practice. This group does not admit or attend to patients in the Hospital. They do not vote, hold office or serve on standing Medical Staff committees, but may be appointed to special committees where they contribute knowledge and perspective gained from their experience. They may, but are not required to, attend any Medical Staff meetings. They are not required to pay Medical Staff dues.

The Medical Staff has grown in recent years as a result of active recruiting by LRMC, including the addition of new specialty services. The following table demonstrates the net increases in the Medical Staff for the fiscal years ended September 30, 2013 through September 30, 2015 and nine months ended June 30, 2016.

NET CHANGES TO THE MEDICAL STAFF

	For the Fiscal Year Ended September 30,			Nine Months Ended June 30,
	2013	2014	2015	2016
New Appointments to the Medical Staff	90	71	74	62
Resignations from the Medical Staff/Other Actions[(1)]	(50)	(64)	(42)	(53)
Net Change to the Medical Staff	40	7	32	9
Total Medical Staff [(2)]	555	562	594	603

Source: Hospital Records

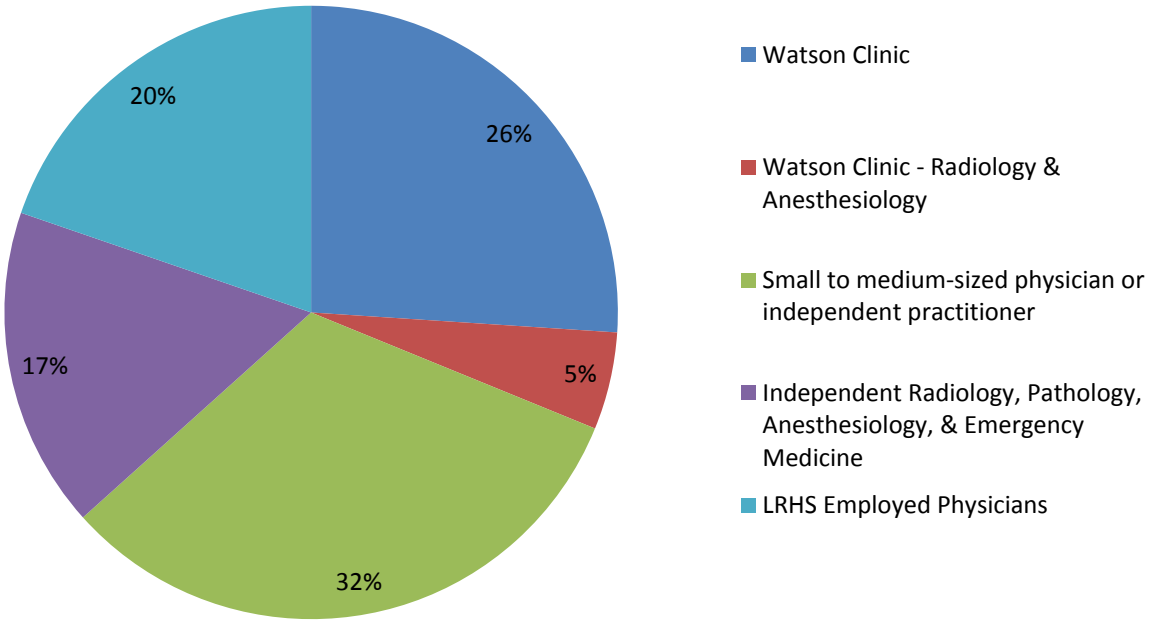
(1) Other Actions include leave of absence and other status change requests

(2) Includes all categories but Honorary.

Affiliation, Age and Board Certification

As of June 30, 2016, the Medical Staff affiliation is composed as follows:

MEDICAL STAFF AFFILIATION



As of June 30, 2016, the average age of the practicing medical staff was 48.8 years. 91.7 percent (553 of 603) of the Medical Staff members are board certified. The following table lists the specialties, number of physicians, average age, and board certification status of the active Medical Staff as of June 30, 2016.

MEDICAL STAFF BY SPECIALTY

Specialty	Total	Average Age	Watson Clinic Affiliated	LRHS Employed	Number of Board Certified	Number of Board Eligible
Anesthesiology	17	49.1	13	0	16	1
Cardiology	22	52.7	11	6	22	0
Critical Care	17	51.1	6	7	15	2
CV Thoracic Surgery	2	43.5	2	0	2	0
Dentistry	2	69.0	0	0	0	0
Dermatology	9	43.3	9	0	9	0
Emergency Medicine	48	42.5	0	0	45	3
Emergency Medicine-FastTrack	4	59.0	0	0	3	0
Emergency Medicine-Pediatrics	10	51.0	0	0	10	0
Endocrinology	2	57.0	2	0	2	0
Family Medicine	31	45.8	13	9	27	3
Gastroenterology	8	51.5	4	2	8	0
General Surgery	8	55.8	2	4	6	1
Gynecological Oncology	2	54.5	1	1	2	0
Gynecology	3	68.0	3	0	3	0
Hand Surgery	1	46.0	1	0	1	0
Hematology/Oncology	6	44.3	3	3	6	0
Hospice/Palliative Med	1	56.0	0	0	1	0
Hospitalist-Family Med	6	39.3	2	2	6	0
Hospitalist-Internal Med	55	43.2	20	13	41	13
Infectious Disease	7	46.6	2	3	7	0
Internal Medicine	44	51.2	18	15	40	2
Maternal/Fetal Med.	5	49.4	0	0	5	0
Neonatology	5	57.0	0	0	5	0
Nephrology	7	53.6	3	0	6	0
Neurology	9	55.2	5	2	7	2
Neurology-Telemonitoring	7	42.0	0	0	6	1
Neurosurgery	5	51.2	0	0	3	2
Obstetrics/Gynecology	20	51.5	5	1	20	0
Occupational Medicine	1	57.0	1	0	1	0
Oncology	1	69.0	1	0	0	0
Ophthalmology	10	47.3	4	0	10	0
Oral/Maxillofacial Surg	4	64.3	0	0	3	0
Orthopedic Surgery	10	46.4	5	4	9	1
Otolaryngology	7	46.1	3	1	7	0
Pain Management	3	48.0	1	0	3	0
Pathology	7	49.3	0	0	7	0
Pathology-Transfusion Med	4	50.5	0	0	4	0
Pediatrics	33	49.3	12	5	32	1
Pediatrics-Cardiology	25	46.9	0	0	25	0
Pediatrics-Critical Care	1	64.0	0	0	1	0
Pediatrics-Dentistry	2	60.0	0	0	0	0
Physical Medicine & Rehab	2	48.0	0	1	2	0
Plastic/Reconstructive Surgery	4	50.5	2	1	4	0
Podiatric Surgery	9	47.6	3	0	9	0
Psychiatry	19	44.5	0	18	18	1
Pulmonology	6	55.0	3	2	6	0
Radiation Oncology	8	56.5	1	2	8	0
Radiology	47	48.5	18	0	44	3
Rheumatology	5	54.8	3	2	5	0
Surgical Oncology	2	55.5	2	0	2	0
Trauma Surgery	19	52.4	0	11	18	1
Urology	7	52.6	3	4	7	0
Vascular Surgery	3	49.3	1	0	3	0
Wound Care	1	83.0	0	0	1	0
TOTAL/AVERAGE	603	48.8	188	119	553	37

The Watson Clinic LLP. The Watson Clinic LLP (the "***Clinic***") is a multi-specialty physician group structured as a Florida general partnership registered as a limited liability partnership and founded in the City in 1941. Since its founding, the Clinic has grown into one of the largest medical group practices in Florida. As of June 30, 2016, the Clinic had more than 200 physicians, 188 of whom are active or consulting Medical Staff of the Hospital. The Clinic's hospitalists and critical care physicians contracted to provide services at the Hospital accounted for 9.6% and 10.8% of inpatient admissions at the Hospital during fiscal year 2015 and the nine-month period ended June 30, 2016, respectively.

The Clinic's main facility is located approximately three blocks from the Hospital. In addition, the Clinic operates 20 satellite facilities. Ten satellites are located in the City. The other locations are in the cities of Bartow, Plant City, Sun City Center, Winter Haven and Zephyrhills.

Hospitalists. The Medical Staff includes hospitalists who oversee the care of patients assigned while they are in the hospital. Research shows that hospitalists reduce the length of stay and treatment costs and improve the overall efficiency of care for hospitalized patients. Hospitalists are leaders on several quality improvement initiatives in key areas including transitions of care, co-management of patients, reducing hospital acquired diseases and optimizing the care of patients. LRMC also has an Obstetric hospitalist program to improve the outcomes of high-risk pregnancies.

The acquisition of the C&D Medical Group in 2013 gave LRHS an employed hospitalist team to provide care to the private patients of the LRHS employed physicians and to unassigned patients. The care of unassigned patients admitted to the Hospital is currently a cooperative effort of employed physicians and Watson Clinic physicians provided under contract with the Hospital.

Employed Physicians. As of June 30, 2016, LRHS employed 119 physicians, which represented 19.7% of the medical staff covering multiple critical specialties, as noted in the table above, and operates 12 outpatient clinics where these physicians see patients.

Average Age. The average age of the top ten admitting physicians for the nine months ended June 30, 2016 was 47.5 years. The table below summarizes the specialty, age, inpatient admission volume and percent of inpatient admissions of these physicians for fiscal year 2015.

TOP TEN PHYSICIANS BY ADMISSION VOLUME
NINE MONTHS ENDED JUNE 30, 2016

Physician Specialty	Affiliation	Age	Number of Admissions	Percent of Admissions
Hospitalist-Family Medicine	Watson Clinic	42	881	2.6%
Hospitalist-Family Medicine	Watson Clinic	46	784	2.3%
Hospitalist-Internal Medicine	Watson Clinic	56	646	1.9%
Hospitalist-Internal Medicine	Watson Clinic	43	646	1.9%
Neonatology	Pediatrix Medical Group	56	580	1.7%
Neonatology	Pediatrix Medical Group	55	572	1.7%
Hospitalist-Pediatrics	Watson Clinic	50	559	1.7%
Hospitalist-Pediatrics	Watson Clinic	50	541	1.6%
Hospitalist-Internal Medicine	Watson Clinic	46	492	1.5%
Hospitalist-Internal Medicine	Lakeland Regional Health	31	491	1.5%
Total		**47.5**	**6,192**	**18.4%**

Source: Hospital Records

Quality

LRMC is committed to quality and target top decile performance in CMS' Value Based Programs in alignment with other national benchmarking methodologies including Leapfrog and Truven "100 Top Hospitals". LRMC is currently ranked in the top decile in Patient Safety for Serious Complications (a subset of Hospital Acquired Conditions (HACRP) and Value Based Purchasing (HVBP)). LRMC is an "A" Hospital as reported by the Leapfrog Group for the third consecutive semiannual rating period, after having received ratings as low as "D" in 2013. LRMC's Risk Adjusted Mortality Index ("***RAMI***") has sustained performance at better than the 2012 90th percentile benchmark of .95 following the significant improvements made in previous years (RAMI decreased (favorable) from 0.97 in fiscal year 2010 to 0.87 in fiscal year 2013). Similarly, LRMC's Risk Adjusted Complications Index ("***ERCI***") has sustained performance at better than the 2012 90th percentile benchmark of 0.92

following the significant improvements made in previous years (ECRI decreased (favorable) from 0.95 in 2010 to 0.74 for fiscal year 2013). LRMC ranks in the top decile for rate of improvement and performance in the 2016 Truven "100 Top Hospitals" Report. The very low frequency of ICU-Based Ventilator Associated Pneumonia's ("***VAP***") (23 consecutive months without an infection) has placed LRMC's performance in the top decile with the Centers for Disease Control and Prevention's National Healthcare Safety Network (NHSN) since March 2013. LRMC also embarked on an Emergency Department LEAN process improvement initiative in 2011. The goal was to increase the number of patients admitted or discharged in less than three hours from less than 50% to more than 80%. That goal has been achieved since the first quarter of fiscal year 2013 and has resulted in LRMC's ranking in the top 1% of Emergency Department Throughput for Inpatients at Hospitals with "very high" volumes of Emergency Department Visits. The Hospital recently opened an evidenced-based Collaborative Care Unit that will focus on reducing readmissions. This unit is a separate and distinct medical unit in which the Hospital and nursing team work within a specific, well-defined inpatient area and are fully responsible for the quality, patient experience and costs of care. The Hospital also recently opened an evidence-based Clinical Decision Unit that will focus on reducing Observation Length of Stay. This unit is a separate and distinct medical unit in which the Hospital and nursing team work with specific low risk patients to ensure efficient delivery of safe care.

Information Technology

The Health System strongly believes the use of technology is a differentiator for advancing safe and quality patient care, promoting healing and wellness, enhancing patient, visitor and team experience, and managing business and financial operations. LRMC has fully integrated Cerner Clinical ("***Cerner")*** electronic health records ("***EHR***") at the Hospital and Allscripts Clinical/Financial information systems in all ambulatory campuses. Further, LRMC anticipates that all core hospital clinical systems will be operational on Cerner by the end of calendar year 2016 and intends to then move its physician practices from Allscripts to Cerner by October 2019. The Health System has implemented evidence-based and computerized disease-specific treatment protocols for conditions such as COPD, congestive heart failure and pneumonia, and real time alerting for potential sepsis and hospital readmissions. The Health System is focused on quality, safety and population health initiatives to support its team and community health and wellness strategies, including proactive management of chronic diseases and reduction in length of stay. The Health System also manages a Health Information Exchange platform for the community healthcare providers, as well as a patient portal that gives patients secure and convenient access to private healthcare information online and the ability to communicate with their care team anytime from anywhere in the world. In early 2016, LRMC committed to a $8.0 million capital investment to implement the Cerner Revenue Cycle solution, replacing the current patient financial management system at the Hospital. This project is planned to be in productive use in late 2017 and will give LRMC a clinically-integrated patient billing system that will drive efficiencies across the entire revenue cycle process.

The Health System is building strong clinical informatics, industrial engineering, lean technology optimization, and data science disciplines and tools to complement the information technology team and processes. It strives to be a leader in information security, regulatory compliance, business continuity and disaster readiness. The Health System's infrastructure is regularly refreshed and supports mobility, remote computing, virtualization, an enterprise data warehouse and advanced analytics.

The Health System has recently earned the "Most Wired" award from Hospitals & Health Networks magazine for its dedication to creating an exceptional digital infrastructure and advanced clinical processes guided by technology. The Health System also has been recognized by the Healthcare Information and Management Systems Society ("***HIMSS***") and Centers for Medicare and Medicaid Services ("***CMS***") for leadership in EHR adoption, meaningful use and productive use of technologies for the advancement of healthcare.

Education

The Health System has maintained a long-standing philosophy which centers on the development of human capital and providing the educational resources necessary to support that development. Educational opportunities are provided to all Health System constituents from the Medical Staff to support personnel.

Specifically, the Hospital is accredited by the Florida Medical Association and the Florida Board of Nursing to provide continuing education for physicians on its attending staff as well as physicians from the Service Area and its nursing staff. Approximately 280 hours of Continuing Medical Education are awarded annually along with approximately 39,300 contact hours and 107,000 in-service hours awarded annually for nurses. Additional continuing education is provided to other professional groups including respiratory therapists, social workers, radiologic technologists, laboratory technologists, speech and language pathologists, physical and occupational therapists and dietitians. Significant in-service education is provided to address best practices, safety, compliance, regulatory issues, and new or changing patient products. In 2015, the Health System initiated the Institute for Safety

Discovery and Standard Work (the "***Institute***"). The Institute implemented two training and standard work programs, including Patient Falls Prevention at the Hospital, which uses RFID technology to monitor hourly patient rounding and a Hand Hygiene/Infection Prevention program, which includes a randomized observation, compliance and coaching process to improve outcomes. The Institute has also adopted initiatives to reduce labeling error of blood specimens at LRMC's blood bank and a needle stick and sharp injury prevention program.

The Health System provides a wide range of education and development opportunities for all levels of its leadership team. These learning opportunities focus on the key leadership practices identified to achieve success at the Health System and incorporate blended learning and active learning to achieve performance improvement. Additional leadership support activities include executive coaching, leadership onboarding, employee engagement planning, department-level organizational development programs, teambuilding tools, supervisory development, and succession planning.

The Health System maintains clinical affiliations with numerous colleges, universities and technical centers to provide professional experiences for students from the schools. Affiliations include:

- University of Florida
- University of South Florida
- University of Central Florida
- Florida Southern College
- Polk State College
- Southeastern University
- South Florida Community College
- Traviss Career Center
- Polk County Public Schools
- Hillsborough Community College
- Florida Technical College
- Keiser University

In addition, the Health System has provided leadership to the Polk County Public Schools by developing numerous learning opportunities for students. They include shadow experience, directed independent study, project search, and a summer teen volunteer program. One-day leadership and experimental programs aligned with STEM curricula are also administered. These include TALON, MERIT, and various youth tours throughout the year.

Human Resources

As of June 30, 2016, the Obligated Group employed 5,288 personnel, which equates to approximately 4,688 full time equivalents ("***FTEs***"), as some employees work only on a part-time basis. The Hospital employed 4,647 personnel equating to 4,070 FTEs. Of these Hospital FTEs, 1,388 were registered nurses and 5 were licensed practical nurses. LRMC's registered nurses and technical employees are represented by the United Food and Commercial Workers Union. Both agreements were renegotiated in 2014 and extended through April 2017. Management believes that it has an excellent relationship with the union.

LRHS provides compensation and a full range of employee benefit programs that management believes are competitive with other similar institutions in the area. These programs include comprehensive medical, dental, and vision plans, retirement plans, life insurance, disability protection, and tuition assistance. Compensation levels are adjusted to reflect the current market, as necessary, to ensure competitiveness. LRHS uses multiple surveys to conduct market pricing studies. The survey library will consist of local, state, regional, and national sources that cover the healthcare industry as well as general industry. LRHS benchmarks jobs by using the closest available published survey job. Where available, each benchmark job is matched to at least two survey sources. Unless one data point is a significant outlier, all survey sources will be equally weighted when calculating the final composite. The composite value will equal the average of the survey data points. This methodology enhances validity and reliability of market data over time. Eligible members of the Health System's management team participate in a group incentive plan with both quality and financial goals established and measured annually.

LRHS continues to solicit feedback from employees in a number of different ways, both formally and informally. In a formal survey during June 2015 using the Gallup standard survey with some customized questions from LRHS, employee engagement scores were in the 76th percentile of national healthcare norms based on Gallup's normative database. In 2015, LRHS was one of only 40 employers in the world to receive the Gallup Great Workplace award.

The Obligated Group has established multiple defined contribution plans (the "***Plans***") to provide a contemporary retirement plan for its employees. All qualified employees of the Obligated Group are covered by the Plans. For all employee groups who meet minimum service requirements, the Obligated Group currently contributes 3% of eligible employee wages up to the taxable wage base for Social Security tax purposes for each Plan year and 6% of eligible employee wages in excess of the taxable wage base for each Plan year up to the maximum allowed by pension regulations. The Obligated Group also makes a matching contribution of 50% of employee elective deferrals up to 2% of eligible wages to all qualified employees. Neither Obligated Group Member has a qualified defined benefit plan. For more information regarding employee benefits, see Note 7 of the Notes to Financial Statements in Appendix B to the Official Statement.

Volunteer Service

The Health System has an active volunteer program, administered through LRMC's Department of Volunteer Services. In fiscal year 2015, adult and teen volunteers donated a total of 50,081 hours to LRMC, the Cancer Center and other outpatient ambulatory locations. Volunteers provide a variety of services to the Health System including greeting visitors, patient information, way finding, errand services, flower and mail delivery, assisting on patient floors, tram services and pet and music therapy.

Accreditations and Memberships

LRMC was last accredited by The Joint Commission in July 2013 for a three year period. The Joint Commission was on site in June 2016 for its accreditation review, of note The Joint Commission found only minor direct and indirect findings, which LRMC has 45 to 60 days to correct, and zero infection control findings. LRMC is also accredited by The Joint Commission as a Primary Stroke Center. LRMC is licensed by the Agency for Health Care Administration ("***AHCA***") and is approved for participation in the Medicare and Medicaid programs. Other accreditations include the College of American Pathologists, the American College of Surgeons, the Society of Chest Pain Centers, the American College of Radiation Oncology, the National Accreditation Program for Breast Centers and the American Medical Association for LRMC's School of Radiology Technicians. Memberships include the Voluntary Hospitals of America, the Florida Hospital Association, the American Hospital Association, and the Association of Community Cancer Centers.

Awards and Recognitions

The Health System is recognized as one of the leading health care delivery systems, having received the following recognition, among others:

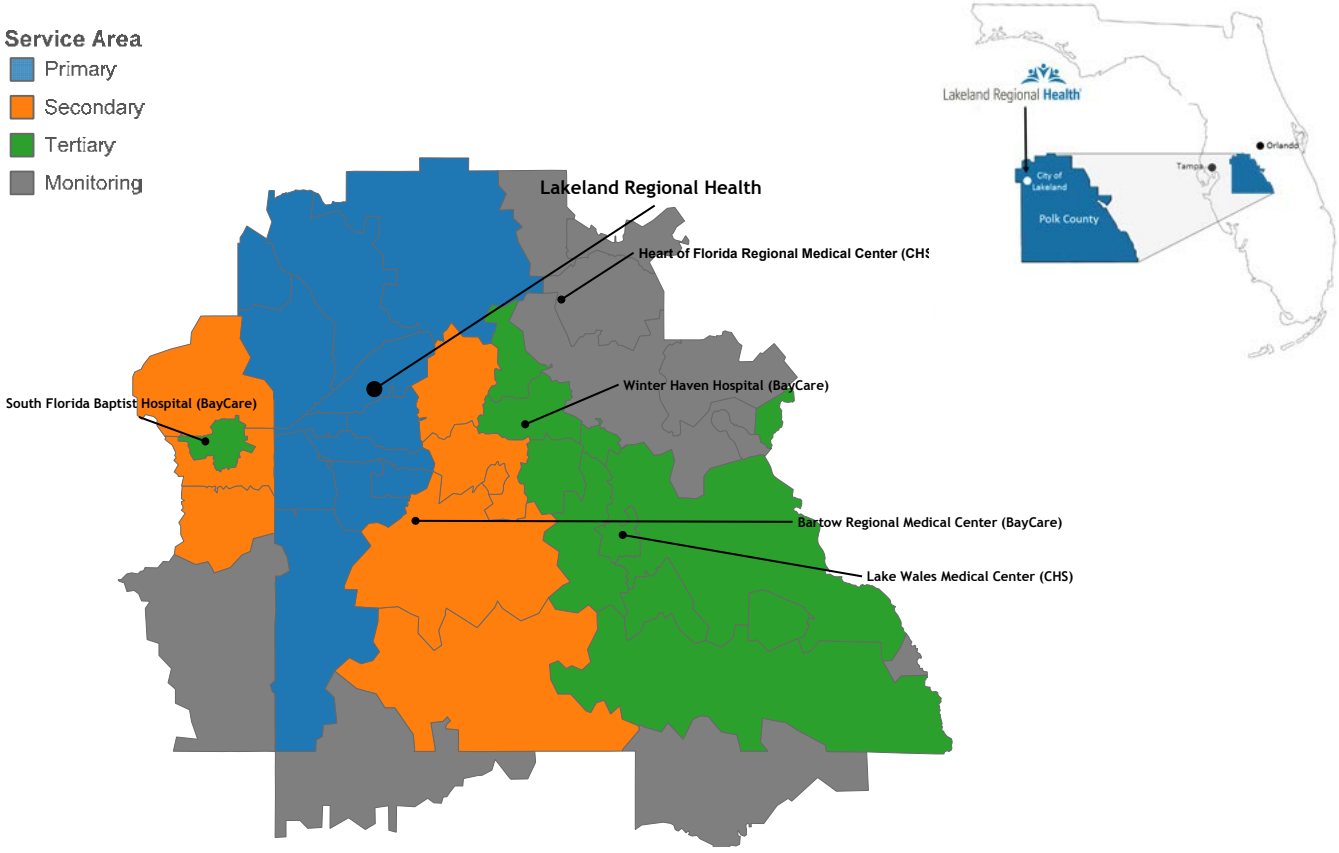
- 2016 named as one of 150 Great Places to Work in Healthcare by *Beckers Hospital Review*.
- 2016 named to America's Best Mid-Size Employers list by *Forbes*.
- 2016 Leapfrog Group A Hospital Safety Scorecard rating earned for quality, safety and resource use.
- 2016 Most Wired Advanced, one of 19 in the country, by American Hospital Association and College of Healthcare Information Management Executives.
- 2015 Most Wired Advanced, one of six in the country, by American Hospital Association and College of Healthcare Information Management Executives.
- 2015 Accreditation with Commendation earned for three years by the Cancer Center from America College of Surgeons' Commission on Cancer.
- 2015 Cancer Center awarded NAPBC reaccreditation through 2018 for breast care excellence.
- 2015 Leapfrog Group A Hospital Safety Scorecard ratings received twice during the year for quality, safety and resource use.
- 2015 NCQA Patient Centered Medical Home ambulatory location status recognition earned for access, healthcare information technology and coordinated care excellence.
- 2015 Second Gallup Great Workplace Award received, 1 of 40 in the world. Recognizes companies who have achieved engagement excellence for their extraordinary ability to create an engaged workplace culture.
- 2015 HIMSS Analytics Stage 6 Ambulatory certification accomplished.
- 2015 named to America's Best Employers by *Forbes*.

- 2015 named as one of 150 Great Places to Work in Healthcare by *Beckers Hospital Review*.
- 2014 Gallup Great Workplace Award, 1 of 36 in the world. Recognizes companies who have achieved engagement excellence for their extraordinary ability to create an engaged workplace culture.
- 2014 Innovation of the Year in Patient Care from the Florida Hospital Association for the Emergency Department redesign.
- 2014 Genesis Cup Award in recognition of healthcare innovation and exceptional patient care.
- 2014 Quality Achievement Award from the International Stroke Conference.
- 2014 Bronze Recognition from the Health Resources and Services Administration and the American Hospital Association for participation in the National Hospital Organ Donation Campaign.
- 2013 Hospitals and Health Networks Most Wired Hospital.
- 2013 HIMSS Analytics Stage 6, a 7-stage measure of EMR technology adoption which only 10% of hospitals have reached.
- 2013 Cancer Center named in top 25 cancer centers in Florida according to the American College Surgeons Commission on Cancer.

SERVICE AREA

The Lakeland Urban Area is considered the primary service area and the remainder of Polk County is considered the secondary/tertiary east and southeast service area. Eastern Hillsborough County constitutes the Hospital's tertiary west service area. The Hospital is the largest acute care facility in Polk County and in the entire Service Area. (Polk County, which includes the entire Lakeland Urban Area, and Eastern Hillsborough County, will be referred to as the "***Service Area***").

According to Truven Health Analytics Inc., in fiscal year 2015, the Hospital maintained a strong presence in its primary service area capturing 80.5% of adult inpatient cases and over 84.0% market share in the Cardiac/CV Surgery, Cardiovascular Diseases, General Medicine, General Surgery, Nephrology/Urology and Pulmonary Medical service lines.



POLK COUNTY AREA POPULATION TRENDS BY AGE GROUP – 2000 AND 2010 AND PROJECTED FOR 2015 AND 2020

Age Group	2000	2010	Estimated 2015	Projected 2020	% Growth 2010-2015	% Growth 2015-2020
0-14	98,223	117,437	120,286	128,900	2.4%	7.2%
15-44	187,841	222,041	228,399	246,666	2.9%	8.0%
45-64	109,122	154,321	160,719	172,756	4.1%	7.5%
65-74	48,122	60,758	70,714	81,718	16.4%	15.6%
75-84	31,564	35,544	38,820	47,195	9.2%	21.6%
85+	9,052	11,994	14,114	16,155	17.7%	14.5%
	483,924	602,095	633,052	693,390	5.1%	9.5%

Source: US Census Bureau and University of Florida Bureau of Economic and Business Research

The percentage of Hospital discharges attributable to patients residing in Polk County has increased slightly from 91.9% in fiscal year 2013 to 92.2% in fiscal year 2015. The table below summarizes the origin of patient discharges from the Hospital for the three fiscal years ending September 30, 2015.

ORIGIN OF PATIENT DISCHARGES

	For Fiscal Year Ended September 30,		
Patient Origin	**2013**	**2014**	**2015**
Polk County	91.9%	92.3%	92.2%
Other Florida	6.4%	6.3%	6.1%
Out of State	1.7%	1.4%	1.7%
Total	100.0%	100.0%	100.0%

Source: Hospital Records
Note: Excludes normal newborn babies

Polk County, Florida has a diverse employer base, and Moody's upgraded the County's rating from "A1" to "Aa3" in September 2015. Principal industries in the Service Area include government, health services, retail, construction, mining, manufacturing, and agriculture. The following tables lists the top private and public employers in Polk County as of June 2016.

TOP POLK COUNTY PRIVATE EMPLOYERS

Employer Name	Industry Sector	Approximate # of Employees
Publix Super Markets, Inc.	Retail grocery/dairy/bakery	10,200
Wal-Mart	Retail	6,200
Lakeland Regional Health Systems	Healthcare	5,500
Winter Haven Hospital	Healthcare	2,500
GEICO Insurance	Insurance	2,100

TOP POLK COUNTY PUBLIC EMPLOYERS

Employer Name	Industry Sector	Approximate # of Employees
Polk County School Board	Education	13,100
Polk County Government	Government	4,500
State of Florida	Government	4,400
City of Lakeland	Government	2,600

Source: Lakeland Economic Development Council, Central Florida Development Council, and Polk County, Florida Comprehensive Annual Financial Report

The Florida Department of Economic Opportunity, Bureau of Labor Market Statistics (the "***Bureau of Labor Market Statistics***") reported average unemployment for Polk County of 4.8% as of May 2016. Comparable May 2016 figures were 4.4% for Florida and 4.5% for the United States.

In addition, according to the Bureau of Labor Market Statistics, the Lakeland-Winter Haven metropolitan statistical area had as of May 2016 (i) the second fastest annual job growth rate compared to all the metro areas in the State of Florida in professional and business services (+9.3%), (ii) the third fastest annual job growth rate compared to all the metro areas in the state in financial activities (+5.0%), and (iii) nonagricultural employment rose to 213,100, an increase of 5,100 (+2.5%) over the prior year.

COMPETITION

There are currently four other general, acute care hospitals in Polk County. The Hospital is the largest facility in terms of size and program offerings and the only facility in Polk County providing trauma services. Historical utilization statistics for the Hospital and the other Polk County hospitals are summarized below for the three fiscal years ended 2013, 2014 and 2015.

POLK COUNTY PROVIDERS

Facility	Licensed Beds	Facility Discharges	Discharge Days	Average Length of Stay	Average Daily Census
Fiscal Year Ended 2013					
Lakeland Regional Medical Center	**851**	**39,312**	**178,262**	**4.5**	**488.4**
Winter Haven Hospital/Women's Hospital	527	16,848	75,690	4.5	207.4
Heart of Florida Regional Medical Center	194	10,816	38,568	3.6	105.7
Lake Wales Medical Center	160	4,832	21,430	4.4	58.7
Bartow Regional Medical Center	72	3,826	15,035	3.9	41.2
Fiscal Year Ended 2014					
Lakeland Regional Medical Center	**851**	**41,152**	**189,193**	**4.6**	**518.3**
Winter Haven Hospital/Women's Hospital	527	17,003	82,748	4.9	226.7
Heart of Florida Regional Medical Center	194	9,460	35,055	3.7	96.0
Lake Wales Medical Center	160	4,166	18,202	4.4	49.9
Bartow Regional Medical Center	72	3,626	13,964	3.9	38.3
Fiscal Year Ended 2015					
Lakeland Regional Medical Center	**849**	**43,204**	**202,306**	**4.7**	**554.3**
Winter Haven Hospital/Women's Hospital	529	16,939	79,077	4.7	216.6
Heart of Florida Regional Medical Center	193	9,000	32,441	3.6	88.9
Lake Wales Medical Center	160	4,675	21,668	4.6	59.4
Bartow Regional Medical Center	72	3,111	14,029	4.5	38.4

Source: AHCA discharge database; LRMC Statistics Database; Health Council of West Central Florida.
Note: Excludes normal newborn babies

Based on fiscal year (October 1 - September 30) data summarized below, the Hospital is the market leader in Polk County, consistently maintaining the largest Service Area discharge market share. The Hospital's market share slightly increased to 43.4% at the end of fiscal year 2015 as compared to 42.9% in fiscal year 2014. Winter Haven Hospital (located in Eastern Polk County) and Bartow Regional Medical Center (South Polk), members of BayCare Health System, a private nonprofit corporation, experienced slight decreases in market share for 2015. Heart of Florida Regional Medical Center (Northeast Polk), owned by Community Health Systems, Inc., also experienced decreases for 2015 as compared to fiscal year 2014.

[Remainder of Page Intentionally Left Blank]

In addition, according to AHCA data, the Hospital's Total Service Area (which includes its tertiary west service area of Eastern Hillsborough County) discharge market share has been consistent for the past 10 fiscal years for which data is available, increasing slightly from 45.8% in fiscal year 2006 to 48.2% in fiscal year 2015 with competitor's overall market share decreasing slightly:

COMPETITOR TOTAL SERVICE AREA MARKET SHARE

	For Fiscal Year Ended September 30,			
Competitor	**2006**	**2010**	**2013**	**2015**
Bartow Regional Medical Center	4.9%	5.6%	4.4%	3.4%
Winter Haven Hospital	14.9%	15.1%	15.7%	14.6%
South Florida Baptist	5.8%	6.3%	5.8%	5.8%
Lake Wales Medical Center	3.5%	4.7%	4.2%	3.9%

Source: Agency for Health Care Administration databases.
Note: All Hospital data represents actuals based on a fiscal year defined from October 1 – September 30.

POLK COUNTY DISCHARGE MARKET SHARE

	Percentage of Polk County Discharges For Fiscal Year Ended September 30,			Distance from the
Hospital	**2013**	**2014**	**2015**	**Hospital**
Lakeland Regional Medical Center	**41.2%**	**42.9%**	**43.4%**	**N/A**
Winter Haven Hospital (including Winter Haven Women's Hospital)	18.3%	18.0%	17.3%	20 miles
Heart of Florida Regional Medical Center	10.9%	9.3%	8.5%	30 miles
Lake Wales Medical Center	5.2%	4.4%	4.7%	35 miles
Bartow Regional Medical Center	4.0%	3.8%	3.1%	15 miles
Other	20.4%	21.6%	23.0%	N/A
Total	**100.0%**	**100.0%**	**100.0%**	

Source: AHCA databases. Includes Polk County discharges; excludes normal newborn babies.

UTILIZATION

The following table summarizes data concerning utilization of LRMC for each of the three fiscal years ended September 30, 2013, 2014 and 2015 and the nine months ended June 30, 2015 and 2016.

HISTORICAL UTILIZATION

	Fiscal Year Ended September 30,			Nine Months Ended June 30,	
	2013	**2014**	**2015**	**2015**	**2016**
Licensed Beds	851	851	849	849	849
Average Staffed Beds (Inpatient)	845[(1)]	820	794	786	810
Average Daily Census	492	530	561	565	531
Average % Occupancy (Licensed Beds)	57.8	62.3	65.9	66.4	62.4
Adult Discharges	39,027	41,097	43,197	32,696	31,321
Outpatient Observation	14,817	15,632	15,548	11,685	13,863
Average Length of Stay (Days)	4.6	4.7	4.7	4.7	4.6
Discharge Days – Adult Inpatient Days	179,637	193,507	204,721	154,307	145,044
Outpatient – All Other Visits	24,704	26,451	27,973	20,509	20,926
Inpatient Surgery Cases	8,492	8,746	8,981	6,729	7,019
Outpatient Surgery Cases	6,509	6,935	7,343	5,470	5,646
Emergency Room Visits	187,425	201,332	212,744	160,862	165,067
Case Mix Index	1.39	1.38	1.40	1.39	1.49

Source: Hospital Records

(1) Fiscal year 2013 data has been restated to more accurately reflect actual staffed beds for the time period.

FINANCIAL INFORMATION

Obligated Group Consolidated Balance Sheet and Summary of Revenues and Expenses

The following summary financial information for the Consolidated Balance Sheet as of September 30, 2013, 2014 and 2015, and the Summary of Revenue and Expenses for each of the years ended September 30, 2013, 2014 and 2015 of the Obligated Group have been derived from the consolidated financial statements of the Health System, which have been audited by KPMG, LLP, independent certified public accountants for those periods. The financial information for the fiscal years ended September 30, 2014 and 2015 should be read in conjunction with LRHS' audited consolidated financial statements and related notes for the years included in Appendix B to the Official Statement, including particularly the notes to such statements. The Consolidated Balance Sheet for the nine-month period ended June 30, 2016 and the Summary of Revenue and Expenses for the nine months ended June 30, 2015 and 2016, included in the following tables are derived from unaudited consolidated financial statements of the Obligated Group and include all adjustments, consisting of normal recurring adjustments, that LRHS' management considers necessary for a fair presentation on a basis consistent with the audited financial statements. The Health System's audited consolidated financials include financial results of operations of subsidiaries and other related affiliates which are not Obligated Group Members and, consequently, are not obligated on the Series 2016 Note that secures the Series 2016 Bonds. For the fiscal years ended September 30, 2015, 2014 and 2013, the Obligated Group accounts for approximately 100% of total revenue, expenses and assets of the Health System. For the nine months ended June 30, 2016 and 2015, the Obligated Group accounts for approximately 100% of total revenue and expenses and approximately 96% and 100% of total assets of the Health System.

OBLIGATED GROUP
CONSOLIDATED BALANCE SHEET

	As of September 30,			As of June 30,	
		(unaudited)		*(unaudited)*	
	2013	**2014**	**2015**	**2015**	**2016**
		(in thousands)		*(in thousands)*	
Current Assets:					
Cash and cash equivalents	$28,529	$21,475	$34,629	$59,051	$21,733
Current portion of assets limited to use	13,254	14,320	76,035	63,144	90,648
Patient accounts receivable, net	93,477	98,909	106,062	103,022	114,889
Other current assets	30,763	32,120	29,809	27,570	23,647
Total Current assets	**$166,023**	**$166,824**	**$246,535**	**$252,787**	**$250,917**
Assets limited as to use, less current portion	$61,852	$68,456	$170,683	$192,171	$109,759
Long-term investments	308,397	357,854	342,774	357,596	339,446
Property and equipment, net	309,347	326,897	384,177	352,911	435,204
Other assets	24,063	26,045	29,923	27,964	70,977
Total assets	**$869,682**	**$946,076**	**$1,174,092**	**$1,183,429**	**$1,206,303**
Current liabilities:	**$102,940**	**$119,703**	**$122,529**	**$116,250**	**$88,744**
Long term debt, less current portion	174,631	167,178	364,548	364,795	355,856
Long-term liabilities	38,556	37,786	34,676	40,869	35,071
Total liabilities	**$316,127**	**$324,667**	**$521,753**	**$521,914**	**479,671**
Net assets:	**$553,555**	**$621,409**	**$652,339**	**$661,515**	**$726,632**
Total liabilities and net assets	**$869,682**	**$946,076**	**$1,174,092**	**$1,183,429**	**$1,206,303**

OBLIGATED GROUP
SUMMARY OF REVENUE AND EXPENSES

	Fiscal Year Ended September 30,			Nine Months Ended June 30,	
		(unaudited)		*(unaudited)*	
	2013	**2014**	**2015**	**2015**	**2016**
		(in thousands)		*(in thousands)*	
Net Patient Service Revenue	$584,122	$669,281	$712,261	$536,193	$559,218
Other Revenue	19,635	17,800	20,184	15,679	10,775
Total Revenues	**$603,757**	**$687,081**	**$732,445**	**$551,872**	**$569,993**
Expenses:					
Employee compensation and benefits	$295,659	$342,213	$373,862	$278,342	$292,531
Supplies	113,572	134,334	149,774	111,047	115,543
General and administrative	83,830	94,609	93,351	75,121	69,356
Depreciation	38,302	41,503	45,182	33,000	37,077
Interest	8,566	8,040	7,673	6,868	6,190
Other	26,764	27,553	31,580	23,361	24,931
Total Expenses	**$566,693**	**$648,252**	**$701,422**	**$527,739**	**$545,628**
Operating Income	**$37,064**	**$38,829**	**$31,023**	**$24,133**	**$24,365**
Non-operating gains (losses)					
Investment income	$28,166	$25,590	$(4,674)	$14,081	$19,215
Other non-operating gains	1,550	606	1,346	950	1,516
Total Non-operating gains (losses), net	**$29,716**	**$26,196**	**$(3,328)**	**$15,031**	**$20,731**
Excess of Revenues over Expenses	**$66,780**	**$65,025**	**$27,695**	**$39,164**	**$45,096**

Sources of Revenues

Payments to LRMC are made on behalf of certain patients by third-party payors including Blue Cross, managed care and commercial insurance plans, and the federal and state governments under the Medicare and Medicaid programs. The top four commercial insurance plans and the respective percentage of LRMC's gross charges are Blue Cross (7.1%), United Healthcare (4.9%), CIGNA (3.9%) and Aetna (2.2%). Though LRMC's contracts with the foregoing third-party payors roll over annually on the same terms, LRMC is in the process of negotiating new contracts with United Healthcare, CIGNA and Aetna. The percentage distribution of the Obligated Group's total gross patient service revenue by source of payment for the fiscal years ended September 30, 2013, 2014, 2015 and nine months ended June 30, 2016 are contained in the chart below.

PERCENT OF GROSS PATIENT CHARGES

	Fiscal Year Ended September 30,			As of June 30,[(1)]
Source	**2013**	**2014**	**2015**	**2016**
Medicare	28.6%	27.4%	25.7%	24.8%
Medicare managed care	18.0%	19.3%	21.1%	21.3%
Total Medicare	**46.6%**	**46.7%**	**46.8%**	**46.1%**
Medicaid	9.8%	8.2%	5.2%	4.3%
Medicaid managed care	8.1%	8.9%	11.7%	12.6%
Total Medicaid	**17.9%**	**17.1%**	**16.9%**	**16.9%**
Commercial	**23.2%**	**23.6%**	**24.8%**	**24.8%**
Self-Pay	**9.5%**	**9.6%**	**8.9%**	**9.7%**
Other Gov't/Workers' Comp	**2.8%**	**3.0%**	**2.6%**	**2.5%**
	100.0%	**100.0%**	**100.0%**	**100.0%**

Source: Hospital Records

(1) Percent of gross patient charges for the nine months ended June 30, 2016 represents the financial class upon discharge. Self-pay includes patients who are pending Medicaid benefits. Historically, there is a shift from self-pay to Medicaid as these patients become eligible for Medicaid benefits over time.

The patient revenue associated with commercial insurance patients represents activity at LRMC under contracts with 50 insurance plans, exclusive of Medicare and Medicaid managed care plans. Reimbursement is based upon negotiated discounted rates. Contracts with HMOs and PPOs are typically negotiated on a multi-year basis for both inpatient and outpatient services and are not concentrated in any particular service or product line.

LRMC began participating in the Bundled Payment for Care Improvement Initiative sponsored by CMS in fiscal year 2016. Medicare patients who will have a total hip or knee procedure qualify. Under this initiative, LRMC, physicians and post-acute providers, such as home health agencies and skilled nursing facilities, are encouraged to collaborate together in order to improve quality and reduce costs. LRMC aspires to deliver a higher quality patient experience through the bundled payment initiative. As part of the care redesign, each qualifying patient is encouraged to attend a comprehensive face to face educational session, and for those patients who are unable to attend, LRMC now offers the educational session virtually. Every qualifying patient also receives a Physical Therapy Assessment and a standardized post-acute care plan, which is developed prior to their discharge. Additionally, Care Coordinators help watch over each patient for 30 days after discharge to provide additional support, ensure patients remain on their care plan and help prevent readmissions to the Hospital.

Management's Discussion and Analysis of Financial Results of Operations of the Obligated Group

Nine Months Ended June 30, 2016 Compared to Nine Months Ended June 30, 2015. Net Operating Income for the Obligated Group was $24.4 million for the nine months ended June 30, 2016 as compared to $24.1 million for the nine months ended June 30, 2015. The operating margins were 4.3% and 4.4% for the nine months ended June 30, 2016 and 2015, respectively. Net patient revenue for the nine months ended June 30, 2016 was $559.2 million as compared to $536.2 million for the nine months ended June 30, 2015. The $23.0 million increase in net patient revenue was driven primarily by an increase in observation cases and emergency room visits at LRMC, the opening of a new Inpatient Rehabilitation Unit at LRMC and increases in radiation and chemotherapy treatments at the Cancer Center. Adult admissions decreased by 4.5% during the nine months ended June 30, 2016 compared to the nine months ended June 30, 2015, but the decline was more than offset by an 18.6% increase in observation cases during the same time period due to conversions of short stay admissions to observation status. There has been a corresponding increase in Total Case Mix Index from 1.39 for the nine months ended June 30, 2015 to 1.49 for the nine months ended June 30, 2016. Emergency room visits totaled 165,067 for the nine months ended June 30, 2016, a 2.6% increase over the same period in 2015. Radiation and chemotherapy treatments at the Cancer Center increased by 16.3% for the nine months ended June 30, 2016 compared to the nine months ended June 30, 2015.

Other operating revenue decreased by $4.9 million for the nine months ended June 30, 2016 compared to the nine months ended June 30, 2015 mainly due to a decrease in 340B contract pharmacy revenue of $3.7 million resulting from the loss of 340B status effective March 1, 2016, a $0.4 million decrease in capitation payments due to the termination of a risk-based capitation payment arrangement with the medical group during the nine months ended June 30, 2016, and the loss of State Low Income Pool funding for LRMC's Family Health Center. The loss of $1.8 million in State funding for this program was offset to some degree by a $1.3 million grant from Polk County during the nine months ended June 30, 2016.

Total Expenses for the Obligated Group were $545.6 million in the nine months ended June 30, 2016 as compared to $527.8 million in the nine months ended June 30, 2015. The $17.8 million increase was driven primarily by significantly higher volumes at the Cancer Center, increases in pharmaceutical costs due to the loss of 340B status effective March 1, 2016 and an increase in depreciation expense due to master facility expansion projects which were recently placed into service and continued efforts to modernize medical equipment. Salaries expense increased by $10.3 million in the nine months ended June 30, 2016 as compared to the same period in 2015 primarily due to the continuing addition of physicians and mid-level providers to the medical group. In addition all employees received 2% rate increases at the beginning of fiscal year 2016. Additionally, salaries expense for the nine months ended June 30, 2016 includes approximately $1.9 million in estimated costs related to an employee incentive bonus program which was not recognized in fiscal year 2015 until September 2015. The salary increase has been mitigated by the elimination of approximately 70 positions throughout the nine months ended June 30, 2016. The loss of 340B status has caused pharmacy expense to increase by approximately $700,000 per month. The decrease in general and administrative expenses is mainly due to a decrease in estimated professional and general liability expenses of $4.1 million based upon the most recent actuarial study which was received in June 2016. The actuarial study for fiscal year 2015 was not received until September 2015. The favorable change in estimated professional and general liability expense is due to continued quality improvement initiatives and better management of litigation and settlement costs.

Collections for LRMC continued to be strong during the nine months ended June 30, 2016 and increased by $15.7 million as compared to the same time period in 2015. In spite of the significant increase in collections, net days in patient accounts receivable increased to 55.2 days as of June 30, 2016 compared to 51.1 days as of June 30, 2015. The increase is primarily due to an increase in discharged but not-final-billed accounts due to a computer issue which started at the end of May 2016 and was corrected at the end of June 2016. Purchases of property and equipment for the Obligated Group amounted to $88.0 million in the nine months ended June 30, 2016 as compared to $59.0 million during the same time period in 2015. This is due to the increase in capital spending related to the Carol Jenkins Barnett Pavilion for Women and Children, the completion of various master facility projects, including the Cancer Center expansion, the Bannasch Institute for Advanced Rehabilitation Medicine, and the Grasslands Medical Office Building, and management's continued emphasis on modernizing the Obligated Group's equipment and physical plant. In July 2015, LRHS purchased 100 acres of land for $7.5 million for future development. These investments in capital improvements, as well as an increase in payments to the City of Lakeland of $24.2 million ($15.0 million was a lump sum payment and $9.2 million was an acceleration of the timing of the annual lease payment) during the nine months ended June 30, 2016 compared to the nine months ended June 30, 2015 related to the October 1, 2015 lease amendment and extension, resulted in a drop in Unrestricted Days Cash on Hand for the Obligated Group to 219.3 days as of June 30, 2016 compared to 255.1 days as of June 30, 2015. There was also a corresponding decrease in the Obligated Group's Cash to Debt ratio to 111.9% as of June 30, 2016 as compared to 124.2% as of June 30, 2015.

Excess of Revenue over Expenses for the Obligated Group was $45.1 million in the nine months ended June 30, 2016 compared to $39.2 million in the nine months ended June 30, 2015. Net non-operating gains were $20.7 million in the nine months ended June 30, 2016 compared to net non-operating gains of $15.0 million in the nine months ended June 30, 2015. The $5.7 million increase resulted primarily from realized gains on investments.

Fiscal Year 2015 Compared to Fiscal Year 2014. Net Operating Income for the Obligated Group was $31.0 million for fiscal year 2015 as compared to $38.8 million for fiscal year 2014. The operating margin was 4.2% in fiscal year 2015 as compared to 5.7% in fiscal year 2014. The reduction in Net Operating Income and operating margin is primarily attributable to the continuous expansion of the Physician Group. Net patient revenue for fiscal year 2015 was $712.3 million as compared to $669.3 million in fiscal year 2014. The $43.0 million increase in net patient revenue was driven primarily to an increase in admissions and emergency room visits at LRMC and increases in radiation and chemotherapy treatments at the Cancer Center. Adult admissions increased by 5.2% in fiscal year 2015 as compared to fiscal year 2014. Emergency room visits reached 212,744 in fiscal year 2015, a 5.7% increase over fiscal year 2014. Radiation and chemotherapy treatments at the Cancer Center increased by 5.4% in fiscal year 2015 as compared to fiscal year 2014.

Other operating revenue increased by $2.3 million in 2015 compared to 2014 mainly due to an increase in 340B contract pharmacy revenue of $3.3 million, offset by $1.0 million decrease in recognized Medicare and Medicaid Meaningful Use incentive payments representing the final scheduled payments under the CMS incentive program.

Total Expenses for the Obligated Group were $701.4 million in fiscal year 2015 as compared to $648.3 million in fiscal year 2014. The $53.1 million increase was driven primarily by significantly higher volumes at LRMC and the Cancer Center. Salaries expense increased by $24.5 million in fiscal year 2015 compared to fiscal year 2014 due to a 6.3% increase in FTEs at LRMC. The increase in FTEs also resulted in to an increase in employee benefits expense of $6.3 million in fiscal year 2015 as compared to fiscal year 2014. Supplies and pharmacy expenses increased primarily due to higher volume levels in 2015 compared to 2014, as well as increases in 340B contract pharmacy dispensing fees as a result from increases in related 340B contract pharmacy revenue discussed above. Increases in general and administrative and other expenses were mainly due to increases in consulting fees related to facilities planning for the capital projects funded by the Series 2015 Bonds and advertising and marketing expenses from a new branding campaign. These costs were offset by a significant decline in estimated professional liability expenses due to quality improvement initiatives and better management of litigation and settlement costs.

Collections for LRMC continued to be strong in fiscal year 2015, which resulted in an increase of $34.5 million over fiscal year 2014. Cash collections in fiscal year 2015 were $652.3 million compared to $617.8 million in fiscal year 2014. Even with the increase in LRMC volumes in fiscal year 2015, net days in patient accounts receivable increased modestly to 53.1 days as of September 30, 2015 compared to 52.8 days as of September 30, 2014. Purchases of property and equipment for the Obligated Group amounted to $103.4 million in fiscal year 2015 compared to $54.1 million in fiscal year 2014, continuing management's emphasis on modernizing the Obligated Group's equipment and physical plant. These investments made in capital improvements resulted in a drop in Unrestricted Days Cash on Hand for the Obligated Group to 234.2 days as of September 30, 2015 compared to 254.7 days as of September 30, 2014. The Obligated Group's Cash to Debt ratio decreased to 113.2% as of

September 30, 2015 compared to 243.0% as of September 30, 2014 due to the issuance of the Series 2015 Bonds of $180.0 million.

Excess of Revenue over Expenses for the Obligated Group was $27.7 million in fiscal year 2015 compared to $65.0 million in fiscal year 2014. Net non-operating losses were $3.3 million in fiscal year 2015 compared to net non-operating gains of $26.2 million in fiscal year 2014 representing a decrease of $29.5 million that resulted primarily from investment losses.

Fiscal Year 2014 Compared to Fiscal Year 2013. Operating income for the Obligated Group was $38.8 million for fiscal year 2014 as compared to $37.1 million for fiscal year 2013. The operating margin was 5.7% in fiscal year 2014 as compared to 6.1% in fiscal year 2013. Net patient revenue for fiscal year 2014 was $669.3 million as compared to $584.1 million in fiscal year 2013. The $85.2 million increase in net patient revenue was driven primarily by the integration of the C&D Medical Group physicians into LRHS, the consolidation of the former C&D Medical Group cancer center into the Cancer Center and an increase in admissions, observation cases and emergency room visits at LRMC. Emergency room visits reached 201,332 in fiscal year 2014, a 7.4% increase over fiscal year 2013 visits. As compared to fiscal year 2013, adult admissions increased by 5.4% in fiscal year 2014 and observation cases increased by 5.5%. Surgical cases also increased by 4.5% in fiscal year 2014 due to the recruitment of an additional employed Orthopedic Surgeon by LRHS and the recruitment of a full complement of three neurosurgeons beginning in July 2013. The neurosurgeons are employees of USF and practice at LRMC on a full-time basis through an agreement between LRMC and USF. Results for 2014 were also positively impacted by the initiation of a 340B contract pharmacy program which includes six contract pharmacy locations in the primary service area.

Total Expenses for the Obligated Group were $648.3 million in fiscal year 2014, up from $566.7 million in fiscal year 2013. The $81.6 million increase was also driven primarily by the integration of the C&D Medical Group into LRHS and significantly higher volumes at LRMC. The recognition of long term pledges to the nursing education programs at two local educational institutions accounted for $1.1 million in unbudgeted expense in fiscal year 2014. A decision not to inventory certain low cost items also resulted in $1.0 million of unbudgeted expense. In recognition of excellent financial and quality results in 2014, the Board also granted a discretionary bonus of $750 to each full-time employee and $375 to each part time employee. The amounts represented a 50% increase over the discretionary awards made in 2013 and 2012 and the discretionary bonus and resulted in additional salary and benefit expense of $3.7 million in fiscal year 2014.

As a result of strong collections, patient accounts receivable at LRMC grew by a modest $4.5 million from $85.0 million at the end of fiscal year 2013 to $89.5 million at the end of fiscal year 2014 in spite of the 9.3% increase in net patient revenue at the Hospital. Cash collections in fiscal year 2014 were $617.8 million compared to $569.1 million in fiscal year 2013. The Hospital's net days in patient accounts receivable decreased to 52.8 days at September 30, 2014 from 54.8 days at September 30, 2013. Purchases of property and equipment for the Obligated Group amounted to $54.1 million in fiscal year 2014. There has been a strong emphasis in the last three fiscal years on modernizing the Obligated Group's equipment and physical plant. As a result, average age of plant is at its lowest point since fiscal year 2009. Despite the commitment to capital investment, the Obligated Group was able to transfer $30.0 million from its operating account to its investment accounts during fiscal year 2014. Unrestricted Days Cash on Hand for the Obligated Group remained steady at approximately 254.7 days at the end of fiscal year 2014 and the ratio of Cash to Debt was 243.0%. All debt of the Obligated Group has fixed interest rates and the Obligated Group has not entered into any swap agreements.

Excess of Revenue over Expenses for the Obligated Group was $65.0 million in fiscal year 2014 compared to $66.8 million in fiscal year 2013. Non-operating gains net of $26.2 million were derived primarily from investment income.

Fiscal Year 2013 Compared to Fiscal Year 2012. Net Operating Income in fiscal year 2013 was $37.1 million as compared to $41.4 million in fiscal year 2012. It should be noted that LRMC received a $5.5 million rural floor settlement from Medicare in fiscal year 2012. The operating margin in fiscal year 2013 was 6.1%. Net patient revenue was $584.1 million in fiscal year 2013, an $11.5 million increase over fiscal year 2012. LRMC saw an increase in admissions from 36,789 in fiscal year 2012 to 38,983 in fiscal year 2013. Observation cases declined by a similar amount, from 17,675 in fiscal year 2012 to 14,817 in fiscal year 2013. The shift from observation to admissions was primarily due to the fact that LRMC engaged Executive Health Resources to provide physician advisors to help it to properly status admissions. Emergency room visits totaled 187,425 in fiscal year 2013, an increase of 8.4% from fiscal year 2012.

LRMC also experienced a significant increase in Other Operating Revenues from $9.4 million in 2012 to $19.6 million in 2013. The increase was the result of the recognition of Medicare and Medicaid Meaningful Use incentive payments of $7.2 million. LRMC also received a Medicaid Low Income Pool Grant of $2.2 million related to the establishment of a new Family Health Center in July 2012 to provide a medical home for uninsured patients.

Total Expenses for the Obligated Group were $566.7 million in fiscal year 2013 as compared to $540.7 million in fiscal year 2012. Operating expenses for the C&D Medical Group physicians who became employees of LRHS on July 1, 2013, accounted for $12.0 million of this increase. Pharmacy expense also increased by $1.3 million from fiscal year 2012 to fiscal year 2013 due to the move of the C&D Medical Group cancer center from the Watson Clinic Campus to the Cancer Center campus on July 1, 2013. The increase in Pharmacy expense in fiscal year 2013 was mitigated by the fact that LRMC qualified for 340B drug pricing effective July 1, 2012. Depreciation expense also increased by $5.1 million between fiscal years 2013 and 2012. Much of the increase in depreciation was due to the implementation of the Cerner Electronic Health Record in the fall of 2012.

Accounts Receivable for the Obligated Group increased from $87.2 million at the end of fiscal year 2012 to $93.5 million at the end of fiscal year 2013. Due to strong collections, accounts receivable at LRMC actually declined from $85.5 million at the end of fiscal year 2012 to $85.0 million at the end of fiscal year 2013. The integration of the C&D Medical Group physicians into LRHS on July 1, 2013 caused a $6.4 million increase in LRHS Accounts Receivable. Unrestricted days cash on hand improved to 259.0 days at the end of fiscal year 2013 from 237.4 days at the end of fiscal year 2012. The ratio of cash to debt increased to 206.7% in fiscal year 2013 from 175.4% in fiscal year 2012. Average age of plant decreased from 14.3 years in fiscal year 2012 to 13.3 years in fiscal year 2013. Consistent with the goal of updating equipment and facilities, purchases of property and equipment in fiscal year 2013 were $37.9 million as compared to $31.1 million in fiscal year 2012.

Excess of Revenues over Expenses for the Obligated Group was $66.8 million in fiscal year 2013 compared to $65.7 million in fiscal year 2012. The $29.7 million in non-operating gains was primarily driven by investment income.

Investments

The Obligated Group's investment securities are managed by Russell Investments (the "***Investment Manager***") which is authorized to buy and sell investments in accordance with the Board's approved investment policy (the "***Investment Policy***"). Since the Obligated Group's investment securities are actively managed by outside investment managers, the Obligated Group has classified its marketable securities and assets limited as to use as trading securities. The investments are divided into four pools: (a) the Long-Term Investment Pool, which is the main investment portfolio that supports the Obligated Group, (b) the Insurance Pool, which manages funds for self-insurance liability obligations, (c) the Foundation Pool, which manages funds for the Foundation and (d) the Operating Pool, which is maintained in cash for operating needs. Each of the pools has its own unique asset allocation and the results, targets and trends are reviewed each quarter by the Board. The Board will evaluate asset allocation and the risk/return profile of the Investment Policy on an annual basis. Below is a comparison of the actual asset allocation percentages as of June 30, 2016, to the Investment Policy ranges for the Long-Term Investment Pool.

	Actual at June 30, 2016	Investment Policy Ranges
Fixed Income	36.7%	24 – 48%
Equities	51.4%	27 – 53%
Alternative Investments[(1)]	11.9%	16 – 32%
	100%	

(1) Certain investments categorized as "Equities" pursuant to the Investment Policy, are considered "Alternative Investments" by the Investment Manager.

Except for a portion of the Alternative Investments, which can be liquidated quarterly, all of LRHS' investments can be liquidated daily. See footnote 12 in APPENDIX B "AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF LAKELAND REGIONAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES."

[Remainder of Page Intentionally Left Blank]

Capitalization and Debt Service Coverage

The following table sets forth the capitalization and investment position of the Obligated Group.

CAPITALIZATION AND INVESTMENT POSITION

	As of September 30,			As of June 30,
	2013	**2014**	**2015**	**2016**
		(in thousands)		*(in thousands)*
Total Cash and Cash Equivalents, Investments and Assets Limited as to Use[1]	$374,975	$423,353	$420,994	$406,972
Total Debt[2]	$181,471	$174,253	$371,923	$363,556
Total Cash and Cash Equivalents, Investments and Assets Limited as to Use as a Percent of Total Debt	206.7%	243.0%	113.2%	111.9%
Total Net Assets	$553,555	$621,409	$652,339	$726,632
Total Capitalization	$735,026	$795,662	$1,024,262	$1,090,188
Long-Term Debt as a Percent of Total Capitalization	24.7%	21.9%	36.3%	33.4%
Days Cash On Hand[1]	259.0	254.7	234.2	219.3
Operating Cash Flow Margin[3]	13.9%	12.9%	11.5%	11.9%

(1) Excludes Insurance Pool, patient compensation fund and Series 2015 Bonds project fund, which in the aggregate were funded in the amount of $154.6 million as of June 30, 2016.

(2) Excludes capital lease obligations.

(3) Operating cash flow margin is equal to operating income plus depreciation and interest divided by total operating revenues.

The following schedule sets forth the Obligated Group's Income Available for Debt Service for the three fiscal years ended September 30, 2015, 2014 and 2013. Also shown below is the resulting coverage by such Income Available for Debt Service for the years indicated of Maximum Annual Debt Service on the Obligated Group's existing and taking into effect the issuance of the Series 2016 Bonds and refunding of the Refunded Bonds. The Obligated Group has no variable rate debt or interest rate swaps at this time.

DEBT SERVICE COVERAGE OF PRO FORMA DEBT SERVICE
OBLIGATED GROUP

	Fiscal Year Ended September 30,		
	2013	**2014**	**2015**
Excess of Revenue Over Expenses	$66,780	$65,025	$27,695
Add:			
Depreciation and Interest Expense	46,868	49,543	52,855
Net (Gain)/Loss on Disposal of PPE	(286)	429	7
Less:			
Unrealized (Gain)/Loss	(26,985)	(23,225)	6,448
Income Available for Debt Service	$86,377	$91,772	$87,005
Maximum Annual Debt Service	$22,661	$22,693	$28,666
Historical Debt Service Coverage Ratio	3.81x	4.04x	3.04x
Pro forma Maximum Annual Debt Service[1]	$24,068	$24,068	$24,068
Pro forma Debt Service Coverage Ratio	3.59x	3.81x	3.61x

(1) Calculated on the assumptions set forth under "OBLIGATED GROUP PRO FORMA LONG TERM DEBT SERVICE AND CERTAIN OTHER OBLIGATIONS" in the forepart of this Official Statement.

INSURANCE

The Health System maintains an Excess Medical Professional and General Liability insurance program (the "***Program***") placed in London. The Program is comprised of two separate limits, also known as towers, each with a

limit of $50 million (inclusive of defense costs) for a total of $100 million. One tower provides coverage for Medical Professional Liability. The second tower provides coverage for General Liabilities as well as excess limits to sit directly over the primary limits for Auto, Helipad and Employer's Liability found in the Health System's underlying policies.

The Self Insured Retention (SIR) for Medical Professional Liability is $2 million Each Loss/$2 million Annual Aggregate excess of $3 million Each Loss. The SIR for General Liabilities is $3 million Each Loss. The Health System's SIR exposure is capped by a single annual aggregate of $18 million (inclusive of defense costs).

Reserves for both asserted and unasserted claims are accrued based on estimates that incorporate the Health System's claims history, legal counsel advice and insurance industry data. LRHS has engaged an independent actuary to determine ultimate losses to be accrued. LRHS maintains an internally designated fund equal to or more than the estimated ultimate losses. The internally designated fund is used to pay professional and general liability claim settlements. As of June 30, 2016, the internally designated fund had a balance of $29.9 million.

From time to time, the Health System is named as a defendant in medical malpractice or general liability lawsuits. To the extent the Health System is held liable in such lawsuits, or otherwise settles for an amount in excess of the limits set forth above, the Health System could incur liability in excess of its SIR.

The Health System's Buildings, Business Personal Property, and Time Element (Business Income/Extra Expense) exposures are insured by Zurich Insurance Company with a blanket limit of $750 million subject to a deductible of $50,000 for Property Damage and Time Element loss combined. There are sub-limits for certain major perils. The Named Storm sub-limit is $150 million, the Breakdown of Equipment sub-limit is $100 million, the Earthquake sub-limit is $100 million, and the Flood sub-limit is $50 million. There are specific per occurrence deductibles for Property Damage and Time Element loss combined for the aforementioned major perils: Named Storm applies per building and is 3% of values, subject to a $100,000 minimum; Breakdown of Equipment is $50,000; Earthquake is $100,000 and Flood is $100,000.

The members of the Medical Staff of LRMC are required by the board of LRMC to maintain a minimum of $250,000 of insurance for their own professional liability, however over 75% of the medical staff carries insurance with limits in excess of $1,000,000.

LEGAL

In the opinion of the Obligated Group's management and legal counsel, there is no litigation or proceeding that is pending or, to their knowledge, threatened against the Obligated Group in which the probable recoveries and the estimated costs and expenses of defense is expected to be in excess of the total available resources under the board designated self-insurance fund or in which an adverse determination would be expected to have a materially adverse effect on the financial or operating condition of the Obligated Group. There is no litigation pending or, to the Obligated Group's and legal counsel's knowledge, threatened which in any manner questions the Obligated Group's right to receive a loan of the proceeds of the 2016 Bonds or to enter and consummate the transaction contemplated herein and in this Official Statement.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF LAKELAND REGIONAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES

[THIS PAGE INTENTIONALLY LEFT BLANK]

LAKELAND REGIONAL HEALTH SYSTEMS, INC. AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

LAKELAND REGIONAL HEALTH SYSTEMS, INC.
AND SUBSIDIARIES

Table of Contents

KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602-5145

Independent Auditors' Report

The Board of Directors
Lakeland Regional Health Systems, Inc.:

We have audited the accompanying consolidated financial statements of Lakeland Regional Health Systems, Inc. and subsidiaries (the Health System), which comprise the consolidated balance sheets as of September 30, 2015 and 2014, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lakeland Regional Health Systems, Inc. and subsidiaries as of September 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

December 17, 2015
Certified Public Accountants

LAKELAND REGIONAL HEALTH SYSTEMS, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2015 and 2014

(In thousands)

Assets		2015	2014
Current assets:			
Cash and cash equivalents	$	36,411	22,503
Short-term marketable securities		401	401
Current portion of assets limited as to use		76,035	14,320
Patient accounts receivable, less allowance for uncollectible accounts ($118,213 in 2015 and $108,286 in 2014)		106,062	98,909
Estimated third-party settlements		—	2,999
Inventories		10,716	10,158
Prepaid expenses and other current assets		21,381	19,980
Total current assets		251,006	169,270
Assets limited as to use, less current portion		170,683	68,456
Long-term marketable securities		12,487	13,835
Investments		346,892	360,813
Property and equipment, net		384,177	326,898
Debt issue costs, net		3,458	1,697
Other assets		5,489	5,207
Total assets	$	1,174,192	946,176
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	57,360	64,136
Employee compensation and benefits		43,315	40,940
State of Florida medical assistance assessment		8,089	7,652
Estimated third-party settlements		6,490	—
Current portion of long-term debt		7,375	7,075
Total current liabilities		122,629	119,803
Long-term debt, less current portion		364,548	167,178
Long-term liabilities		34,676	37,786
Total liabilities		521,853	324,767
Net assets:			
Unrestricted		640,428	611,753
Temporarily restricted		10,373	8,118
Permanently restricted		1,538	1,538
Total net assets		652,339	621,409
Total liabilities and net assets	$	1,174,192	946,176

See accompanying notes to consolidated financial statements.

LAKELAND REGIONAL HEALTH SYSTEMS, INC.
AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2015 and 2014

(In thousands)

	2015	2014
Unrestricted revenues and other support:		
Patient service revenue (net of contractual allowances and discounts)	$ 802,527	773,358
Provision for bad debt	(90,266)	(104,111)
Net patient service revenue	712,261	669,247
Other revenues	18,422	16,441
Net assets released from restrictions used in operations	86	122
Total unrestricted revenues and other support	730,769	685,810
Expenses:		
Employee compensation and benefits	374,155	342,389
Supplies	149,784	134,337
General and administrative	93,056	94,616
Professional fees	21,893	18,853
State of Florida medical assistance assessment	8,292	7,622
Depreciation and amortization	45,182	41,503
Interest	7,673	8,040
Total expenses	700,035	647,360
Operating income	30,734	38,450
Nonoperating gains (losses):		
Investment (loss) income	(4,802)	26,844
Equity in earnings from interests in joint venture partnerships, net of applicable taxes	1,353	1,035
Losses on disposal of property and equipment	(7)	(429)
Total nonoperating (losses) gains, net	(3,456)	27,450
Excess of revenues, gains, and other support over expenses and losses	$ 27,278	65,900

See accompanying notes to consolidated financial statements.

(Continued)

LAKELAND REGIONAL HEALTH SYSTEMS, INC.
AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2015 and 2014

(In thousands)

	2015	2014
Unrestricted net assets:		
Excess of revenues, gains, and other support over expenses and losses	$ 27,278	65,900
Net assets released from restrictions used for capital	1,000	—
Contributed capital	397	691
Increase in unrestricted net assets	28,675	66,591
Temporarily restricted net assets:		
Contributions	3,352	1,320
Investment income	(11)	64
Net assets released from restrictions	(1,086)	(122)
Increase in temporarily restricted net assets	2,255	1,262
Permanently restricted net assets:		
Contributions	—	1
Increase in permanently restricted net assets	—	1
Increase in net assets	30,930	67,854
Net assets, beginning of year	621,409	553,555
Net assets, end of year	$ 652,339	621,409

See accompanying notes to consolidated financial statements.

LAKELAND REGIONAL HEALTH SYSTEMS, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended September 30, 2015 and 2014

(In thousands)

	2015	2014
Cash flows from operating activities:		
Increase in net assets	$ 30,930	67,854
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Equity in earnings from joint venture partnerships, net of applicable taxes	(1,353)	(1,035)
Realized gains on investments	(3,621)	(4,076)
Change in unrealized gains and losses on investments	6,577	(24,302)
Loss on disposal of property and equipment	7	429
Restricted contributions and investment income	(3,341)	(1,385)
Depreciation and amortization	45,182	41,503
Amortization of bond premium	(800)	(378)
Amortization of debt issue costs	163	116
Provision for bad debts	90,266	104,111
Changes in operating assets and liabilities:		
Patient accounts receivable	(97,419)	(109,540)
Estimated third-party settlements	9,489	(735)
Inventories	(558)	770
Prepaid expenses and other current assets	(1,401)	(2,165)
Accounts payable and accrued expenses	(6,668)	6,189
Employee compensation and benefits	2,375	6,807
State of Florida medical assistance assessment	437	442
Long-term liabilities	3,631	3,397
Net cash provided by operating activities	73,896	88,002
Cash flows from investing activities:		
Purchases of property and equipment	(103,400)	(54,141)
Proceeds from sale of property and equipment	349	516
Dividends received from joint venture partnerships	1,611	1,762
Investments in joint venture partnerships	(30)	—
Purchases of investments and assets limited as to use	(206,179)	(30,025)
Proceeds from sale of investments	10,000	—
Proceeds from maturities of held-to-maturity securities	42,237	—
Proceeds from sale of long-term marketable securities	2,185	—
Net change in other long-term assets	134	32
Net cash used in investing activities	(253,093)	(81,856)
Cash flows from financing activities:		
Restricted contributions and investment income	3,341	1,385
Proceeds from issuance of long-term debt	205,545	—
Payments for debt issue costs	(1,924)	—
Payments on capital lease obligations	(6,782)	(7,692)
Payments on long-term debt	(7,075)	(6,840)
Net cash provided by (used in) financing activities	193,105	(13,147)
Increase (decrease) in cash and cash equivalents	13,908	(7,001)
Cash and cash equivalents, beginning of year	22,503	29,504
Cash and cash equivalents, end of year	$ 36,411	22,503
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 10,682	8,670
Cash paid during the year for federal and state income taxes	640	630
Equipment financed through capital lease obligations	41	3,525
Purchases of property and equipment included in accounts payable and accrued expenses	2,760	3,384

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Lakeland Regional Health Systems, Inc. (the Parent) is a tax-exempt parent holding company organized to promote the continued development of high-quality, cost-effective healthcare services in Lakeland, Florida (the City). The consolidated financial statements include the accounts of the Parent and its subsidiaries: Lakeland Regional Medical Center, Inc. (the Medical Center), Lakeland Regional Health Ventures, Inc. (Ventures), and Lakeland Regional Medical Center Foundation, Inc. (the Foundation). The consolidated entities are hereinafter referred to as the Health System. All significant intercompany transactions among these entities have been eliminated from the consolidated financial statements.

The Medical Center has a lease and transfer agreement (the Agreement) with the City, whereby the Medical Center was formed primarily to manage, control, govern, and lease the existing medical center facility. In consideration of the Agreement, the Medical Center makes annual payments to the City based on a formula that takes into consideration the net revenues of the Medical Center, as defined in the Agreement, and net income of certain affiliated organizations, as defined in the Agreement.

(b) Mission Statement

The Health System's strategic imperative is to develop as a nationally recognized, fiscally strong and growing collaborative regional health system that improves lives by offering safe, high quality, equitable and affordable healthcare, while demonstrating an equal commitment to the promotion of individual and community health, wellness and disease prevention.

(c) Use of Estimates

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

(d) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a remaining maturity of three months or less at date of acquisition, excluding amounts included in assets limited as to use.

(e) Investments

Investments include trading securities and held-to-maturity securities. The trading securities portfolio includes investments in private placement funds, debt and equity securities with readily determinable fair values and are measured at fair value in the consolidated balance sheets. Investment income (including realized gains and losses on investments, unrealized gains and losses on trading securities, interest, and dividends) is included in excess of revenues, gains, and other support over expenses and losses unless such earnings are subject to donor restrictions. Investment income that is restricted by donor stipulations is reported as an increase in temporarily restricted net assets.

(Continued)

Investments include the assets internally designated for the Supplemental Executive Retirement Plan (SERP) (recorded at fair value) and certain investments of the Foundation. The Health System invests a significant portion of its portfolio in private placement funds that are managed by Russell Investments. The funds employ an approach whereby portions of the funds are allocated to different money managers who employ distinct investment styles. The earnings and losses of the fund result from the dividends, interest, and realized and unrealized gains or losses of the financial instruments held.

Marketable securities are recorded at fair value in the consolidated balance sheets and consist of equity and debt securities. The fair value of marketable securities is based on quoted market prices.

The Health System's investment securities are managed by external investment managers that are authorized to buy and sell investment securities in accordance with the Health System's approved investment policy. Since the Health System's investment securities, excluding those designated as held-to-maturity securities, are actively managed by outside investment managers, the Health System has classified its marketable securities, assets limited as to use and investments as trading securities. Investment income (including realized gains and losses on investments, unrealized gains and losses, interest, and dividends) is included in excess of revenues, gains, and other support over expenses and losses, unless such amounts are restricted by donor or law.

Investments which the Health System has the positive intent and ability to hold to maturity are classified as held-to-maturity and are stated at amortized cost. Such investments are limited as to use under a bond indenture agreement for capital acquisitions.

Management annually evaluates investments designated as held-to-maturity and recognizes any "other-than-temporary" losses as deductions from the performance indicator (as defined below). Management's evaluation considers the amount of decline in fair value, as well as the time period of any such decline. Management does not believe any investment classified as held-to-maturity is other-than-temporarily impaired as of September 30, 2015.

(f) Assets Limited as to Use

Assets limited as to use include assets held by trustees under a malpractice funding arrangement and a bond indenture agreement. Additionally, assets limited as to use include assets internally designated by the board of directors for future capital improvements and self-insurance liability obligations. The board of directors retains control and may, at its discretion, subsequently use such assets for other purposes. Amounts expected to meet current obligations have been presented as current assets in the consolidated balance sheets at September 30, 2015 and 2014. Assets limited as to use designated as trading securities are included in the consolidated balance sheets at their fair values, which are based on quoted market prices, if available or estimated using quoted market prices for similar securities. Assets limited as to use that are designated as held-to-maturity securities are stated at amortized cost.

(g) Inventories

Inventories consist principally of medical and surgical supplies and pharmaceuticals which are valued at the lower of cost (first-in, first-out method) or market.

(h) Property and Equipment

Property and equipment have been recorded at historical cost at the date of acquisition or fair value at the date of donation. The cost of repairs and maintenance is charged to expense as incurred and remodeling and refurbishing costs are capitalized. Major asset classifications and useful lives are generally in accordance with those recommended by the American Hospital Association. The straight-line method of depreciation is used for all depreciable assets. Equipment under capital leases is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization expense. Estimated useful lives by asset category are as follows:

Buildings and improvements	5 to 50 years
Equipment	3 to 10 years

Interest costs incurred as part of related construction projects are capitalized during the period of construction. Net interest capitalized for the years ended September 30, 2015 and 2014 was approximately $5,467,000 and $545,000, respectively.

The Health System had outstanding contracts and other commitments of approximately $44,000,000 relating to the purchase or construction of various fixed assets as of September 30, 2015. The estimated cost to complete construction in progress is approximately $275,000,000 as of September 30, 2015 for various master facility expansion and other capital projects, including those financed through the issuance of bonds during 2015 (note 5).

(i) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Health System has been limited by donors to a specific time period or purpose. Permanently restricted net assets are those that have been restricted by donors to be maintained by the Health System in perpetuity.

(j) Net Patient Service Revenue and Allowances for Uncollectible Accounts and Contractuals

The Health System has agreements with third-party payers that provide for payments to the Health System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at estimated net realizable amounts due from patients, third-party payers, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Net patient service revenue was increased by approximately $1,056,000 and decreased by approximately $1,628,000 for the years ended September 30, 2015 and 2014, respectively, for adjustments to prior year estimated third-party settlements.

For uninsured patients who do not qualify for charity care, the Health System recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates. The Health

System's policy is to provide an uninsured patient that did not qualify for financial assistance and whose income is greater than 400% of the Federal Poverty Guidelines a discount that is calculated using a 'look-back' method. By November 15 of each year, claims for services provided during the prior 12-month period ended September 30, which were paid in full by Medicare fee-for-service and private insurers are analyzed to compute the discount percentage. The amount of discount provided to the uninsured in 2015 and 2014 was 70% of standard rates for both years. On the basis of historical experiences, a significant portion of the Health System's uninsured patients will be unable or unwilling to pay for services provided. Thus, the Health System records a significant provision for bad debts in the period the services are provided.

Patient service revenue, net of contractual allowances and discounts, before provision for bad debt recognized in the period from major payer sources is as follows (in thousands):

	Year ended September 30	
	2015	**2014**
Third-party payers	$ 737,280	$ 705,622
Self-pay	65,247	67,736
Net patient revenue before provision for bad debt	802,527	773,358
Less provision for bad debt	(90,266)	(104,111)
Net patient service revenue	$ 712,261	$ 669,247

Accounts receivable are recorded at the estimated net realizable amounts due from patients, third-party payers, and others for services rendered. The allowance for uncollectible accounts is maintained at the amount estimated to be sufficient to absorb future write-offs of bad debts, net of estimated recoveries. Patient service revenue is reduced by the provision for bad debts and accounts receivable are reduced by an allowance for uncollectable accounts. These amounts are based on management's assessment of historical and expected net collections for each major payer source, considering business and economic conditions, trends in healthcare coverage, and other collection indicators. The Health System records the provision for doubtful accounts at the time the services are provided for uninsured patients on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The Health System records the provision for doubtful accounts related to the self-pay portion of insured accounts after the insurance payment has been received. The Health System classifies pending Medicaid approval as self-pay accounts in its account receivable aging report.

The provision for bad debts decreased by approximately $13,845,000 and $14,790,000 for the years ended September 30, 2015 and 2014, respectively, for adjustments to estimated allowances for uncollectible accounts. The decrease in fiscal years 2015 and 2014 was the result of efforts in properly identifying patients that qualified for charity care and the uninsured discount.

The Health System's allowance for doubtful accounts for self-pay patients was 91.9% and 92.6% of self-pay accounts receivable at September 30, 2015 and 2014, respectively. In addition, the Health System's self-pay write-offs decreased approximately by $34,800,000 and $12,900,000 in fiscal year 2015 and 2014, respectively. The decrease in 2015 and 2014 was due to the efforts in properly identifying patients that qualified for charity care and the uninsured discount. The Health System does not maintain a material allowance for doubtful accounts from third-party payers, nor did it have significant write-offs from third-party payers.

(k) Charity Care

The Health System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. A patient is classified as a charity patient by reference to certain established policies of the Health System. Because the Health System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Partial payments to which the Health System is entitled from public assistance and other programs on behalf of patients that meet the Health System's charity care criteria are reported as net patient service revenue in the consolidated statements of operations and changes in net assets.

The Health System maintains records to identify and monitor the level of charity care and public assistance and other program services provided. These records include the amount of charges forgone for services and supplies furnished under its charity care policy and the estimated cost of those services and supplies.

Accounting Standards Update (ASU) No. 2010-23, *Measuring Charity Care for Disclosure*, requires healthcare entities to identify costs for providing care as direct or indirect, and disclose the method used to make this distinction. The Health System estimates its cost by calculating a ratio of cost to charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to charity patients. Charges foregone, based on established rates for charity totaled approximately $143,271,000 and $163,290,000 for the years ended September 30, 2015 and 2014, respectively. The estimated cost of providing these services totaled approximately $26,935,000 and $32,465,000 during the years ended September 30, 2015 and 2014, respectively.

(l) Excess of Revenues, Gains, and Other Support over Expenses and Losses

The accompanying consolidated statements of operations and changes in net assets include excess of revenues, gains, and other support over expenses and losses (the performance indicator). Changes in unrestricted net assets, which are excluded from excess of revenues, gains, and other support over expenses and losses, consistent with industry practice, include contributions of long-lived assets, including assets acquired using contributions, which by donor restriction were to be used for the purpose of acquiring such assets.

(m) Income Taxes

The Parent, Medical Center, and Foundation have been recognized by the Internal Revenue Service as tax-exempt organizations as described in Section 501(c)(3) of the Internal Revenue Code of 1986. Income earned in furtherance of the organizations' tax-exempt purposes is exempt from federal and

state income taxes. Income taxes related to Ventures, a taxable entity, and the Health System's ownership interests in joint venture partnerships are not material to the Health System.

U.S. GAAP requires the Health System's management to evaluate tax positions taken by the Health System and recognize a tax liability (or asset) if the Health System has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Health System has analyzed its tax positions and has concluded that as of September 30, 2015 and 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) in the consolidated financial statements or disclosure in the notes to the consolidated financial statements. The Health System is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Health System believes it is no longer subject to income tax examinations for years prior to 2010.

(n) Debt Issue Costs

Costs incurred in connection with the issuance of long-term debt are capitalized and amortized over the life of the debt. Amortization of debt issue costs of approximately $163,000 and $116,000, respectively, is included in interest expense in the accompanying consolidated statements of operations and changes in net assets for the years ended September 30, 2015 and 2014. Accumulated amortization of debt issue costs is approximately $640,000 and $477,000 at September 30, 2015 and 2014, respectively.

(o) Bond Premiums

Bond premiums are being amortized using the effective-interest method over the life of the related debt. Long-term debt on the consolidated balance sheets includes the related unamortized bond premiums.

(p) Nonoperating Gains (Losses)

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenues and expenses. Activities that result in gains or losses unrelated to the Health System's operations are considered to be nonoperating. Nonoperating gains (losses) include investment income and dividends on unrestricted investments, equity in the earnings (losses) of investment funds, equity in earnings from interests in joint venture partnerships, losses on debt refinancing, if any, and gains and losses on disposals of property and equipment.

(q) Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Health System are reported at fair value at the date the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are reported at fair value at the time the conditions are substantially met. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or

purpose restriction is accomplished, temporarily restricted net assets are reclassified as revenue if used in operations and as a change in unrestricted net assets if used for the purchase of property and equipment. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

(r) Impairment of Long-Lived Assets

Management regularly evaluates whether events or changes in circumstances have occurred that could indicate an impairment of the value of long-lived assets. If there is an indication that the carrying amount of an asset is not recoverable, the Health System estimates the projected undiscounted cash flows from the use and eventual disposition of the asset, excluding interest, to determine if an impairment loss should be recognized. The amount of impairment loss, if any, is determined by comparing the historical carrying value of the asset to its estimated fair value. There were no such impairment losses recorded during the years ended September 30, 2015 and 2014.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are revised, the carrying value of affected assets is depreciated or amortized over the remaining lives.

(s) Collective Bargaining Agreements

The Medical Center's registered nurses and technical employees are represented by the United Food and Commercial Workers Union. The registered nurse and technical employee contracts expire on April 30, 2017. Approximately 36% of the Medical Center's total employees are represented by the union contracts. The registered nurses represent 78% of the employees under union contract.

(t) Electronic Health Records Incentive Amounts

Under certain provisions of the American Recovery and Reinvestment Act of 2009, federal incentive payments are available to hospitals, physicians, and certain other professionals when they adopt certified electronic health record (EHR) technology or become meaningful users of EHR technology in ways that demonstrate improved quality, safety, and effectiveness of care. Providers can become eligible for annual Medicare incentive payments by demonstrating meaningful use of EHR technology in each period over four periods. Medicaid providers can receive their initial incentive payment by adopting, implementing, or upgrading certified EHR technology in subsequent years in order to qualify for additional payments.

Hospitals may be eligible for both Medicare and Medicaid EHR incentive payments, however, physicians and other professionals may be eligible for either Medicare or Medicaid incentive payments but not both. Medicaid EHR incentive payments to providers are 100% federally funded and administered by the states; however, the states are not required to offer EHR incentive payments to providers. Revenue is recognized for Medicare and Medicaid incentive payments when the Health System complies with applicable EHR meaningful use grant requirements and payment is reasonably assured. During the year ended September 30, 2012, the Health System was entitled to receive the first year incentive payment from Medicaid by demonstrating to the states a certified EHR system was being implemented and that the Health System had the intent to complete the implementation. During

2015, the Health System received EHR incentive payments of approximately $2,547,000 from Medicare. During 2014, the Health System received EHR incentive payments of approximately $3,218,000 and $978,000 from Medicare and Medicaid, respectively. During the years ended September 30, 2015 and 2014, the Health System recognized revenue from EHR incentive payments of approximately $1,362,000 and $2,528,000, respectively, and included such revenues as part of other revenues in the consolidated statements of operations and changes in net assets.

(2) Marketable Securities, Assets Limited as to Use and Investments

Certain investments are included in an investment pool maintained by the Health System for which the Health System and certain of its affiliated organizations are the only participants. The combined funds are included in various investment pools, which are managed by external investment managers.

Marketable securities, assets limited as to use and investments, stated at fair value, include the following (in thousands):

	September 30	
	2015	2014
Cash equivalents	$ 3,376	3,373
Mutual funds	12,371	13,719
Common stock	662	723
Private placement funds:		
Fixed income	177,530	177,223
Equity securities	203,067	217,104
Hedge funds	45,557	45,683
	442,563	457,825
Held-to-maturity securities recorded at amortized cost	163,935	—
Less amount included in current assets	(76,436)	(14,721)
	$ 530,062	443,104

(Continued)

The composition of assets limited as to use is as follows (in thousands):

		September 30	
		2015	**2014**
Under malpractice funding arrangement	$	2,975	2,970
Under bond indenture agreement for capital acquisitions		163,935	—
Internally designated by the board of directors:			
Capital improvement fund		43,591	44,024
Self-insurance funds		36,217	35,782
Total assets limited as to use		246,718	82,776
Less amount included in current assets		(76,035)	(14,320)
Assets limited as to use, less current portion	$	170,683	68,456

Held-to-maturity securities included in assets limited as to use are carried at amortized cost and consist of the following (in thousands):

		September 30	
		2015	**2014**
Cash and cash equivalents	$	2,663	—
U.S. government agency securities		160,572	—
Accrued interest		700	—
Held-to-maturity securities recorded at amortized cost	$	163,935	—

Held-to-maturity securities had gross unrealized gains and losses of approximately $96,000 and $912,000, respectively, as of September 30, 2015. At September 30, 2015, the Health System held no securities within the held-to-maturity portfolio which had been in an unrealized loss position for over one year. At September 30, 2015, the contractual maturities of held-to-maturity securities were approximately $59,622,000 due in one year or less and approximately $100,950,000 due between October 2016 and January 2018.

Investment income and gains and losses on cash equivalents, marketable securities, assets limited as to use, and investments are composed of the following (in thousands):

(Continued)

		September 30	
		2015	2014
Nonoperating gains (losses):			
Interest and dividend income	$	48	54
Realized gains, net of investment fees		1,727	2,488
Unrealized gains (losses), net		(6,577)	24,302
Total	$	(4,802)	26,844
Changes in temporarily restricted net assets:			
Interest income	$	48	28
Unrealized gains (losses), net		(59)	36
Total	$	(11)	64

(3) Property and Equipment

The components of property and equipment are as follows (in thousands):

		September 30	
		2015	2014
Land	$	28,115	18,726
Land improvements		17,788	14,125
Building and improvements		264,618	244,754
Equipment		621,856	575,982
		932,377	853,587
Less accumulated depreciation		(588,621)	(546,862)
		343,756	306,725
Construction in progress		40,421	20,173
Total	$	384,177	326,898

Included in equipment are assets leased under capital leases with a net book value of approximately $13,827,000 and $19,791,000 at September 30, 2015 and 2014, respectively.

(4) Estimated Third-Party Settlements

Estimated third-party settlements include amounts payable or receivable from the Medicare and Medicaid programs. A summary of the significant payment arrangements with these programs is as follows:

(a) 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 diagnosis and other factors. Also, capital costs and outpatient services are reimbursed at

(Continued)

prospectively determined rates. The Health System is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after audit by the fiscal intermediary. The Health System's Medicare cost reports have been audited and a Notice of Program Reimbursement was issued by the Fiscal Intermediary through September 30, 2011.

(b) Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, subject to certain limitations. The Health System's payment rates are calculated based on allowable costs included in the most recently filed cost report available at the time of the payment calculation. The Health System is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Health System and audits thereof by the Medicaid fiscal intermediary. The Medicaid regulations provide for retroactive settlements between the Health System and the Medicaid program if differences exist in allowable costs between the field cost report and the audited cost reports. The Health System's Medicaid settlements have been audited by the Medicaid fiscal intermediary through September 30, 2009; however, the Health System has not received final settlements on amounts since September 30, 2002.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. The Health System is aware of these laws and regulations and, to the best of its knowledge and belief, is in compliance. 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. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

(5) Long-Term Debt and Capital Lease Obligations

The Obligated Group, which includes the Medical Center and the Parent, is obligated under long-term debt as follows (in thousands):

	September 30	
	2015	2014
City of Lakeland, Florida, Hospital Revenue Bonds, Series 2015, including $31,815 of 5.00% serial bonds due in varying amounts through November 2035, $64,875 of 5.00% term bonds due November 2040, and $83,310 of 5.00% term bonds due November 2045.	$ 180,000	—
City of Lakeland, Florida, Hospital Revenue Refunding Bonds, Series 2011, refunding of the Refunded 1996, 1997, and 1999 bonds including $77,580 of serial bonds due in varying amounts through November 2025, with interest rates from 2.00% to 5.00%.	60,975	65,565
City of Lakeland, Florida, Hospital Revenue Refunding Bonds, Series 2006, including $52,485 of serial bonds due in varying amounts, through November 2026, with interest rates from 4.00% to 5.00%, and $60,520 of 5.00% term bonds due November 2032.	99,930	102,415
	340,905	167,980
Unamortized premium, net	31,018	6,273
	371,923	174,253
Less current portion	(7,375)	(7,075)
	$ 364,548	167,178

Maturities of long-term debt as of September 30, 2015 are as follows (in thousands):

2016	$ 7,375
2017	7,700
2018	8,075
2019	8,480
2020	8,895
Thereafter	300,380
	340,905
Unamortized premium, net	31,018
	$ 371,923

(Continued)

In 2015, the Health System issued $180,000,000 in Hospital Revenue Bonds through the City of Lakeland, Florida (Series 2015 Bonds) for the purpose of financing capital projects. The Series 2015 Bonds include serial and term bonds with maturities ranging from November 15, 2033 and November 15, 2045, with a fixed rate coupon of 5.00%. The Series 2015 Bonds are subject to a mandatory redemption at a redemption price equal to the outstanding principal plus accrued interest at the redemption date if, at least 180 days prior to the scheduled expiration date of the term of the Agreement with the City (note 9), the bond trustee has not received written notice from the Health System that the Agreement has been extended. The Health System incurred approximately $1,924,000 in debt issuance costs as part of the issuance of the Series 2015 Bonds.

As part of the issuance of the Series 2015 Bonds, the Health System received approximately $205,545,000 in proceeds from the sale of the bonds. The proceeds were placed into an escrow account with a custodian to be used by the Health System for eligible capital projects. Such amounts are invested in cash and U.S. government agency securities and are included as part of assets limited as to use in the September 30, 2015 consolidated balance sheet. The Health System made eligible draws on the escrow account of approximately $42,237,000 during fiscal year 2015.

Prior to 2015, the Series 2006 and 2011 Bonds were secured under the Series 1999 Master Trust Indenture. In conjunction with the issuance of the Series 2015 Bonds, the 1999 Master Trust was amended and restated in its entirety effective February 1, 2015 for the purpose of, among others, substituting new covenants, modifying existing covenants and redefining terms to more accurately reflect the purpose of the Series 1999 Master Trust Indenture. The Series 2015 Master Trust Indenture secures all obligations under the Series 2015, Series 2011 and Series 2006 Bonds. The Series 2015 Master Trust Indenture contains covenants that require, among other things, the maintenance of certain ratios. These ratios are calculated based on the Obligated Group's financial position and results of operations. Principal and interest payments are secured by the gross revenues and accounts (after payment of operating expenses) of the Obligated Group as defined in the Series 2015 Master Trust Indenture. Management has represented the Health System is in compliance with all such covenants as of September 30, 2015.

The Health System has capital lease arrangements primarily comprised of medical equipment. These capital lease arrangements incur interest at rates ranging between 2.02% and 6.83% with maturities through

November 2018. Future minimum capital lease payments under these arrangements as of September 30, 2015 are as follows (in thousands):

Year ending September 30:		
2016	$	4,472
2017		3,489
2018		1,394
2019		65
		9,420
Less amounts representing interest		(1,076)
Present value of minimum lease payments		8,344
Current installments of obligations under capital leases (included as a component of accounts payable and accrued expenses)		(3,980)
Obligations under capital leases, excluding current installments	$	4,364

(6) Long-Term Liabilities

Long-term liabilities are comprised of the following (in thousands):

		September 30	
		2015	2014
State of Florida medical assistance assessment	$	4,317	3,704
Section 457(f) defined-benefits plan liability		3,663	4,251
Section 457(f) defined-contribution plan liability		163	—
Workers' compensation claims		564	930
Capital lease obligations		4,364	8,255
Accrued malpractice liability		20,785	19,644
Pledge commitments		500	700
Rent abatement liability		320	302
	$	34,676	37,786

(7) Employee Benefits

The Health System provides retirement and other benefits to substantially all employees through several benefit plans. Under the defined-contribution plans (the Plans), for all employee groups who meet minimum service requirements, the Health System provides a contribution of 3% of eligible employee wages up to the taxable wage base for Social Security tax purposes for each plan year and 6% of eligible employee wages in excess of the taxable wage base for each plan year up to Internal Revenue Service (IRS) limits. Additionally, the Health System provides a matching contribution of 50% of employee deferred contributions not to exceed 2% of the taxable wage base for Social Security. In addition to the calculated annual contributions, the board of directors may establish an additional discretionary contribution to be made to the Plans for each year.

(Continued)

Employees are fully vested after completing three years of service with at least 1,000 hours of service in each year.

The Health System provides a Supplemental Executive Retirement Plan (SERP) under Section 457(f) of the Internal Revenue Code. The SERP is a nonqualified defined-benefit plan limited to generally certain management or highly compensated employees as determined by the Health System. Upon vesting, the SERP provides participants with deferred compensation annually for 20 years, equal to 2% of the participant's final average compensation multiplied by his/her years of service (up to a maximum of 25 years of service). Compensation is based on participants' average compensation during the last three complete calendar years. Only calendar years beginning on or after January 1, 2004 are considered. Full vesting is generally effective after a participant completes 10 years of service with the Health System; however, the initial participants had individual vesting schedules. The SERP also provides for certain death or disability benefits. The Health System is accounting for the SERP in accordance with relevant accounting literature and has recognized credit for past service costs. The actuarially computed net periodic benefit cost for the Health System's SERP for the years ended September 30, 2015 and 2014 totaled approximately $731,000 and $1,005,000, respectively. The net periodic benefit cost was determined based on a discount rate of 4.00% and 4.25%, respectively, with an assumed rate of compensation increase of 5.00% for the years ended September 30, 2015 and 2014.

The SERP's accrued benefit cost at September 30, 2015 and 2014 was approximately $4,682,000 and $5,192,000, respectively. Of these amounts, approximately $3,663,000 and $4,251,000 is included in long-term liabilities in the accompanying consolidated balance sheets at September 30, 2015 and 2014, respectively. At September 30, 2015, the SERP's accrued benefit cost expected to be paid in 2016 is $1,020,000 and is included in employee compensation and benefits in the accompanying consolidated balance sheets. These amounts were actuarially determined using a discount rate of 4.00% and an assumed rate of compensation increase of 5.00% at September 30, 2015 and 2014. The Health System has investments of approximately $12,371,000 and $13,719,000 for the Section 457(f) benefit plan at September 30, 2015 and 2014, respectively. These assets, however, are not in trust for the Plan and do not qualify as assets of the Plan under relevant accounting literature. The accumulated benefit obligation for the SERP was $3,611,000 and $3,726,000 at September 30, 2015 and 2014, respectively.

The benefits expected to be paid in each year from 2017 through 2020 are approximately $287,000, $278,000, $2,895,000, and $248,000, respectively. The aggregate benefits expected to be paid in the five years from 2021 through 2025 are approximately $5,829,000. The expected benefits are based on the same assumptions used to measure the Health System's benefit obligations at September 30, 2015 and include estimated future employee service.

In 2015, the Health System implemented a new Supplemental Executive Defined Contribution Plan (DC SERP) under Section 457(f) of the Internal Revenue Code. The DC SERP is limited to certain members of management as determined by the Health System. The DC SERP provides annual contributions equal to 15% of eligible compensation, as defined by the plan, over a ten year period. The contributions will also be credited with a discretionary fixed interest rate (5.00% in 2015) as determined by the board of directors. Participants are vested 20% after two years of plan participation, and increases 10% per year of participation thereafter. The DC SERP's accrued benefit cost at September 30, 2015 was approximately $163,000.

Expenses incurred for all employee retirement plans were approximately $11,326,000 and $10,333,000 for the years ended September 30, 2015 and 2014, respectively, which is included in employee compensation and benefits expense in the accompanying consolidated statements of operations and changes in net assets.

(8) Functional Expenses

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

(9) Commitments and Contingencies

(a) City Lease Obligation

Under the terms of the Agreement, annual lease payments are made to the City of Lakeland (the City) based on a formula, which takes into consideration the net revenues of the Medical Center, as defined in the Agreement, and net income of certain affiliated organizations, as defined in the Agreement. The Agreement expires in 2033. Expenses under the terms of the Agreement, included in general and administrative expenses in the accompanying consolidated statements of operations and changes in net assets, were capped at $12,900,000 and $12,100,000 for the years ended September 30, 2015 and 2014, respectively.

In 2015, an amendment to the Agreement was reached and became effective October 1, 2015. The amendment provides a lump-sum payment of $15,000,000 to the City on October 1, 2015, with annual lease payments beginning in fiscal year ending September 30, 2016 through fiscal year ending September 30, 2040. The annual lease payment for fiscal year ending September 30, 2016 will be $13,254,750 and will increase by 2.75% per year through the duration of the Agreement.

(b) Operating Leases

The Health System leases equipment and facilities under operating and capital leases expiring at various dates through 2023. Minimum future rental payments under noncancelable operating leases having terms in excess of one year are as follows (in thousands):

2016	$	4,234
2017		3,497
2018		2,133
2019		1,369
2020		621
Thereafter		2,026
	$	13,880

(Continued)

Rental expense under operating leases amounted to approximately $5,269,000 and $4,896,000 for the years ended September 30, 2015 and 2014, respectively, and is included in general and administrative expenses in the consolidated statements of operations and changes in net assets.

(c) Litigation

During the normal course of business, the Health System is involved in litigation with respect to professional liability claims and other matters. In addition, the Health System is subject to periodic regulatory investigations. The Health System has purchased insurance coverage to minimize its exposure to such risk. This coverage includes property, directors and officers, vehicles, medical malpractice, and general liability. Each policy has its own deductible and/or self-insurance retention.

(d) Professional Malpractice Insurance

As a provider of healthcare services, the Health System is subject to malpractice claims.

The Health System is substantially self-insured for malpractice and general liability claims and related expenses. The Health System's current malpractice insurance policy provides for claims-made coverage. Under its current insurance coverage, the Health System's limit is $50 million (inclusive of defense costs) with a self-insured retention of $3 million per claim and an inner-aggregate deductible of $2 million. The Health System's self-insured retention exposure is capped by an aggregate of $18 million (inclusive of defense costs). Prior to September 1, 2014, the Health System was insured through an unrelated captive for claims in excess of $3 million per claim and with a $2 million inner-aggregate deductible. Effective September 1, 2014, the captive is no longer utilized by the Health System.

Losses from both asserted and unasserted claims are accrued based on estimates that incorporate the Health System's past experience, as well as other considerations, including the nature of each claim or incident, relevant trend factors, and estimates of incurred but not reported amounts. The Health System has engaged an independent actuary to estimate ultimate losses to be accrued. The Health System has internally designated certain funds for the payment of professional liability claim settlements. The balances of the internally designated funds were approximately $29,508,000 and $29,155,000 as of September 30, 2015 and 2014, respectively, and are included in assets limited as to use in the accompanying consolidated balance sheets.

Estimated losses of approximately $29,576,000 and $29,152,000 for medical malpractice claims are included in accounts payable and accrued expenses and other long-term liabilities in the accompanying consolidated balance sheets as of September 30, 2015 and 2014, respectively. The Health System may be liable for losses in excess of amounts accrued, but within the deductible provisions.

(e) Workers' Compensation Liability and Employee Medical Insurance

The Health System is self-insured for workers' compensation claims and employee medical claims. Workers' compensation losses for asserted and unasserted claims are accrued based on estimates provided by an independent actuary. Estimated costs accrued for incurred but not reported workers' compensation claims and employee medical claims of approximately $4,620,000 and $4,860,000, respectively, are included in employee compensation and benefits and other long-term liabilities in the

(Continued)

accompanying consolidated balance sheets as of September 30, 2015 and 2014, respectively. The estimates are based on the Health System's past experience, as well as other considerations, including the nature of each claim or incident, relevant trend factors, and estimates of amounts incurred but not reported. The Health System has established self-insurance funds for the payment of workers' compensation liability claim settlements and employee claim settlements. The balances of these funds totaled approximately $6,708,000 and $6,627,000 as of September 30, 2015 and 2014, respectively, and are included in assets limited as to use in the accompanying consolidated balance sheets.

(10) Concentration of Credit Risk

The Health System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The Health System does not charge interest on accounts receivable. The credit risk for other concentrations of receivables is limited due to the large number of insurance companies and other payers that provide payments for services. Accounts receivable are reported net of an estimated allowance for uncollectible accounts in the accompanying consolidated balance sheets.

The table below summarizes the percentage of net patient accounts receivable due from major payers as of September 30, 2015 and 2014:

	2015	2014
Medicare	16%	17%
Managed care	57	60
Self-pay/other	20	13
Medicaid	7	10

(11) Investments in Joint Venture Partnerships

As of September 30, 2015 and 2014, the Health System had a 44.75% ownership interest in the Lakeland Surgical and Diagnostic Center, LLP (the Surgical Center). The ownership interest is accounted for using the equity method. The equity in earnings of the Surgical Center was approximately $1,142,000 and $1,192,000 for the years ended September 30, 2015 and 2014, respectively. These amounts are net of federal and state income taxes of approximately $516,000 and $722,000 for the years ended September 30, 2015 and 2014, respectively. The carrying value of the Health System's investment in the Surgical Center was approximately $4,618,000 and $4,526,000 as of September 30, 2015 and 2014, respectively, and is included in other assets in the accompanying consolidated balance sheets.

The Health System also has partnership interests in other joint ventures accounted for using the equity method. The equity in earnings (losses) from these joint ventures was approximately $212,000 and ($157,000) for the years ended September 30, 2015 and 2014, respectively. The carrying value of these joint ventures was approximately $662,000 and $470,000 at September 30, 2015 and 2014, respectively, and is included in other assets in the accompanying consolidated balance sheets.

(Continued)

(12) Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*, defines fair value as the exit price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. FASB ASC Topic 820 requires investments to be grouped into three categories based on certain criteria as noted below:

Level 1: Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.

Level 2: Observable inputs other than quoted prices include Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets and liabilities.

The table below summarizes the fair values of the Health System's cash, marketable securities, assets limited as to use and investments, excluding held-to-maturity securities, as of September 30, 2015 (in thousands):

			Fair value measurements at reporting date using		
		September 30, 2015	(Level 1)	(Level 2)	(Level 3)
Assets:					
Cash and cash equivalents	$	36,411	36,411	—	—
Marketable securities, assets limited as to use and investments:					
Cash equivalents		3,376	3,376	—	—
Common stock		662	662	—	—
Mutual funds		12,371	12,371	—	—
Private placement funds:					
Fixed income		177,530	—	177,530	—
Equity securities		203,067	—	203,067	—
Hedge funds		45,557	—	—	45,557
Total	$	478,974	52,820	380,597	45,557

(Continued)

The table below summarizes the fair values of the Health System's cash, marketable securities, assets limited as to use and investments, excluding held-to-maturity securities, as of September 30, 2014 (in thousands):

			Fair value measurements at reporting date using		
		September 30, 2014	(Level 1)	(Level 2)	(Level 3)
Assets:					
Cash and cash equivalents	$	22,503	22,503	—	—
Marketable securities, assets limited as to use and investments:					
Cash equivalents		3,373	3,373	—	—
Common stock		723	723	—	—
Mutual funds		13,719	13,719	—	—
Private placed funds:					
Fixed income		177,223	—	177,223	—
Equity securities		217,104	—	217,104	—
Hedge funds		45,683	—	—	45,683
Total	$	480,328	40,318	394,327	45,683

The Health System's Level 1 assets include trading investments in equity securities and mutual funds and are valued at the quoted market prices.

The Health System's Level 2 assets include trading investments in private placement funds that invest in U.S. Treasuries and agency obligations, government securities, corporate debt securities, and asset-backed securities with fair values modeled by external pricing vendors. The fair value of the Level 2 private placed funds has been determined using the net asset value of the funds as provided by the fund custodian. There are no withdrawal restrictions on such funds.

The Health System's Level 3 assets include a hedge fund with a fair value determined using the net asset value of the fund as provided by the fund custodian.

The Health System's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers of financial assets between Level 1, Level 2, or Level 3 during the years ended September 30, 2015 and 2014.

(Continued)

The following table sets forth the change in the fair value of investments measured using significant unobservable inputs (Level 3):

	Level 3
Balance, September 30, 2013	$ 33,755
Unrealized gains	11,928
Balance, September 30, 2014	45,683
Unrealized losses	(126)
Balance, September 30, 2015	$ 45,557

The fair values of the following investments have been estimated using the net asset value per share of the investments as of September 30, 2015 and 2014 (in thousands). There are no unfunded commitments on any of these funds at September 30, 2015 and 2014.

			Fair value measurements at reporting date using	
	September 30		Redemption	Redemption
Fair value net asset per share	2015	2014	frequency	notice period
Asset category:				
Russell Large Cap U.S. Equity (a)	$ 43,245	44,970	Daily	None
Russell Defensive U.S. Equity (b)	42,954	44,639	Daily	None
Russell Small Cap U.S. Equity (c)	20,591	21,769	Daily	None
Russell International Equity (d)	43,152	46,832	Daily	None
Russell Emerging Markets Equity Plus (e)	13,777	16,657	Daily	None
Russell Low Duration Bond (f)	59,139	59,939	Daily	None
Russell Core Bond (g)	118,391	117,284	Daily	None
Russell Global Real Estate Securities Fund (h)	19,073	19,222	Daily	None
Russell Global Listed Infrastructure Fund (i)	10,582	11,742	Daily	None
Russell Dynamic Commodity Strategies Fund (j)	9,693	11,273	Daily	None
Total Return Fund (k)	45,557	45,683	Quarterly	65 calendar days
Total	$ 426,154	440,010		

(a) The investment objective of the Russell Large Cap U.S. Equity Fund is to outperform the Russell 1000 Index with above average consistency while maintaining volatility and diversification similar to the index.

(Continued)

(b) The Russell Defensive U.S. Equity Fund will seek to outperform the Russell 1000 Defensive Index, while being less volatile than the large cap U.S. equity market (as measured by the standard deviation of returns of the Russell 1000 Index).

(c) The Russell Small Cap U.S. Equity Fund seeks to outperform the Russell 2000® Index over a market cycle.

(d) The Russell International Equity Fund seeks to provide long-term growth of capital by investing primarily in equity securities and to achieve above average results over a market cycle.

(e) The Russell Emerging Markets Equity Plus Fund seeks to outperform the Russell Emerging Markets Index-Net over a market cycle.

(f) The Russell Low Duration Bond Fund seeks to outperform the Bank of America Merrill Lynch 1-3 Year U.S. Treasury Index over an interest rate cycle.

(g) The Russell Core Bond Fund seeks to outperform the Barclays Capital U.S. Aggregate Bond Index over an interest rate cycle.

(h) The Russell Global Real Estate Securities Fund seeks to provide current income and long-term capital growth. It strives to outperform the FTSE EPRA/NAREIT Developed Real Estate Index Net TRI with above average consistency.

(i) The Russell Global Listed Infrastructure Fund seeks to outperform its benchmark with above average consistency and with funds lower tracking error relative to other funds. The fund aims to provide a diversified portfolio of listed companies involved in providing services that are essential for a functioning modern economy, including roads, utilities, hospitals, schools, and airports.

(j) The Russell Dynamic Commodity Strategies Fund seeks to provide exposure to the commodities markets and provide returns that outperform the Dow Jones-UBS Commodity Index Total Return.

(k) The Total Return Fund objective is to offer low correlation to traditional assets and aims to provide diversification, lower volatility, and higher risk-adjusted returns at the portfolio level.

The fair value of financial instruments has been estimated by the Health System using available market information as of September 30, 2015 and 2014, and valuation methodologies considered appropriate. The estimates presented are not necessarily indicative of amounts the Health System could realize in a current market exchange. Estimates of fair values are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could affect the estimates.

The estimated fair value of the Health System's held-to-maturity securities at September 30, 2015 is approximately $163,423,000. Fair values of the Health System's held-to-maturity securities are based upon quoted market prices for the same or similar securities as determined by the custodian bank.

Fair values of the Health System's debt are based upon the quoted market prices for the same or similar issues or on the current rates offered to the Health System for debt of the same remaining maturities and are considered Level 2 measurements. The table below summarizes the carrying amount and fair value of the Health System's debt as of September 30, 2015 and 2014 (in thousands):

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
Long-term debt	$ 371,923	365,199	174,253	179,619

(13) Subsequent Events

The Health System has evaluated events and transactions occurring subsequent to September 30, 2015 as of December 17, 2015, which is the date the consolidated financial statements were available to be issued and has not identified any significant events, not previously disclosed.

OTHER FINANCIAL INFORMATION

Schedule 1

LAKELAND REGIONAL HEALTH SYSTEMS, INC.
AND SUBSIDIARIES

Consolidating Schedule – Balance Sheet Information

September 30, 2015

(In thousands)

Assets	Lakeland Regional Health Systems, Inc.	Lakeland Regional Medical Center, Inc.	Eliminations	Obligated Group	Lakeland Regional Health Ventures, Inc.	Lakeland Regional Medical Center Foundation, Inc.	Eliminations	Total
Current assets:								
Cash and cash equivalents	$ 33,982	647	—	34,629	174	1,608	—	36,411
Short-term marketable securities	—	—	—	—	401	—	—	401
Current portion of assets limited as to use	13,752	62,283	—	76,035	—	—	—	76,035
Patient accounts receivable, net	10,174	95,888	—	106,062	—	—	—	106,062
Estimated third-party settlements, net	—	—	—	—	—	—	—	—
Inventories	149	10,567	—	10,716	—	—	—	10,716
Prepaid expenses and other current assets	1,052	17,838	—	18,890	7	2,484	—	21,381
Due from affiliates	203	13,752	(13,752)	203	(200)	(3)	—	—
Total current assets	59,312	200,975	(13,752)	246,535	382	4,089	—	251,006
Assets limited as to use, less current portion	69,031	101,652	—	170,683	—	—	—	170,683
Due from affiliates, less current portion	—	66,141	(66,141)	—	—	—	—	—
Long-term marketable securities	—	12,371	—	12,371	—	116	—	12,487
Investments	330,403	—	—	330,403	2	16,487	—	346,892
Property and equipment, net	37,513	346,664	—	384,177	—	—	—	384,177
Interest in net assets of the Foundation	707	19,968	—	20,675	—	—	(20,675)	—
Debt issue costs, net	—	3,458	—	3,458	—	—	—	3,458
Other assets	5,780	10	—	5,790	—	—	(301)	5,489
Total assets	$ 502,746	751,239	(79,893)	1,174,092	384	20,692	(20,976)	1,174,192
Liabilities and Net Assets								
Current liabilities:								
Accounts payable and accrued expenses	$ 2,502	54,767	—	57,269	83	8	—	57,360
Employee compensation and benefits	6,560	36,746	—	43,306	—	9	—	43,315
State of Florida medical assistance assessment	—	8,089	—	8,089	—	—	—	8,089
Estimated third-party settlements, net	—	6,490	—	6,490	—	—	—	6,490
Current portion of long-term debt	—	7,375	—	7,375	—	—	—	7,375
Total current liabilities	9,062	113,467	—	122,529	83	17	—	122,629
Long-term debt, less current portion	—	364,548	—	364,548	—	—	—	364,548
Due to affiliates, less current portion	79,893	—	(79,893)	—	—	—	—	—
Long-term liabilities	—	34,676	—	34,676	—	—	—	34,676
Total liabilities	88,955	512,691	(79,893)	521,753	83	17	—	521,853
Net assets:								
Unrestricted	413,215	227,213	—	640,428	301	10,204	(10,505)	640,428
Temporarily restricted	577	9,796	—	10,373	—	8,933	(8,933)	10,373
Permanently restricted	—	1,538	—	1,538	—	1,538	(1,538)	1,538
Total net assets	413,791	238,548	—	652,339	301	20,675	(20,976)	652,339
Total liabilities and net assets	$ 502,746	751,239	(79,893)	1,174,092	384	20,692	(20,976)	1,174,192

See accompanying independent auditors' report.

Schedule 2

LAKELAND REGIONAL HEALTH SYSTEMS, INC.
AND SUBSIDIARIES

Consolidating Schedule – Statement of Operations Information

Year ended September 30, 2015

(In thousands)

	Lakeland Regional Health Systems, Inc.	Lakeland Regional Medical Center Inc.	Obligated Group	Lakeland Regional Health Ventures, Inc.	Lakeland Regional Medical Center Foundation, Inc.	Eliminations	Consolidated for the year ended 9/30/2015
Unrestricted revenues and other support:							
Net patient service revenue (net of contractual allowances and discounts)	$ 53,138	749,389	802,527	—	—	—	802,527
Provision for bad debt	—	(90,266)	(90,266)	—	—	—	(90,266)
Net patient service revenue	53,138	659,123	712,261	—	—	—	712,261
Other revenues	4,831	15,353	20,184	—	142	(1,904)	18,422
Net assets released from restrictions used for operations	—	—	—	—	86	—	86
Contributions from affiliate	—	—	—	—	636	(636)	—
Total unrestricted revenues and other support	57,969	674,476	732,445	—	864	(2,540)	730,769
Expenses:							
Employee compensation and benefits	68,264	305,598	373,862	—	293	—	374,155
Supplies	7,323	142,451	149,774	—	10	—	149,784
General and administrative	12,475	80,876	93,351	—	850	(1,145)	93,056
Professional fees	4,320	18,968	23,288	—	—	(1,395)	21,893
State of Florida medical assistance assessment	—	8,292	8,292	—	—	—	8,292
Depreciation	2,078	43,104	45,182	—	—	—	45,182
Interest	—	7,673	7,673	—	—	—	7,673
Total expenses	94,460	606,962	701,422	—	1,153	(2,540)	700,035
Operating income (loss)	(36,491)	67,514	31,023	—	(289)	—	30,734
Nonoperating gains (losses):							
Investment income	(5,624)	950	(4,674)	—	(128)	—	(4,802)
Equity in earnings from interests in joint venture partnerships, net of applicable taxes	1,297	56	1,353	—	—	—	1,353
Loss on disposal of property and equipment	—	(7)	(7)	—	—	—	(7)
Total nonoperating gains (losses), net	(4,327)	999	(3,328)	—	(128)	—	(3,456)
Excess (deficit) of revenues, gains, and other support over expenses and losses	$ (40,818)	68,513	27,695	—	(417)	—	27,278

See accompanying independent auditors' report.

APPENDIX C

SUMMARIES OF PRINCIPAL DOCUMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

SUMMARIES OF PRINCIPAL DOCUMENTS

Brief descriptions of the Amended and Restated Master Trust Indenture, the Trust Agreement, as amended, the Financing Agreement, as amended, and the Lease and Transfer Agreement, as amended, pursuant to which the Bonds are issued are included hereafter in this Appendix C. Such descriptions do not purport to be comprehensive or definitive; all references herein to the Master Indenture, the Trust Agreement, the Financing Agreement, and the Lease and Transfer Agreement are qualified in their entirety by reference to each such document, copies of which are available for review prior to the issuance of the Bonds at the offices of the Underwriter and thereafter at the offices of the Master Trustee.

DEFINITIONS OF CERTAIN TERMS

The following is a summary of the definitions of certain terms used in the Master Indenture, the Trust Agreement, the Financing Agreement, and the Lease and Transfer Agreement.

"Accounts" means, collectively, the respective instruments and accounts of the Members of the Obligated Group, as instruments and accounts are defined in Section 679.1021, Florida Statues, as amended, respectively.

"Act" means the Constitution of the State of Florida, Chapter 166, Florida Statutes, Part II, Chapter 159, Florida Statutes, as the same may be amended from time to time, and other applicable provisions of law.

"Actual Long Term Debt Service Coverage Ratio" means the ratio determined by dividing Income Available for Debt Service in any Fiscal Year by the aggregate of the payments required to be made in such Fiscal Year in respect of principal and interest (whether or not separately stated) on all Outstanding Long-Term Indebtedness of the Obligated Group.

"Actuarial Consultant" means an actuary or actuarial firm of national repute for having the skill and experience necessary to examine and report on the sufficiency of the funding of self-insurance funds, which is not unacceptable to the Master Trustee and is Independent.

"Additional Bonds" means Bonds of the Issuer authenticated and delivered under and pursuant to the provisions of Article XII of the Trust Agreement and subject to the full terms thereof. The Series 2011 Bonds, the Series 2015 Bonds and the Series 2016 Bonds constitute Additional Bonds.

"Additional Indebtedness" means any Indebtedness incurred by any Member of the Obligated Group subsequent to the issuance of Obligation No. 4, Obligation No. 5 and Obligation No. 6 under the Master Indenture or incurred by any other Member of the Obligated Group subsequent to or contemporaneously with its becoming a Member of the Obligated Group.

"Affiliate" means, any corporation, partnership, joint venture, association, business trust, governmental unit or similar entity organized under the laws of the United States of America or any state thereof (i) which directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, Systems or any other member of the Obligated Group; or (ii) a majority of the members of the Governing Body of which are the same as Systems. For purposes of this definition, "control" means the power to direct the management and policies of a Person through the ownership of a majority of its voting securities or the right to designate or elect or approve and remove a majority of the members of its Governing Body (or, in the event that any corporate action of such Governing Body requires a super-majority vote, the number of members of such Governing Body constituting such super-majority the members of such Governing Body), by contract or otherwise.

"Agreement" or "Financing Agreement" means that certain Financing Agreement, dated as of September 2, 1999, between the Issuer, Systems and the Hospital, as the same may be amended from time to time.

"Audited Financial Statements" means consolidated financial statements of Systems, prepared in accordance with generally accepted accounting principles, which have been audited and reported upon by independent certified public accountants including in an additional information section, unaudited combined financial statements, including consolidating or combining information of the Combined Group for the same twelve-month period from which the accounts of any Affiliate which is not a Member of the Combined Group have been eliminated and to which the accounts of any Member of the Combined Group which is not already included have been added; provided, however, that for purposes of adding the accounts of a Member of the Obligated Group which is not an Affiliate, the balances of such accounts shall be extracted from audited financial statements of such Member of the Combined Group and its affiliates, if any.

"Authenticating Agent" means the Bond Trustee, and any additional or successor Authenticating Agent for the Series 2016 Bonds or any Additional Bonds, as may be appointed from time to time by an authorized officer of Systems in accordance with the Master Indenture.

"Authorized Denominations," means with respect to the Series 2016 Bonds, $5,000 and any integral multiple of $5,000. Authorized denominations for Additional Bonds shall be specified in a supplemental trust agreement with respect thereto.

"Authorized Representative" shall mean, with respect to Systems, the Chairperson, the Chief Executive Officer or the Chief Financial Officer of Systems, and, with respect to each other Member of the Obligated Group, the Chairperson of its Governing Body or its chief executive officer or its chief financial officer, or any other person or persons designated an Authorized Representative of Systems or any other Member of the Obligated Group by an Officer's Certificate of such Member of the Obligated Group, respectively, signed by the Chairperson of its Governing Body or its chief executive officer or chief financial officer and filed with the Master Trustee.

"Balloon Long-Term Indebtedness" means Long-Term Indebtedness 20% or more of the principal payments of which are due in a single year, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date,

"Bond Counsel" means Counsel listed in the list of "Municipal Bond Attorneys of the United States" published in the then current edition of the Bond Buyer's Municipal Marketplace and shall initially be Nabors, Giblin & Nickerson, P.A., Tampa, Florida.

"Bond Insurance Policy" means the financial guaranty insurance policies issued by the Bond Insurers in connection with any Additional Bonds.

"Bond Insurer" means, with respect to any Additional Bonds, the municipal bond insurance company, if any, identified in the supplemental trust agreement authorizing the issuance of such Additional Bonds.

"Bond Obligation" means, as of the date of computation, the sum of (i) the principal amount of all Current Interest Bonds then outstanding and (ii) the Compounded Amount on all Capital Appreciation Bonds then outstanding.

"Bond Purchase Agreement" means the Bond Purchase Agreement respecting the purchase and sale of a Series of Bonds by and among the Issuer, Systems, the Hospital and the initial purchaser(s) of such Bonds.

"Bond Registrar" means the Bond Trustee, or any other registrar appointed by the Issuer, from time to time, under the provisions of the Trust Agreement.

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

"Bond Year" means the annual period beginning on November 15th of each year and ending on November 14th of the following year; provided that when such term is used to describe the period during which deposits are to be made to amortize principal and interest on the Bonds maturing or becoming subject to redemption, interest and principal maturing or becoming subject to redemption on November 15th of any year shall be

deemed to mature or become subject to redemption on the last day of the preceding Bond Year.

"Bondholder" or **"Holder of Bonds,"** or **"Owner of Bonds," "Registered Owner," or "Owner" or "Holder"** means the registered owner of any Bond as shown on the registration books maintained by the Bond Trustee as of the time and date of determination.

"Bonds" means the Series 2011 Bonds, the Series 2015 Bonds and the Series 2016 Bonds issued under the Trust Agreement and any Additional Bonds thereunder.

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

"Borrowers" means collectively, Systems and the Hospital.

"Business Day" means any day except (i) Saturday or Sunday or (ii) any day on which banking institutions located in the states of New York and Florida are required or authorized to close or (iii) on which the New York Stock Exchange is closed.

"Capital Appreciation Bonds" means Bonds that bear interest that are payable only at maturity or upon redemption prior to maturity in amounts determined by reference to Compounded Amounts, or Bonds with characteristics of Capital Appreciation Bonds prior to a date established by supplemental trust agreement prior to the issuance of such Bonds, at which time the semiannual compounding of interest ceases, with such further terms and conditions as may be designated by such supplemental trust agreement.

"Capital Leases" means, for purposes of the Master Indenture and notwithstanding any conflict between such term and similar terms used for generally accepted accounting principles, leases having an original term, or renewable at the option of the lessee, for a period from the date originally incurred, longer than one year and having one or more of the following characteristics:

(a) The ownership of the property is transferred to the Obligated Group Member during the lease term;

(b) The Member may buy the property at a nominal price at lease expiration;

(c) The property will be leased for at least 75% of its economic life; or

(d) the present value of the minimum lease payments equal at least 90% of the value of the property.

"Certificate as to Tax, Arbitrage, and Other Matters" means the Certificate as to Tax, Arbitrage, and Other Matters signed by Systems and the Hospital concurrently with the issuance of the Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, or any corresponding provision of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context hereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of Treasury (including applicable final regulations or temporary regulations), the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings) and applicable court decisions.

"Code Project" means, individually or collectively, any project that will be originally financed with any series of Additional Bonds.

"Combined Group" means, collectively, each Member of the Obligated Group and each Restricted Affiliate.

"Completion Date" means the date of completion of the acquisition and construction of a Project, as that date shall be certified as provided in Section 5.07(f) of the Trust Agreement.

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

"Compounded Amounts" means the principal amount of Capital Appreciation Bonds plus the amount of interest that has accrued on Capital Appreciation Bonds to the date of calculation, determined by reference to accretion tables contained in each such Bond and/or in an offering circular with respect thereto. The amount of interest that has accreted on such Bonds as any date not stated in such tables shall be calculated by adding to the amount of accreted interest on such Bonds as of the date stated in such

tables immediately preceding the date of computation a portion of the difference between the amount for such preceding date and the amount of interest accrued on such Bonds as of the date shown on such tables immediately succeeding the date of calculation, apportioned on the assumption that interest accrues during any period in each daily amounts on the basis of a year of twelve 30-day months.

"Construction Fund" means the fund created and established by that name pursuant to Section 5.07 of the Trust Agreement, and all separate Construction Accounts therein.

"Consultant" means a firm or firms which is a professional management consultant of national repute for having the skill and experience necessary to render the particular report required by the provision hereof in which such requirement appears and which is not unacceptable to the Master Trustee and that is Independent.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement dated as of the date of closing, among the Digital Assurance Certification, L.L.C., as dissemination agent thereunder, and the Hospital and Systems.

"Corporate Charter" means, with respect to any corporation, die articles of incorporation, certificate of incorporation, corporate charter or other organic document pursuant to which such corporation is organized and existing under the laws of the United States of America or any state thereof.

"Corporate Trust Office" means the designated office of the Master Trustee at which its corporate trust business for this transaction is primarily conducted, which at the date hereof is located in Jacksonville, Florida.

"Cost" or "cost" as applied to a Project shall embrace, without intending hereby to limit or restrict any proper definition of such word under the Act, all costs of acquisition, construction and equipping and all obligations and expenses incurred by or on behalf of the Issuer or any Member of the Obligated Group with respect to any Project as set forth in Section 5.07(c) of the Trust Agreement and Section 4.03 of the Financing Agreement or any similar provisions set forth in a supplemental financing agreement.

"Costs of Issuance" or **"Issuance Costs"** means all costs and expenses of issuance of the Bonds, including, but not limited to: (i) underwriters' discount and fees; (ii) counsel fees, including, without limitation, bond counsel, and special tax counsel fees, as well as counsel fees for the Issuer, the Hospital and Systems; (iii) financial advisor fees; (iv) rating agency fees; (v) trustee fees and trustee counsel fees; (vi) paying agent and certifying and authenticating agent fees related to issuance of the Bonds; (vii) accounting fees and expenses; (viii) printing costs of the Bonds and of the preliminary and final official statement; (ix) publication costs associated with the financing proceedings; and (x) costs of any Bond Insurance Policy for the Bonds.

"Counsel" means an attorney or a firm of attorneys admitted to practice law in the highest court of any state in the United States of America or in the District of Columbia.

"Coverage Requirement" means the requirement that Income Available For Debt Service of the Hospital and System, on a consolidated basis, is at least equal to 150% of the Maximum Annual Debt Service. The Coverage Requirement shall be calculated in accordance with generally accepted accounting principles.

"Credit Facility" means any credit facility, credit enhancement facility or credit or reimbursement agreement or bond insurance, provided by or on behalf of a Member of the Obligated Group with one or more banks, insurance companies or other financing or lending institutions, or the letter of credit, line of credit or other credit enhancement to be issued as provided thereunder, permitting the advance of funds, the proceeds of which will be used to pay all or a part of the principal, interest and premium, if any, on the Bonds, as approved by subsequent ordinance or resolutions of the Issuer prior to the sale of any Series of Bonds secured by a Credit Facility.

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

"Cross-over Refunded Indebtedness" means Indebtedness refunded by Cross-over Refunding Indebtedness.

"Cross-over Refunding Indebtedness" means Indebtedness issued for the purpose of refunding Cross-over Refunded Indebtedness if the proceeds of such Cross-over Refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable redemption date or dates or maturity date of the Cross-over Refunded Indebtedness, and the earnings on such escrow deposit are required to be applied to pay interest on such Cross-over Refunding Indebtedness until the Cross-over Date.

"Current Interest Bonds" means Bonds that bear interest which is payable annually, semiannually or monthly, or such more frequent interval as the Issuer may determine.

"Debt Service Requirements" means, the amounts required to pay principal of and interest on the Bonds as provided in the Trust Agreement.

"Default" or "Event of Default" means any occurrence or event specified in the Trust Agreement or the Master Indenture.

"Defeasance Obligations" means, unless modified by the terms of a particular Supplement, (i) noncallable, nonprepayable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified non-callable, nonprepayable

Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, (iii) Defeased Municipal Obligations, (iv) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian, and (v) the obligations of (A) Federal Home Loan Mortgage Corp., (B) Farm Credit System, (C) Federal Home Loan Banks, (D) Federal National Mortgage Association, (E) Student Loan Marketing Association, (F) Financing Corp., (G) Resolution Funding Corp., and (H) U.S. Agency for International Development.

"Defeased Municipal Obligations" means obligations of state or local government municipal bond issuers rated in the highest rating by S&P and Moody's, provision for the payment of the principal of and interest on which shall have been made or provided for by irrevocable deposit with a trustee or escrow agent of (i) noncallable, nonprepayable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified noncallable, nonprepayable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian, or (iii) the obligations of (A) Federal Home Loan Mortgage Corp., (B) Farm Credit System, (C) Federal Home Loan Banks, (D) Federal National Mortgage Association, (E) Student Loan Marketing Association, (F) Financing Corp., (G) Resolution Funding Corp., and (H) U.S. Agency for International Development, the maturing principal of and interest on such obligations listed in (i) to (iv) above, when due and payable without any reinvestment thereof, shall provide sufficient money to pay the principal of, redemption premium, if any, and interest on such obligations of state or local government municipal bond issuers, and for which Defeased Municipal Obligations a specific call date has been established or for which the issuer has waived the ability to call such Defeased Municipal Obligations prior to a date certain.

"Defeased Obligations" means Obligations issued under a Supplement that have been discharged in accordance with Article VII of the Master Indenture, or provision for the discharge of which has been so made, pursuant to the terms of such Supplement.

"Depositary" means the Bond Trustee or one or more other banks or trust companies designated by the Issuer that shall have qualified with all state and federal requirements concerning the receipt of Issuer funds.

"Derivative Agreement" means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange

cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and (v) any other type of contract or arrangement that the Member of the Combined Group entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

"Derivative Indebtedness" means Indebtedness for which a Member of the Combined Group shall have entered into a Derivative Agreement in respect of all or a portion of such Indebtedness.

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

"DTC" means the Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

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

"Escrow Obligations" means, unless modified by the Supplemental Trust Agreement pertaining to the respective Series of Bonds to be refunded, any combination of the following: (i) Government Obligations, or (ii) non-callable, nonprepayable receipts, certificates or other similar documents evidencing ownership of future principal or interest payments due on Government Obligations which were stripped by the United States Department of Treasury and are held in a custody or trust account by a commercial bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than Fifty Million Dollars ($50,000,000) and is acceptable to the Bond Trustee, or (iii) obligations issued by any state of the United States or any political subdivision, public instrumentality or public authority of any state, which obligations are fully secured by and payable solely from Government Obligations, which security is held pursuant to an agreement in form and substance acceptable to the Bond Trustee, or (iv) noncallable bonds which, at the time of investment, are rated AAA by S&P and Aaa by Moody's, or (v) Resolution Funding Corp ("REFCORP") bonds and strips.

"Escrowed Interest" means amounts of interest on Long-Term Indebtedness for which moneys or Defeasance Obligations have been deposited in escrow (the "Escrowed Interest Deposit") which Escrowed Interest Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Interest.

"Escrowed Principal" means amounts of principal on Long-Term Indebtedness for which moneys or Defeasance Obligations have been deposited in escrow (the "Escrowed Principal Deposit") which Escrowed Principal Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Principal.

"Exposure on Guaranteed Debt" means, with respect to the period of time for which calculated, an amount equal to the sum of one hundred percent (100%) of the maximum annual debt service requirement (calculated in the same manner as Maximum Annual Debt Service) on the Indebtedness of the Primary Obligor which is guaranteed; provided, however, that if the guarantor has not been required, by reason of its guaranty, to make any payment in respect of the Indebtedness which is guaranteed within the immediately preceding twenty-four (24) months none of the debt service requirement on such Indebtedness shall be included in such calculation.

"Fifth Supplemental Financing Agreement" means the Fifth Supplemental Financing Agreement, dated as of September 1, 2016, among the Issuer, the Hospital and Systems, as it may be amended and supplemented from time to time.

"Fifth Supplemental Trust Agreement" means the Fifth Supplemental Trust Agreement, dated as of September 1, 2016, between the Issuer and the Bond Trustee, as it may be amended and supplemented from time to time.

"Fiscal Agent" means with respect to any Series of Bonds, collectively, the Paying Agent, Bond Trustee and Authenticating Agent for such Series of Bonds, which, unless otherwise provided by supplemental trust agreement, shall initially be the Bond Trustee.

"Fiscal Year" means, with respect to Systems and each other Member of the Combined Group, any period of twelve (12) consecutive months adopted by Systems as its fiscal year for financial reporting purposes.

"Fitch" means Fitch, Inc., its successors and their assigns, and if it shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group, with the consent of MBIA, so long as MBIA is insuring any Bonds, by written notice to the Bond Trustee.

"Fourth Supplemental Financing Agreement" means the Fourth Supplemental Financing Agreement, dated as of February 1, 2015, among the Issuer, the Hospital and Systems, as it may be amended and supplemented from time to time.

"Fourth Supplemental Trust Agreement" means the Fourth Supplemental Trust Agreement, dated as of February 1, 2015, between the Issuer and the Bond Trustee, as it may be amended and supplemented from time to time.

"Governing Body" means the board of directors, board of trustees or similar body which pursuant to law or charter documents acts as the governing body of any Member of the Obligated Group.

"Government Obligations" means (i) direct, noncallable obligations of the United States of America, or (ii) noncallable and nonprepayable obligations of agencies of the United States of America, the payment of the principal and interest on which when due are unconditionally guaranteed by the United States of America.

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

"Gross Revenues" for any particular period means all combined and consolidated gross revenues Accounts, income, receipts and other money received in such period by or on behalf of the Obligated Group, including, but without limiting the generality thereof, gross revenues derived from the operation and possession of the Operating Assets, proceeds derived from accounts receivable, inventory and other tangible and intangible property, agreements respecting Medicare, Medicaid and Blue Cross, accounts, contract rights and other rights and assets, whether now or hereafter owned, held or possessed by or on behalf of the Obligated Group, net payments due from a counterparty under a Derivative Agreement, and all cash (or cash equivalent), donations, grants, bequests, gifts, pledges and other contributions of principal and interest, including the income and profits therefrom and proceeds from casualty insurance policies and condemnation awards to the extent not obligated to a particular use hereunder, in each case made or received with respect to the Property, Plant and Equipment exclusive of (i) donations, grants, bequests, legislative appropriations, gifts, pledges and other contributions, to the extent they are obligated to a purpose inconsistent with their use for the payment of debt service on Related Bonds issued under the Related Bond Indenture, (ii) the proceeds of any additional borrowing and (iii) the Rebate Amount.

"Guaranty" means any obligation of any Member of the Obligated Group guaranteeing in any manner, directly or indirectly, any obligation of any Person that is not a Member of the Obligated Group which obligation of such other Person would, if such obligation were the obligation of a Member of the Obligated Group, constitute Indebtedness hereunder. For the purposes of the Master Indenture, the aggregate annual principal and interest payments on any indebtedness in respect of which any Member of the Obligated Group shall have executed and delivered its Guaranty shall be determined in accordance with such Member's Exposure on Guaranteed Debt.

"Holder" means an owner of any Obligation issued under the Master Indenture in other than bearer form.

"Hospital" or **"LRMC"** means Lakeland Regional Medical Center, Inc., a Florida not-for-profit corporation, together with its successors and assigns.

"Income Available for Debt Service" means, as to any period of 12 consecutive calendar months, the excess of revenues, gains and other support (including interest earnings on restricted funds, unless such interest is restricted, and the sum of all gifts, grants, bequests, contributions, state funded, unrestricted annual appropriations and donations unrestricted as to their use), over expenses before depreciation, amortization and interest expense on Long-Term Indebtedness, as determined in accordance with generally accepted accounting principles consistently applied (except with respect to Capital Leases which shall be treated in accordance with the definition of such term contained in this Section 1.01), plus (i) Restricted Affiliate Income Available for Debt Service, (ii) amortization of discount on Indebtedness, issuance expense and goodwill, (iii) retirement, depletion, obsolescence and impairment of Property, Plant and Equipment and (iv) with respect to any Exposure on Guaranteed Debt, the revenues of the Primary Obligor available to pay the Indebtedness being guaranteed for such period up to the amount of debt service of such Primary Obligor so included in such period or future Fiscal Year, as applicable; provided, however, that (1) no determination of Income Available for Debt Service shall take into account any (a) gain or loss resulting from either the extinguishment or refinancing of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business, or (b) unrealized gains and losses on investments of any Member of the Combined Group, or (c) termination amounts or mark to market on Derivative Agreements, or (d) audit adjustments and restatements, or (e) any "other than temporary" impairment loss, or (f) non-recurring, unanticipated gains or losses that are considered to be extraordinary under generally accepted accounting principles, or (g) unusual, infrequent or extraordinary non-cash items; provided, further, at the option of the Obligated Group Agent, net realized gains and losses from the sale of investments may be included in the computation of Income Available for Debt Service on the basis of the average annual amount of those gains and losses for the three Fiscal Years next preceding the computation date, rather than including the actual amount of net realized gains (and losses) from the sale of investments for the period for which a computation is being made if the value of such net realized gain (or loss) is greater than the value of any similar such gain (or loss) recorded in any of the prior three Fiscal Years; (2) revenues shall not include earnings from the investment of Escrowed Interest or Escrowed Principal or earnings constituting Escrowed Interest or Escrowed Principal to the extent that such earnings are applied to the payment of principal or interest on Long-Term Indebtedness which is excluded from the determination of Long-Term Indebtedness; and (3) revenues shall not include any moneys received (whether in respect to principal or interest) by any Member of the Obligated Group pursuant to any loan agreement or promissory note under which the Member of the Obligated Group has loaned (but not guaranteed) the proceeds of Indebtedness to any Person, including any Restricted Affiliate.

"Indebtedness" means (i) all indebtedness of Members of the Obligated Group for borrowed money or credit extended, (ii) all installment sales, conditional sales and Capital Lease obligations incurred or assumed by any Member of the Obligated Group, and (iii) all Guaranties, whether constituting Long-Term Indebtedness or Short-Term Indebtedness. Indebtedness shall not include obligations of any Member of the Obligated Group to another Member of the Obligated Group. The term "Indebtedness" shall not include trade payables. For purposes of the financial tests in the Master Indenture, obligations of any Member of the Obligated Group under Guaranties shall be included within the term "Indebtedness" only to the extent of the Exposure on Guaranteed Debt.

"Independent" means that no member, director, officer, trustee, employee or major stockholder of the entity to which such term is applied herein and such entity itself is not an officer, director, trustee, member or employee of any Member of the Combined Group. For the purpose of this definition, major stockholder means the holder or owner of more than ten percentum of the outstanding shares of stock of a company.

"Interest Account" means the account in the Sinking Fund created and so designated by Section 5.01 of the Trust Agreement.

"Interest Payment Date" means with respect to the Series 2011 Bonds, the Series 2015 Bonds and the Series 2016 Bonds, May 15th and November 15th of each year, and with respect to any other Additional Bonds shall mean the date or dates specified as such in the Supplemental Trust Agreement pertaining thereto.

"Investment Obligations" shall mean any of the following:

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by die United States of America.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself.):

1. U.S. Export-Import Bank (Eximbank)
   Direct obligations or fully guaranteed certificates of beneficial ownership

2. Farmers Home Administration (FmHA)
   Certificates of beneficial ownership

3. Federal Financing Bank

4. Federal Housing Administration Debentures (FHA)

5. General Services Administration
Participation Certificates

6. Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations

7. U.S. Maritime Administration
Guaranteed Title XI financing

8. U.S. Department of Housing and Urban Develop (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
Senior debt obligations

2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation Certificates
Senior debt obligations

3. Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations

4. Student Loan Marketing Association (SLMA or "Sallie Mae")
Senior debt obligations

5. Resolution Funding Corp. (REFCORP) obligations

6. Farm Credit System
Consolidated system-wide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, or Aa1 or Aa2.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

G. Investment Agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to MBIA so long as MBIA is insuring any Bonds.

H. Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P.

I. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime- 1 " or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

K. Repurchase Agreements for 30 days or less must follow the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to MBIA so long as MBIA is insuring any Bonds, and any other provider of a Credit Facility with respect to any obligation or related Bond.

Repurchase agreements must provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a the Issuer (buyer/lender), and the transfer of cash from the Issuer to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Issuer in exchange for the securities at a specified date.

1. <u>Repos must be between the Issuer and a dealer bank or securities firm which are:</u>

    a. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by S&P's and Moody's, or

    b. Banks rated "A" or above by S&P's and Moody's.

2. <u>The written repo contract must include the following: :</u>

    a. <u>Securities which are acceptable for transfer are:</u>

(1) Direct U.S. Governments, or

(2) Federal agencies backed by the full faith and credit or the U.S. government (and FNMA & FHLMQ.

b. The term of the repo may be up to 30 days

c. The collateral must be delivered to the Issuer, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

d. Valuation of Collateral

(1) The securities must be valued weekly, market-to-market at current market price plus accrued interest

(2) the value of collateral must be equal to 104% of the amount of cash transferred by the Issuer to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the municipal entity

a. Repo meets guidelines under state law for legal investment of public funds.

4. Pooled Investments. Any state administered pool investment fund in which the issuer is statutorily permitted or required to invest will be deemed a permitted investment (e.g., the Local Government Surplus Funds Trust Fund created pursuant to Part IV, chapter 218, Florida Statutes).

"Issuance Account" means the account in the Construction Fund created and so designated by Section 5.07(a) of the Trust Agreement.

"Issuer" means the City of Lakeland, Florida, a local agency and municipal corporation of the State of Florida.

"Land" collectively, the lands (i) owned by the City of Lakeland, Florida and leased to the Hospital under the Lease and (ii) owned by the Hospital or Systems and

subject to reverting to the City, in each case on which lands the Operating Assets currently are or will be located, together with easements appurtenant thereto.

"Lease" or **"Lease and Transfer Agreement"** means that certain Lease and Transfer Agreement, dated as of October 1, 1986, between the City of Lakeland, Florida, as Lessor, and the Hospital, as Lessee, as the same may be amended, modified and extended from time to time.

"Lien" means any mortgage, pledge or lease of, security interest in or lien, charge, restriction or encumbrance on any Property of the Person involved, including those which secure any Indebtedness, and a Capital Lease under which a Member of the Obligated Group is lessee.

"Liquidity Requirement" means the requirement that the cash and unrestricted investments of the Obligated Group not designated or restricted for a particular purpose other than operations, capital additions, replacements or payment of debt service, equals or exceeds 200% of the Maximum Annual Debt Service of the System and the Hospital on their consolidated and consolidating long-term indebtedness in the current or any future fiscal year (for this purpose funds that secure the Bonds and any Permitted Parity Indebtedness shall be subtracted from the Maximum Annual Debt Service). The Liquidity Requirement shall be calculated in accordance with generally accepted accounting principles.

"Loan" means the Series 2011 Loan, the Series 2015 Loan and the Series 2016 Loan and other loans made with respect to Additional Bonds pursuant to indentures supplemental to the Master Agreement and agreements supplemental to the Financing Agreement.

"Loan Repayments" means the payments required to be made by the Obligated Group pursuant to Obligation No. 5, Obligation No. 6, Obligation No. 7 and any subsequent Obligations issued in connection with the issuance of any Additional Bonds, pursuant to Section 3.03(a) of the Financing Agreement.

"Long-Term Debt Service Coverage Ratio" means for any period of time the ratio determined by dividing the Income Available for Debt Service by Maximum Annual Debt Service.

"Long-Term Debt Service Requirement" means, for any period of 12 consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness of the Obligated Group during such period, also taking into account any one or more of the following rules at the election of the Obligated Group Representative:

(i) with respect to Balloon Long-Term Indebtedness, (a) the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of not to exceed thirty (30) years, as determined by the Obligated Group Representative in an Officer's Certificate, on a level debt service basis at an interest rate equal to the rate borne by such Indebtedness on the date calculated, except that if the date of calculation is within twelve (12) months of the actual maturity of such Indebtedness, the full amount of principal payable at maturity shall be included in such calculation; or (b) principal payments or deposits with respect to Indebtedness secured by an irrevocable letter of credit issued by, or an irrevocable line of credit with, a bank rated in either of the three highest long-term rating categories or the two highest short-term rating categories, in each case without regard to gradations within such categories, by any of Moody's, S&P or Fitch, nominally due in the last Fiscal Year in which such Indebtedness matures may, at the option of the Member of the Obligated Group which issued such Indebtedness, be treated as if such principal payments or deposits were due as specified in any loan agreement issued in connection with such letter of credit, line of credit or insurance policy or pursuant to the repayment provisions of such letter of credit, line of credit or insurance policy, and interest on such Indebtedness after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan agreement or repayment provisions; or (c) if the Obligated Group shall have obtained an agreement with an investment banking company or partnership to underwrite (on a best efforts basis or otherwise) Indebtedness or Related Bonds, the proceeds of which would be sufficient to retire such Balloon Long-Term Indebtedness, the Obligated Group may use the principal amortization schedule estimated by such investment banking company or partnership for such Indebtedness or Related Bonds in a report filed with the Master Trustee or (d) provided the Master Trustee with an Officer's Certificate, dated within 90 days of the date of calculation of such Long-Term Debt Service Requirement, stating that financing of a stated term (which shall not extend beyond 30 years after such date of calculation), amortization, and interest rate is reasonably attainable to refund or otherwise directly or indirectly to refinance any amount of such Balloon Long-Term Indebtedness, then the principal of and premium, if any, and interest and other debt service charges on the amount of such Balloon Long-Term Indebtedness so certified to be refundable or refinanceable shall be excluded from such calculation and the principal of and premium, if any, and interest and other debt service charges on the refunding Indebtedness as so certified which would result from such refunding or refinancing in such Fiscal Year, if incurred on the first day of the Fiscal Year for which Long-Term Debt Service Requirement is being calculated, shall be added; provided, however, that if the interest on such refunding Indebtedness so certified is less than interest thereon at the most recent Thirty-Year Revenue Bond Index or any substitute index most recently published by The Bond Buyer or any successor publication, interest at such index shall be utilized instead.

(ii) with respect to Long-Term Indebtedness which is Variable Rate Indebtedness, the interest on such Indebtedness shall be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that with respect to new Variable Rate Indebtedness (and the incurrence thereof) the interest rate for such Indebtedness for the initial interest rate period shall be the initial rate at which such Indebtedness is issued and thereafter shall be calculated as set forth above;

(iii) with respect to any Credit Facility, to the extent that such Credit Facility has not been used or drawn upon (or in the case of direct pay letters of credit, to the extent any drawings thereunder have been repaid within one business day of the due date thereof), the principal and interest relating to such Credit Facility shall not be included in the Long-Term Debt Service Requirement;

(iv) with respect to any Derivative Indebtedness, the interest on such Indebtedness during any Derivative Period shall be calculated by adding (x) the amount of interest payable by a Member of the Combined Group on such Derivative Indebtedness pursuant to its terms and (y) the amounts payable by such Member of the Combined Group under the Derivative Agreement (based on a notional amount equal to the principal amount of the Derivative Indebtedness and the interest rate assumptions stated therein) and subtracting (z) the amounts payable by the counterparty provider under the Derivative Agreement, using the same notional amount and at interest rate assumptions specified in the Derivative Agreement; provided, however, that termination payments due under any Derivative Agreement shall not be taken into account and that from and after the termination of any Derivative Agreement, the amount of interest payable by the Member of the Combined Group shall be the interest calculated as if such Derivative Agreement had not been executed;

provided, however, that Escrowed Interest and Escrowed Principal shall be excluded from the determination of Long-Term Debt Service Requirement.

"Long-Term Indebtedness" means all Indebtedness having a maturity longer than one year incurred or assumed by any Member of the Combined Group, including:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;

(ii) Capital Leases;

(iii) installment sale or conditional sale contracts having an original term in excess of one year;

(iv) Short-Term Indebtedness if a commitment by a financial lender exists to provide financing to retire such Short-Term Indebtedness, such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness and the Obligated Group shall have caused the Short-Term Indebtedness to be retired, paid, defeased or through a borrowing under such commitment; and

(v) the current portion of Long-Term Indebtedness.

"Mandatory Amortization Requirement" means the amount of money required to be applied in any given Bond Year to the redemption of a portion of the Term Bonds prior to their maturity with respect to the Series 2016 Bonds and any Additional Bonds, such amounts as may be designated in supplemental trust agreements authorizing the issuance thereof.

"Master Indenture" means the Master Trust Indenture, dated as of September 2, 1999, as amended and restated in its entirety by the Amended and Restated Master Trust Indenture dated as of February 1, 2015, by and among Systems, the Hospital and the Master Trustee, and including any amendments or supplements hereto.

"Master Obligations" or "Obligations" means Obligation No. 5, Obligation No. 6, Obligation No. 7 and all other Obligations issued under the terms of the Master Indenture and supplemental indentures thereto.

"Master Trustee" means the Master Trustee under the Master Indenture.

"Maturity Date" means, when used with respect to any Bond, the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the stated maturity or by declaration of acceleration or call for redemption from Mandatory Amortization Requirements or otherwise.

"Maximum Annual Debt Service" means, with respect to the Bonds, the maximum annual scheduled debt service of the of the Hospital and System, on a consolidated basis, on their long-term indebtedness in the current or any future fiscal year, as determined on accordance with generally accepted accounting principles, consistently applied and, with respect to the Obligations, the highest Long-Term Debt Service Requirement for any succeeding Fiscal Year (under the Master Indenture").

"Member" or "Members" means, when used with reference to the Obligated Group, Systems and the Hospital and each additional Person which is added to and has not been subsequently removed from the Obligated Group. The term "Member" shall

apply to such entities only during the period when they are parties to and obligated by the terms of the Master Indenture.

"Member of the Combined Group" means each Member of the Obligated Group and each Restricted Affiliate.

"Member of the Obligated Group" means each of the Hospital and Systems and any other Person becoming a Member of the Obligated Group pursuant to Section 3.11 of the Master Indenture, in each case as long as such entities remain members of the Obligated Group under the Master Indenture.

"Moody's" means Moody's Investors Service Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative in an Officer's Certificate delivered to the Master Trustee.

"Non-Recourse Indebtedness" means (i) any Indebtedness incurred to finance the purchase of or improvements to distinct items of Property, Plant and Equipment of the Obligated Group, which Indebtedness is secured exclusively by a Lien on such Property, Plant and Equipment being acquired or on such distinct improvements and liability for which is limited to such Property, Plant and Equipment or such improvements subject to such Lien, or the revenues produced by such property or improvements, or both, with no recourse, directly or indirectly, to any other Property of any Member of the Obligated Group, and (ii) any Indebtedness secured by and payable solely from any revenues of the Obligated Group which are excluded for Gross Revenues, with no other recourse to any Member of the Obligated Group or to the Property, Plant and Equipment of the Obligated Group or Gross Revenues.

"Obligated Group" means Systems and the Hospital and any other Person which may from time to time be added as a Member of and has not been removed from the Obligated Group.

"Obligated Group Representative" means initially Systems and thereafter such Member of the Obligated Group as may be designated from time to time pursuant to a written notice to the Master Trustee executed by the president or chairman of the Governing Body of each Member of the Obligated Group.

"Obligation" means the evidence of particular Indebtedness issued under the Master Indenture as a joint and several obligation of Systems, the Hospital and each other Member of the Obligated Group.

"Obligation No. 5" means Obligation No. 5, dated as of July 1, 2011, issued, authenticated and delivered under the Master Indenture and Supplement No. 5, which Obligation No. 5 was delivered to the Issuer as evidence of the Obligated Group's obligation to repay the Series 2011 Loan made with respect to the Series 2011 Bonds and which was assigned by the Issuer to the Bond Trustee as security for the Series 2011 Bonds.

"Obligation No. 6" means Obligation No. 6, dated as of February 1, 2015, issued, authenticated and delivered under the Master Indenture and Supplement No. 6, which Obligation No. 6 was delivered to the Issuer as evidence of the Obligated Group's obligation to repay the Series 2015 Loan made with respect to the Series 2015 Bonds and which was assigned by the Issuer to the Bond Trustee as security for the Series 2015 Bonds.

"Obligation No. 7" means Obligation No. 7, dated as of September 1, 2016, issued, authenticated and delivered under the Master Indenture and Supplement No. 7, which Obligation No. 7 was delivered to the Issuer as evidence of the Obligated Group's obligation to repay the Series 2016 Loan made with respect to the Series 2016 Bonds and which was assigned by the Issuer to the Bond Trustee as security for the Series 2016 Bonds.

"Officer's Certificate" with respect to any Member of the Obligated Group means a certificate writing signed by the Authorized Representative of the Obligated Group Representative or by the Authorized Representative of such Member as the context requires.

Each Officer's Certificate presented pursuant to the Master Indenture shall state that it is being delivered pursuant to (and shall identify the section or subsection of), and shall incorporate by reference and use in all appropriate instances all terms defined in, the Master Indenture. Each Officer's Certificate shall state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer's Certificate is delivered or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

"Operating Assets" means any or all land, leasehold interests, buildings, machinery, equipment, hardware, tangible personal property and inventory owned, leased or operated by each Member of the Obligated Group and used in its respective trade or business, whether separately or together with other such assets, and all additions, improvements, extensions, alterations, machinery, equipment and appurtenances thereto and thereof, whether now existing or to be constructed, installed or acquired during the term of the Master Indenture, including, without limitation, Systems' and the Hospital's hospital facilities located on the Land at or adjacent to 1324 Lakeland Hills Blvd,

Lakeland, Florida, but not including cash, investment securities and other Property held for investment purposes.

"Operating Expenses" means the expenses of operating any Member of the Obligated Group excluding depreciation, amortization and interest expense, as determined in accordance with generally accepted accounting principles consistently applied. The term "Operating Expenses" shall include, without intending to limit the foregoing, the fees, costs and expenses of the Master Trustee hereunder and the Related Bond Trustees under any Related Bond Indenture.

"Operating Revenues " means, for any period, the consolidated or combined revenues of the Obligated Group equal to the sum of (a) net patient service revenues, plus (b) other operating revenues, plus (c) non-operating gains, all as determined in accordance with generally accepted accounting principles consistently applied; however Operating Revenues shall (i) not include or take into account any: (a) gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business, or (b) unrealized gains and losses on investments of any Member of the Combined Group, or (c) non-recurring, unanticipated gains or losses that are considered to be extraordinary under generally accepted accounting principles, or (d) earnings from the investment of Escrowed Interest or Escrowed Principal or earnings constituting Escrowed Interest or Escrowed Principal to the extent that such earnings are applied to the payment of principal or interest on Long-Term Indebtedness which is excluded from the determination of Long-Term Debt Service Requirement or Related Bonds secured by such Long-Term Indebtedness and (ii) include any moneys received (whether in respect to principal or interest) by any Member of the Obligated Group pursuant to any loan agreement or promissory note under which the Member of the Obligated Group has loaned (but not guaranteed) the proceeds of Indebtedness to any Person, including any Restricted Affiliate.

"Opinion of Bond Counsel" means a written opinion of counsel experienced in matters relating to the validity of, and the tax exemption of interest on, obligations of states and their political subdivisions, selected by the Obligated Group and reasonably acceptable to the Trustee.

"Opinion of Counsel" means a written opinion of Counsel who may be (except as otherwise specifically provided in the Master Indenture) Counsel for the Master Trustee or any Member of the Obligated Group, or both, and who shall be reasonably acceptable to the Master Trustee.

"Original Master Trust Indenture" means the Master Trust Indenture, dated as of September 2, 1999 by and among Systems, the Hospital and the Master Trustee, as amended and supplemented prior to the Effective Date of the Master Indenture.

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

(b) when used with reference to Bonds means, all Bonds which have been authenticated and delivered by the Bond Trustee under the Trust Agreement, except (i) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity; (ii) Bonds for the payment or redemption of which cash funds or Defeasance Obligations or any combination thereof shall have been theretofore irrevocably set aside in a special account with the Bond Trustee (whether upon or prior to the maturity or redemption date of any such Bonds) in accordance with the provisions of the Trust Agreement; provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Bond Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Bond Trustee shall have been filed with the Bond Trustee; and (iii) Bonds which are deemed paid pursuant to the Trust Agreement in lieu of which other Bonds have been authenticated under the Trust Agreement. In determining whether the holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Trust Agreement, the Bonds owned by the Issuer, any member of the Obligated Group, or any Affiliate thereof, will be disregarded and deemed not to be Outstanding except that, in determining whether the Bond Trustee will be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only bonds which the Bond Trustee actually knows to be so owned will be disregarded.

"Paying Agent" means the Bond Trustee as the initial Paying Agent and any other Depositary designated by the Issuer in the Trust Agreement or by subsequent

resolution, to serve as a Paying Agent or place of payment for the Bonds issued under the Trust Agreement that shall have agreed to arrange for the timely payment of the principal of, interest on and redemption premium, if any, with respect to the Bonds to the registered owners thereof, from funds made available therefor pursuant to the Trust Agreement, and any successors duly designated.

"Permitted Liens" means as of any particular time shall consist of:

(a) any Lien which is existing on the date of authentication and delivery of the initial Obligation issued under the Master Indenture or created on Property of a Member of the Obligated Group prior to such Member becoming a Member provided that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date or to secure Indebtedness not Outstanding as of the date hereof, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien hereunder;

(b) Liens for taxes and special assessments, if any, which are not then delinquent~ or if then delinquent are being contested in good faith;

(c) utility, access and other easements and rights-of-way, restrictions and exceptions which will not materially interfere with or materially impair the operation of the Property (or, if they are not being then operated, the operation for which they were designed or last modified);

(d) any mechanic's laborer's materialman's, supplier's or vendor's lien or tight in respect thereof, if any, if payment is not yet due under the contract in question or if such lien is being contested;

(e) such minor defects and irregularities of title as normally exist with respect to properties similar in character to the land and which do not materially adversely affect the value of the Property or materially impair the use thereof for the purpose for which it was acquired or is held;

(f) landlord's liens and leases to other than Members of the Obligated Group which relate to portions of the Property, Plant and Equipment which are customarily the subject of such leases, such as office space for physicians and educational institutions, food service facilities, gift shops and radiology, pharmacy and similar departments to the extent that such leases will not adversely affect the exemption from federal income taxation of any Related Bonds;

(g) zoning laws and similar restrictions which are not violated by the Obligated Group;

(h) statutory rights under Section 291, Title 42 of the United States Code, as a result of what are commonly known as Hill-Burton grants, and similar rights under other federal and state statutes;

(i) all right, title and interest of the State, municipalities and the public in and to access over, under or upon a public way;

(j) any Liens on revenues of the Obligated Group which are subordinate to the Lien described in clause (v) of this subsection to secure Subordinated Indebtedness;

(k) any Liens securing Non-Recourse Indebtedness to the extent permitted by the Master Indenture hereof, provided, however, that such Liens may encumber only those assets acquired with such nonrecourse Indebtedness, or revenues derived solely from the operation thereof,

(1) any Lien on Property acquired by a Member of the Obligated Group if the indebtedness secured by the Lien is Additional Indebtedness permitted under the provisions of the Master Indenture, and if an Officer's Certificate is delivered to the Master Trustee certifying that (A) the Lien and the indebtedness secured thereby were created and incurred by a Person other than the Member of the Obligated Group, and, (B) the Lien was not created for the purpose of enabling the Member of the Obligated Group to avoid the limitations hereof on creation of Liens on Property of the Obligated Group;

(m) leases of Property entered into by a Member of the Obligated Group in order to obtain the use of such Property and which constitute Indebtedness authorized under the Master Indenture;

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

(o) any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member of the Obligated Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment

insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

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

(q) any lien on Property (other than Accounts) in an aggregate amount not exceeding 15% of the Book Value of all Property (other than Accounts);

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

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

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

(u) any Lien on the unrestricted funds of a Member of the Obligated Group if such Lien is given or made in connection with (i) the investment of such unrestricted funds by such Member of the Combined Group or (ii) the posting of collateral pursuant to a Derivative Agreement;

(v) any Lien securing all Obligations on a parity basis;

(w) liens in favor of another Member of the Obligated Group;

(x) liens created on amounts deposited with Members of the Obligated Group to secure capitated insurance contracts and risk-sharing arrangements with insurers, health maintenance organizations, preferred provider organizations, physician groups and other parties;

(y) any Lien on Accounts and the proceeds thereof if such Lien is given or made in connection with a sale, pledge, assignment or transfer permitted by the provisions of the Master Indenture; provided, however, that the carrying value of the Accounts in accordance with GAAP, as determined by an Officer's Certificate of the Obligated Group Representative, subject to a Lien to secure Indebtedness authorized in the Master Indenture, may not exceed the amount of such Indebtedness by more than 15 %;

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

(aa) Liens arising with respect to the Lease, as the same may be amended, modified and extended from time to time.

"Person" means any natural person, firm, joint venture, association, partnership, business trust, corporation, public body, agency or political subdivision thereof or any other similar entity, including each member of the Obligated Group.

"Primary Obligor" means the Person who is primarily obligated on an obligation which is guaranteed by another Person.

"Principal Account" means the account in the Sinking Fund so designated by Section 5.01 of the Trust Agreement.

"Principal Office" means the address for any fiduciary relating to the Bonds as stated in the Trust Indenture or any supplemental Trust Indenture.

"Project" means, individually or collectively, any Code Project or constituent project thereof.

"Property" means, when used in connection with a particular Person or group of Persons, any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible, and wherever situated.

"Property, Plant and Equipment" means all Property of the Members of the Obligated Group which is considered as property, plant and equipment of such Members under generally accepted accounting principles.

"Qualified Project Costs" means the costs of providing any Code Project that constitute costs of property that is to be owned by Systems or the Hospital and will not be used in an "unrelated trade or business" (as such term is sued in Section 513(a) of the Code) of either Systems or Hospital or in the trade or business of a person who is neither a governmental unit nor an organization described in Section 501(c)(3) of the Code; provided, however, that Issuance Costs are not Qualified Project Costs and that letter of credit fees, municipal bond insurance premiums or other guaranty fees and any capitalized interest on the Bonds shall be allocated between Qualified Project Costs to be paid or reimbursed from proceeds of the Bonds and costs other than Qualified Project Costs to be paid or reimbursed from the proceeds of the Bonds.

"Rating Agency" means with respect to each Series of Bonds, as of any date, Moody's if such Series of Bonds are then rated by Moody's, Fitch if such Series of Bonds are then rated by Fitch, or S&P if such Series of Bonds are then rated by S&P.

"Rebate Account" means the various accounts established under and pursuant to Related Bond Indentures for the accumulation of funds payable to the Internal Revenue

Service in order to preserve the exclusion from gross income of the recipients thereof for federal income tax purposes of interest on Related Bonds.

"Rebate Amount" means the excess of the future value, as of a computation date, of all receipts on nonpurpose investments (as defined in Section 1. 148- 1(b) of the Income Tax Regulations) over the future value, as of that date, of all payments on nonpurpose investments, all as provided by regulations under the Code implementing Section 148 thereof.

"Record Date" means (a) when Bonds bear interest at a fixed rate, the close of business on the first (1st) day (whether or not a Business Day) of the month next preceding an interest payment date with respect to such Bonds, (b) when Bonds are in default at the close of business on a special record date for the payment of such defaulted interest established by the Bond Registrar not less than fifteen (15) days preceding such special record date, and (c) with respect to Additional Bonds which constitute Variable Rate Indebtedness, such date or dates as may be designated by supplemental trust agreement duly executed concurrently with the issuance of such Variable Rate Indebtedness.

"Redemption Account" the account in the Sinking Fund so designated by Section 5.01 of the Trust Agreement.

"Redemption Date" means, with respect to (i) the Series 2011 Bonds, the date on which any such Bond is to be redeemed in accordance with Section 5 of the Third Supplemental Trust Agreement; (ii) the Series 2015 Bonds, the date on which any such Bond is to be redeemed in accordance with Section 5 of the Fourth Supplemental Trust Agreement; (iii) the Series 2016 Bonds, the date on which any such Bond is to be redeemed in accordance with Section 5 of the Fifth Supplemental Trust Agreement; and (iv) with respect to any other Series of Bonds, the date on which any such Bonds are to be redeemed in accordance with the provision of the applicable supplemental trust agreement.

"Redemption Price" means, with respect to Bonds or a portion thereof, the principal amount of such Bonds or portion thereof plus the applicable premium, if any, plus accrued interest payable upon redemption thereof in the manner contemplated in accordance with its terms, the terms of the supplemental trust agreement providing for the issuance thereof and the Trust Agreement.

"Related Bond Indenture" means any indenture, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued. The Trust Agreement is a Related Bond Indenture under the Master Indenture.

"Related Bond Issuer" means the issuer of any issue of Related Bonds.

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

"Related Bonds" means the revenue bonds or other obligations issued by any state, territory or possession of the United States or any municipal corporation or political subdivision formed under the laws thereof or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof ("governmental issuer'), pursuant to a single Related Bond Indenture, the proceeds of which are loaned or otherwise made available to (i) a Member of the Obligated Group in consideration of the execution, authentication and delivery of an Obligation to or for the order of such governmental issuer, or (ii) any Person other than a Member of the Obligated Group in consideration of the issuance to such governmental issuer (A) by such Person of any indebtedness or other obligation of such Person, and (B) by a Member of the Obligated Group of a Guaranty in respect of such indebtedness or other obligation, which Guaranty is represented by an Obligation. The Series 2011 Bonds, Series 2015 Bonds and Series 2016 Bonds are Related Bonds under the Master Indenture.

"Related Loan Agreement" means any loan agreement, financing agreement or similar instrument between one or more Members of the Obligated Group and a governmental issuer which is entered into in connection with the issuance of Related Bonds.

"Release" means Release as defined in Section 5.09(a) of the Financing Agreement.

"Required Payments" means the payments required to be made by the Obligated Group pursuant to Obligation No. 5, Obligation No. 6 and Obligation No. 7, and pursuant to Section 3.03(b) and 3.03(c) of the Financing Agreement.

"Reserve Fund" means the fund (and all subaccounts therein) established pursuant to Section 5.01 of the Trust Agreement which shall be entitled "City of Lakeland, Florida, Reserve Fund (Lakeland Regional Medical Center)."

"Reserve Fund Credit Enhancement" has the meaning set forth in Section 5.05 of the Trust Agreement.

"Reserve Requirement" (a) with respect to the Series 2011 Bonds, shall be zero and no/100 Dollars ($0.00); (b) with respect to the Series 2015 Bonds, shall be zero and no/100 Dollars ($0.00); (c) with respect to the Series 2016 Bonds, shall be zero and no/100 Dollars ($0.00); and (d) with respect to any Additional Bonds issued under the Trust Agreement, the amount specified in the Supplemental Trust Agreement entered into with respect to such Additional Bonds.

"Responsible Officer" means an officer of the Bond Trustee authorized and designated to act under the Trust Agreement.

"Restricted Affiliate" shall mean any Affiliate of a Member of the Obligated Group that:

(1) is either (a) a non-stock membership corporation of which one or more Members of the Obligated Group or Affiliates of Members of the Obligated Group (a "Controlling Affiliate") are the sole members, or (b) a non-stock, nonmembership corporation or a trust of which the sole beneficiaries or controlling Persons are one or more Members of the Obligated Group or a Controlling Affiliate, or (c) a stock corporation all of the outstanding shares of stock of which are owned by one or more Members of the Obligated Group or a Controlling Affiliate, and

(2) (a) if such Affiliate is a non-stock corporation or a trust, the corporate charter or bylaws, in the case of a non-stock corporation, and the applicable organizational documents, in the case of a trust, shall provide that the net assets of such Affiliate shall be transferred to the Member or Members of the Obligated Group or a Controlling Affiliate that is (are) its sole member(s), beneficiary(ies) or controlling person(s) upon liquidation or dissolution of such Affiliate provided that if such Affiliate is a Tax Exempt Organization, then for so long as the applicable Member of the Obligated Group or a Controlling Affiliate is a Tax Exempt Organization, the organizational documents of such Affiliate and applicable law may (A) provide for the naming of another Member of the Obligated Group or a Controlling Affiliate as a substitute beneficiary if the then current beneficiary ceases to be a Tax Exempt Organization and (B) prohibit transfers to organizations that are not Tax Exempt Organizations, and

(b) (i) the power to alter, amend or repeal the corporate charter or bylaws or other applicable organizational documents of such Affiliate, or to adopt new bylaws for such entity, will be reserved to the Member or Members of the Obligated Group or the Controlling Affiliate that is its sole member, beneficiary or controlling person and (ii) the Member or Members of the Obligated Group or the Controlling Affiliate that is (are) its sole member(s), beneficiary(ies) or controlling Person(s) shall have the sole right to appoint and dismiss, with or without cause, the members of the board of directors of such Affiliate, and

(c) has (i) the legal power, with approval of a majority of its Governing Body but without the consent of any other Person, to transfer to any Member of the Obligated Group or the Controlling Affiliate money required for the payment of Indebtedness of any Member of the Obligated Group, and (ii) the ability under applicable law and its organizational documents, with approval of a majority of the members of its Governing Body, to transfer all assets of such Affiliate

remaining after payment of its debts to any Member of the Obligated Group or the Controlling Affiliate provided that if such Affiliate is a Tax Exempt Organization, then for so long as the applicable Member of the Obligated Group or the Controlling Affiliate is a Tax Exempt Organization, the organizational documents of such Affiliate and applicable law may (A) provide for the naming of another Member of the Obligated Group or a Controlling Affiliate as a substitute beneficiary if the then current beneficiary ceases to be a Tax Exempt Organization, and (B) prohibit transfers to organizations that are not Tax Exempt Organizations, and

(3) if such Affiliate is organized in any of the other forms mentioned in the definition of Affiliate herein, one or more Members of the Obligated Group or a Controlling Affiliate has the power and authority, by contract or otherwise, to control the operations and assets of such Affiliate, and

(4) has satisfied (or a predecessor has satisfied) the requirements set forth in the Master Indenture for becoming a Restricted Affiliate and has not thereafter ceased to satisfy the requirements of clauses (1) and (2) above or satisfied the requirements set forth in the Master Indenture for ceasing to be a Restricted Affiliate.

"Restricted Affiliate Income Available for Debt Service" means the amount equal to the difference between (a) the excess of revenues (including interest earnings on restricted funds) over expenses before depreciation, amortization and interest on Long-Term Restricted Affiliate Indebtedness, of the Restricted Affiliates, as determined in accordance with generally accepted accounting principles consistently applied minus (b) the debt service paid or payable on Long-Term Restricted Affiliate Indebtedness in such 12-month period if not already excluded in clause (a) of this definition.

"Restricted Affiliate Long-Term Debt Service Requirement" has the same meaning as Long-Term Debt Service Requirement with the substitution of "Restricted Affiliates" for "Obligated Group" and "Restricted Affiliate Long-Term Indebtedness" for "Long-Term Indebtedness."

"Restricted Affiliate Long-Term Indebtedness" has the same meaning as Long-Term Indebtedness with Restricted Affiliate substituted for "Obligated Group."

"Restricted Affiliate Undertaking" means an agreement among each Restricted Affiliate, the Obligated Group and the Master Trustee in the form required by Section 3.14 of the Master Indenture.

"Revenue Fund" means the Fund as so designated pursuant to Section 5.01 of the Trust Agreement.

"S&P" means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative in an Officer's Certificate delivered to the Master Trustee.

"Second Supplemental Financing Agreement" means the Second Supplemental Financing Agreement dated as of October 1, 2006, among the Issuer, the Hospital and Systems, as it may be amended and supplemented from time to time.

"Second Supplemental Trust Agreement" means the Second Supplemental Trust Agreement, dated as of October 1, 2006, between the Issuer and the Bond Trustee, as it may be amended and supplemented from time to time.

"Secured Indebtedness" means Indebtedness secured by a Lien on Property, Plant or Equipment of a Member of the Obligated Group or by a Lien on Gross Revenues.

"Securities Depository" means initially DTC, a New York banking corporation, its successors and assigns, or if the then Securities Depository resigns from its functions as depository of the Series 2011 Bonds, the Series 2015 Bonds, the Series 2016 Bonds or any Additional Bonds, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Series 2011 Bonds, the Series 2015 Bonds, the Series 2016 Bonds or such Additional Bonds and which is appointed by the Issuer.

"Security" means the Security as defined in Section 6.04 of the Trust Agreement.

"Serial Bonds" means the bonds of any series which are stated to mature in consecutive annual installments.

"Series" means any portion of the Bonds of an issue authenticated and delivered in a single transaction, payable from substantially the same source of revenue and identified pursuant to the supplemental trust agreement authorizing such Bonds as a separate Series of Bonds, regardless of variations in maturity, interest rate, Mandatory Amortization Requirements or other provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution of a series of Bonds issued pursuant to the Trust Agreement.

"Series 2011 Bonds" or "2011 Bonds" means the City of Lakeland, Florida, Hospital Revenue Refunding Bonds (Lakeland Regional Health Systems), Series 2011.

"Series 2011 Loan" means the loan made by the Issuer to the Obligated Group pursuant to Section 4 of the Third Supplemental Financing Agreement.

"Series 2015 Bonds" or "2015 Bonds" means the City of Lakeland, Florida, Hospital Revenue Bonds (Lakeland Regional Health Systems), Series 2015.

"Series 2015 Loan" means the loan made by the Issuer to the Obligated Group pursuant to Section 4 of the Fourth Supplemental Financing Agreement.

"Series 2016 Bonds" or "2016 Bonds" means the City of Lakeland, Florida, Hospital Revenue Refunding Bonds (Lakeland Regional Health Systems), Series 2016.

"Series 2016 Loan" means the loan made by the Issuer to the Obligated Group pursuant to Section 4 of the Fifth Supplemental Financing Agreement.

"Short-Term Indebtedness" means all Indebtedness having a maturity of one year or less, other than the current portion of Long-Term Indebtedness, incurred or assumed by any Member of the Obligated Group, including:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less;

(ii) leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and

(iii) installment purchase or conditional sale contracts having an original term of one year or less.

"Sinking Fund" means the Sinking Fund established by Section 5.01 of the Trust Agreement, which includes the Interest Account the Principal Account and the Redemption Account.

"Special Record Date" means a special date fixed to determine the names and addresses of Holders of Bonds for purposes of paying interest on a special interest payment date for the payment of defaulted interest, all as further provided in the form of the Series 2011 Bonds, the Series 2015 Bonds, the Series 2016 Bonds or any Additional Bonds.

"State" means the State of Florida.

"Subordinated Debt" means Indebtedness the payment of which is specifically subordinated to the payment of principal and interest on Obligations, which satisfies the criteria set forth in Exhibit A to the Master Indenture.

"Supplement" means an indenture supplemental or amendatory to, and authorized and executed pursuant to the terms of, the Master Indenture.

"Supplement No. 5" means Supplemental Indenture for Obligation No. 5 to the Master Indenture, dated as of July 1, 2011, by and among Systems, the Hospital and the Master Trustee, which Supplement No. 5 authorizes the issuance of Obligation No. 5.

"Supplement No. 6" means Supplemental Indenture for Obligation No. 6 to the Master Indenture, dated as of February 1, 2015, by and among Systems, the Hospital and the Master Trustee, which Supplement No. 6 authorizes the issuance of Obligation No. 6.

"Supplement No. 7" means Supplemental Indenture for Obligation No. 7 to the Master Indenture, dated as of September 1, 2016, by and among Systems, the Hospital and the Master Trustee, which Supplement No. 7 authorizes the issuance of Obligation No. 7.

"Systems" or **"LRHS"** means the Lakeland Regional Health Systems, Inc., a Florida not-for-profit corporation, together with its successors and assigns.

"Tax-Exempt Organization" means any governmental unit, or a Person organized under the laws of the United States of America or any state thereof which is (i) an organization described in Section 501(c)(3) of the Code or is treated as an organization described in Section 501(c)(3) of the Code and (ii) exempt from federal income taxes under Section 50l(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect, except for income from an unrelated trade or business as defined in Section 513(a) of the Code.

"Taxable Bonds" means Bonds the interest on which is not intended at the time of issuance thereof to be excluded from the gross income of the owners thereof for federal income tax purposes.

"Term Bonds" means bonds of any series, other than Serial Bonds, maturing on one principal maturity date and the principal of which is payable from Mandatory Amortization Requirements.

"Third Supplemental Financing Agreement" means the Third Supplemental Financing Agreement dated as of July 1, 2011, among the Issuer, the Hospital and Systems, as it may be amended and supplemented from time to time.

"Third Supplemental Trust Agreement" means the Third Supplemental Trust Agreement, dated as of July 1, 2011, between the Issuer and the Bond Trustee, as it may be amended and supplemented from time to time.

"Total Required Payments" means the payments required to be made by the Obligated Group pursuant to Obligation No. 5, Obligation No. 6, Obligation No. 7 and

any subsequent Obligations issued in connection with the issuance of any Additional Bonds, and pursuant to Sections 3.02 and 3.03 of the Financing Agreement.

"Transaction Test" " means, for purposes of any consolidation, merger, sale or conveyance under Section 3.09 of the Master Indenture (a "Merger"), a party becoming a Member of the Obligated Group under Section 3.11 of the Master Indenture (an "Admission"), a withdrawal from the Obligated Group under Section 3.12 of the Master Indenture (a "Withdrawal"), the designation of a Restricted Affiliate under Section 3.14 of the Master Indenture (a "Designation"), or the release of a Restricted Affiliate under Section 3.15 of the Master Indenture (a "Release"), any of the following: (A) an Officer's Certificate of the Obligated Group Representative demonstrating that either of the conditions described in Section 3.06(a)(i) or (ii) of the Master Indenture would have been satisfied for the issuance of an additional one dollar ($1.00) of Additional Indebtedness, assuming such Merger, Admission, Withdrawal, Designation or Release, as applicable had occurred at the beginning of the most recent period of 12 full consecutive calendar months for which Audited Financial Statements are available, or (B) a written report of a Consultant indicating that the forecasted average Long-Term Debt Service Coverage Ratio for the two periods of 12 full consecutive calendar months succeeding the proposed date of such Merger, Admission, Withdrawal, Designation or Release, as applicable is greater than 1.15 or (C) an Officer's Certificate of the Obligated Group Representative demonstrating that the unrestricted net assets (or excess of assets over liabilities, as the case may be) of the Obligated Group after giving effect to said Merger, Admission, Withdrawal, Designation or Release, as applicable is not less than 70% of the net assets (excess of assets over liabilities, as the case may be) of the Obligated Group prior to such Merger, Admission, Withdrawal, Designation or Release, as applicable, as reflected in the most recent Audited Financial Statements.

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

"Trust Agreement" means the Trust Agreement securing the Bonds, dated as of September 2, 1999, by and between the Issuer and the Bond Trustee, as bond trustee, including any trust indenture amendatory thereof or supplemental thereto.

"Trust Estate" means the assets pledged as security for the Bonds as more particularly described in the Granting Clauses of the Trust Agreement.

"Unassigned Right" means those rights with respect to reimbursement of costs and indemnification granted to the Issuer under the Financing Agreement and retained by the Issuer as contemplated in Clause II of the Granting Clauses of the Trust Agreement.

"Variable Rate Indebtedness" means Bonds and other Indebtedness issued with a variable rate, adjustable, convertible or other similar rate which is not fixed in percentage at the date of issue for the entire term thereof

"Written Request" when used with reference to the Issuer, means a request in writing signed by the Mayor, the Clerk or any Deputy Clerk, or such other officer as may be designated by the Governing Body of the Issuer, and when used with reference to Systems or any other Member of the Obligated Group means a request in writing signed by the Obligated Group Representative.

"Yield" means the yield on a particular obligation computed in accordance with Section 148(h) of the Code and, in the case of the Bonds, Section 1.148-4 of the Income Tax Regulations, or, in the case of an investment of proceeds of the Bonds, Section 1.148-5 of the Income Tax Regulations.

THE MASTER INDENTURE

The Master Trust Indenture contains various covenants, security provisions, terms and conditions, certain of which are summarized below. The following summaries are not intended to be summaries of every provision of the Master Indenture or complete summaries of the provisions purported to be summarized and reference is made to the Master Indenture for a full and complete statement of its provisions.

General

Subject to the terms, limitations and conditions established in the Master Indenture, each Member of the Obligated Group may incur Indebtedness by issuing Obligations under the Master Indenture or by creating Indebtedness under any other document. The principal amount of Indebtedness created under other documents and the number and principal amount of Obligations evidencing Indebtedness that may be created under the Master Indenture are not limited, except as limited by the provisions of the Master Indenture or of any Supplement. Each Member of the Obligated Group is jointly and severally liable for each and every Obligation.

Each Obligation or series of Obligations shall be created by a different Supplement and shall be designated in such a manner as will differentiate such Obligation from any other Obligation.

Security

All Obligations issued pursuant to the Master Indenture shall be a general obligation of each Member of the Obligated Group, secured by the Gross Revenues after payment of Operating Expenses in the manner described in the Master Indenture. Each Member of the Obligated Group so long as it is a Member, jointly and severally, covenants and agrees that it will promptly pay the principal of redemption premium, if any, and interest on all Obligations issued and outstanding under the Master Indenture at the place, on the dates and in the manner provided therein and in said Obligations according to the true intent and meaning thereof.

Any one or more series of Obligations issued under the Master Indenture may, so long as any Liens created in connection therewith constitute Permitted Liens, be secured by security interests in other Property of the Obligated Group or any Member. Such security need not extend to any other Indebtedness including Obligations. Consequently, the Supplemental Indenture pursuant to which any one or more series of Obligations is issued may provide for such supplements or amendment to the provisions of the Master Indenture as are necessary to provide for such security and to permit realization upon such security solely for the benefit of the Obligations entitled thereto.

To the extent that any Indebtedness which is permitted or required to be issued pursuant to the Master Indenture is not in the form of a promissory note, an Obligation in the form of a promissory note may be issued under the Master Indenture and pledged as security for the payment of such Indebtedness in lieu of directly issuing such Indebtedness as an Obligation under the Master Indenture. Nevertheless the parties to the Master Indenture agree that Obligations may be issued to evidence any type of Indebtedness (other than Non-Recourse Indebtedness and Subordinated Indebtedness), including without limitation any Indebtedness in a form other than a promissory note. Consequently, the Supplemental Master Indenture pursuant to which any Obligation is issued may provide for such supplements or amendments to the provisions of the Master Indenture as are necessary to permit the issuance of such Obligation and as are not inconsistent with the intent of the Master Indenture that, except as otherwise expressly provided in the Master Indenture, all Obligations issued under the Master Indenture shall be equally and ratably secured by any Lien created under the Master Indenture.

Each Member of the Obligated Group has covenanted that it will not pledge or grant a security interest in any of its Property, except for Permitted Liens.

Each Obligation shall be a joint and several general obligation of each Member of the Obligated Group. Each Member of the Obligated Group covenants to promptly pay or cause to be paid the principal of, premium, if any, and interest on each Obligation issued pursuant to the Master Indenture at the place, on the dates and in the manner provided in the Master Indenture and in said Obligation according to the terms thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise.

Covenants

Each Member of the Obligated Group has covenanted:

(a) Except as otherwise expressly provided in the Master Indenture, to preserve its corporate or other legal existence and all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs and be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualifications; provided, however, that nothing in the Master Indenture contained shall be construed to obligate it to retain or preserve any of its rights or licenses, no longer used or, in the judgment of its Governing Body, no longer useful in the conduct of its business.

(b) At all times to cause its Property, and its use rights with respect thereto, to be maintained, preserved and kept in good repair, working order and condition and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that the Master Indenture does not (i) prevent it from ceasing to operate any portion of its Property, if in its judgment it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same as permitted in the Master Indenture and

within a reasonable time endeavors to effect such sale or other disposition, but only if such sale or disposition is otherwise permitted in the Master Indenture or (ii) obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of management of the Obligated Group Member, no longer useful in the conduct of its business.

(c) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States and the several states thereof and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Properties; provided, nevertheless, that the Master Indenture does not require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it shall be contested in good faith.

(d) To pay promptly when due all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof.

(e) To pay promptly or otherwise to satisfy and discharge all of its Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Obligations created and Outstanding under the Master Indenture) whose validity, amount or collectability is being contested in good faith.

(f) At all times to comply with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness.

(g) To procure and maintain all necessary licenses and permits and maintain accreditation of its facilities by the Joint Commission on Accreditation of Healthcare Organizations or other recognized accrediting body applicable to such facilities; provided, however, that it need not comply with this Section if and to the extent that its Governing Body shall have determined in good faith, evidenced by a resolution of the Governing Body, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due.

(h) At all times to comply with the terms and conditions of the Lease in order to insure its continued right to use and occupy the Land subject to the terms of the Lease.

(i) So long as the Master Indenture shall remain in force and effect, each Member of the Obligated Group which is a Tax-Exempt Organization at the time it

becomes a Member of the Obligated Group agrees that, so long as all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, it will not take any action, suffer any action to be taken by others, or fail to take any action, which action or failure to act, in the Opinion of Bond Counsel, would result in the interest on any Related Bond becoming included in the gross income of the holder thereof for federal income tax purposes.

Insurance

Each Member of the Obligated Group agrees that it will maintain, or cause to be maintained, insurance (that may include one or more self-insurance programs considered to be adequate) covering such risks, in such amounts and with such deductibles and coinsurance provisions as, in the judgment of its Governing Body are adequate to protect it and its Property and operations; provided, however, that the Members of the Obligated Group covenant not to self-insure Property, Plant and Equipment for more than ten percent (10%) of the Book Value of Property, Plant and Equipment; provided, however, that, if any Member of the Obligated Group shall self-insure for $ 1,000,000 or more per claim for any type of liability (such amount to exclude deductibles and coinsurance payments), the Obligated Group shall be required to (i) retain annually an Actuarial Consultant to examine and report on the adequacy of the funding of such self-insurance; and (ii) comply with the recommendations of such Actuarial Consultant with respect to the funding of such self-insurance.

Insurance and Condemnation Proceeds

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

(b) Amounts that exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss or as condemnation awards shall be applied to repair or replace the Property (either with Property serving the same function or with other Property that, in the judgment of the Governing Body, is of equal usefulness) to which such proceeds relate or to the payment or prepayment of Indebtedness in accordance with the terms thereof and of any pertinent Supplement; provided, however, that such amounts may be used in such manner as the recipient may determine, if the recipient notifies the Master Trustee and within 12 months after the casualty loss or taking, delivers to the Master Trustee:

(i) (A) An Officer's Certificate of the Obligated Group Representative certifying the forecasted Long-Term Debt Service Coverage Ratio for each of the two Fiscal Years following the date on which such proceeds or awards are forecasted to have been fully applied, which Long-Term Debt Service Coverage Ratio for each such period is not less than 1.15, as shown by pro forma financial statements for each such period, accompanied by a statement of the relevant assumptions including assumptions as to the use of such proceeds or awards, upon which such pro forma statements are based; and (B) if the amount of such proceeds or awards received with respect to any casualty loss or condemnation exceeds 30% of the Book Value of the Property, Plant and Equipment of the Obligated Group, a written report of a Consultant confirming such certification; or

(ii) A written report of a Consultant stating the Consultant's recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the periods described in subsection (i) of this section to be not less than 1.15, or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest practicable level.

If any proceeds of insurance or condemnation are received with respect to Property that was financed or refinanced with Related Bonds issued with the intent that the interest thereon would not be includable in the gross income of the recipient thereof for federal income tax purposes, no application of such proceeds as otherwise permitted herein shall occur until there shall have been filed with the Master Trustee an opinion of Bond Counsel to the effect that such application of proceeds, in and of itself, will not adversely affect the federal income tax status of the interest on such Related Bonds.

Each Member of the Obligated Group agrees that it will use such proceeds or awards, to the extent permitted by law, only in accordance with the assumptions described in subsection (i), or the recommendations described in subsection (ii), of this section.

Limitations on Creation of Liens

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

(b) Nothing contained herein shall prevent or prohibit the Obligated Group from pledging revenues that do not constitute "Gross Revenues."

Limitations on Indebtedness

Each Member of the Obligated Group covenants and agrees that it will not incur any Additional Indebtedness if, after giving effect to all other Indebtedness incurred by the Obligated Group, such Indebtedness could not be incurred pursuant to any one of subsections (a) to (i), inclusive, of this Section. Any Indebtedness may be incurred only in the manner and pursuant to the terms set forth in such subsections. Each Member of the Obligated Group further covenants and agrees that it will not incur any Additional Indebtedness without the written consent of the Obligated Group Representative, as evidenced by an Officer's Certificate or a copy of the resolution of the Obligated Group Representative to be delivered to the Master Trustee prior to the incurrence of such Additional Indebtedness.

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

(i) An Officer's Certificate of the Obligated Group Representative certifying that the Long-Term Debt Service Coverage Ratio for the most recent period of 12 full consecutive calendar months preceding the date of delivery of the certificate of the Obligated Group Representative for which there are Audited Financial Statements available taking all Long-Term Indebtedness incurred after such period and the proposed Long-Term Indebtedness into account as if such Long-Term Indebtedness had been incurred at the beginning of such period, is not less than 1.15; or

(ii) (A) an Officer's Certificate of the Obligated Group Representative demonstrating that the Long-Term Debt Service Coverage Ratio for the period mentioned in subsection (a)(i) of this Section 3.06, excluding the proposed Long-Term Indebtedness, is at least 1.15 and (B) an Officer's Certificate of the Obligated Group Representative demonstrating that the forecasted Long-Term Debt Service Coverage Ratio is not less than 1.15 for (x) in the case of Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, each of the two full Fiscal Years succeeding the date on which such capital improvements are forecasted to be in operation or (y) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, each of the two full Fiscal Years succeeding the date on which the Indebtedness is incurred, as shown by pro forma financial statements for the Obligated Group for each such period, accompanied by a statement of the relevant assumptions upon which such pro forma financial statements for the Obligated Group are based; provided, however, that if a report of a Consultant states that Governmental Restrictions have been imposed which make it impossible for the coverage requirements of this subsection to be met, then such coverage requirements shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00.

(b) In addition to, and not in lieu of, Long-Term Indebtedness permitted to be incurred under subsection (a) above, Long-Term Indebtedness may be incurred provided that immediately after giving effect to any Long-Term Indebtedness incurred pursuant to this subsection (b) the aggregate of Long-term Indebtedness incurred under this subsection (b) and then outstanding shall not exceed 25% of Operating Revenues as reflected in the most recent Audited Financial Statements; provided, further, that the aggregate of the principal amount of Indebtedness Outstanding under this subsection (b) and subsection (d) shall not at any time exceed 25% of Operating Revenues as reflected in the most recent Audited Financial Statements.

(c) Long-Term Indebtedness incurred for the purpose of refunding any Outstanding Long-Term Indebtedness if, prior to the incurrence of such Long-Term Indebtedness, (i) if the Long-Term Indebtedness to be incurred does not constitute Cross-over Refunding Indebtedness there is delivered to the Master Trustee (A) an Officer's Certificate of the Obligated Group Representative demonstrating that either (1) Maximum Annual Debt Service will not increase by more than 15% after the incurrence of such proposed refunding Long-Term Indebtedness and after giving effect to the disposition of the proceeds thereof or (2) the total debt service on all Indebtedness will not increase by more than 15% after the incurrence of such proposed refunding Indebtedness and after giving effect to the disposition of the proceeds thereof and (B) an Opinion of Bond Counsel stating that upon the incurrence of such proposed Long-Term Indebtedness and application of the proceeds thereof, the Outstanding Long-Term Indebtedness to be refunded thereby will no longer be Outstanding; or (ii), if the Indebtedness proposed to be issued is Cross-over Refunding Indebtedness, there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative stating that the total Maximum Annual Debt Service immediately following the Cross-over Date does not exceed the Maximum Annual Debt Service immediately prior to the issuance of the Cross-over Refunding Indebtedness by more than 15% assuming for the purpose of this test only that no other Additional Indebtedness is incurred between the date of issuance of the Cross-over Refunding Indebtedness and the Cross-over Date.

(d) (i) Short-Term Indebtedness may be incurred subject to the limitation that the aggregate of all Short-Term Indebtedness shall not at any time exceed 25% of Operating Revenues as derived from the most recent Audited Financial Statements; provided, that the aggregate of the principal amount of Indebtedness Outstanding under this subsection (d)(i) and subsection (b) shall not at any time exceed 25% of Operating Revenues as derived from the Audited Financial Statements for the most recent period of twelve consecutive months for which Audited Financial Statements are available; provided, however, the Obligated Group shall be free of all Short-term Indebtedness (except for an amount not to exceed 5% of Operating Revenues) for a period of not less than 20 consecutive calendar days in each 12-month period unless the tests mentioned in

subsection (b) are met with respect to any amount in excess of 5% of Operating Revenues.

(ii) Short-Term Indebtedness may also be incurred if the tests set forth in Sections (a)(i) or (a)(ii) are met with respect to the incurrence of such Short-Term Indebtedness. For the purpose of calculating compliance with the Long-Term Indebtedness coverage tests set forth in Section (a)(i) or (a)(ii), the Short-Term Indebtedness to be incurred pursuant to this Section (d)(ii) shall be deemed to be Long-Term Indebtedness. For purposes of this Section a Guaranty of Short-Term Indebtedness shall be treated in the manner described in the definition of "Guaranty" and "Exposure to Guaranteed Debt" herein. For the purpose of calculating compliance with the tests set forth in this subsection (d), Short-Term Indebtedness shall not be taken into account except to the extent provided in subsection (i) hereof.

(e) Non-Recourse Indebtedness may be incurred as follows:

(i) Non-Recourse Indebtedness incurred for the purposes of acquiring Property and improving the Property acquired, either simultaneously or subsequent to the acquisition of such Property with Non-Recourse Indebtedness, may be incurred without limit; and

(ii) Non-Recourse Indebtedness for any other purpose may be incurred in a principal amount not to exceed at any time outstanding 10% of Property, Plant and Equipment.

(f) Completion Indebtedness may be incurred without limitation; provided, however, that prior to the incurrence of Completion Indebtedness, the Obligated Group Representative shall furnish to the Master Trustee: a certificate of an architect estimating the costs of completing the facilities for which Completion Indebtedness is to be incurred; an Officer's Certificate of the Chief Financial Officer of the Member of the Obligated Group for which Completion Indebtedness is to be incurred certifying that the amount of Completion Indebtedness to be incurred will be sufficient, together with other funds, if applicable, to complete construction of the facilities in respect of which Completion Indebtedness is to be incurred; and a certificate from a Consultant to the effect that the Long-Term Indebtedness originally incurred to finance the costs of the construction or acquisition of the facilities in respect of which Completion Indebtedness is to be incurred was estimated prior to the date of incurrence of the original Long-Term Indebtedness to be sufficient, together with other funds, if applicable, to complete the construction of such facilities, but due to certain factors enumerated in the certificate the costs of constructing such facilities exceeded the amount of the original Indebtedness plus other funds, if applicable.

(g) Subordinated Debt may be incurred without limit.

(h) Indebtedness under a Credit Facility (including a Guaranty of indebtedness under a Credit Facility) issued with respect to any Indebtedness of the Obligated Group permitted under this Section, other than with respect to Nonrecourse Indebtedness and Subordinated Indebtedness, may be incurred without limit.

(i) Indebtedness secured by only Accounts may be incurred in any amount not to exceed 75% of the carrying value of the Accounts, determined in accordance with GAAP.

Indebtedness incurred pursuant to any one of subsections (b), (d)(i) or (d)(ii) of this Section may be reclassified as indebtedness incurred pursuant to any other of such subsections if the tests set forth in the subsection to which such Indebtedness is to be reclassified are met at the time of such reclassification.

Indebtedness containing a "put" or "tender" provision pursuant to which the holder of such Indebtedness may require that such Indebtedness be purchased prior to its maturity shall not be considered Balloon Long-Term Indebtedness, solely by reason of such "put" or "tender" provision, and the put or tender provision shall not be taken into account in testing compliance with any debt incurrence test pursuant to this Section.

Long-Term Debt Service Coverage Ratio

(a) Each Member of the Obligated Group covenants to set rates and charges for its facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated at the end of each Fiscal Year, will not be less than 1.15; provided, however, that in any case where Long-Term Indebtedness has been incurred to acquire or construct capital improvements, the Long-Term Debt Service Requirement with respect thereto shall not be taken into account in making the foregoing calculation until the first Fiscal Year commencing after the occupation or utilization of such capital improvements unless the Long-Term Debt Service Requirement with respect thereto is required to be paid from sources other than the proceeds of such Long-Term Indebtedness prior to such Fiscal Year.

(b) If at any time the Long-Term Debt Service Coverage Ratio required by clause (a) hereof, as derived from the most recent Audited Financial Statements, is not met, Systems covenants to retain a Consultant within 30 days of the receipt of the Audited Financial Statements for such Fiscal Year to make recommendations to increase such Long-Term Debt Service Coverage Ratio in the following Fiscal Year to the level required or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest level attainable. Any Consultant so retained shall be required to submit such recommendations within 45 days after being so retained. So long as a Consultant shall be retained and each Member of the Obligated Group shall follow such Consultant's recommendations to the extent permitted by law, this Section shall be deemed to have been complied with even if the Long-Term Debt Service Coverage Ratio

for the following Fiscal Year is below the required level but not if the Long Term Debt Service Coverage Ratio is less than 1.00. The Obligated Group shall not be required to retain a Consultant to make recommendations pursuant to this Subsection (b) more frequently than biennially.

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

The foregoing covenant with respect to rates and charges is not to be construed to prohibit the Members from serving indigent patients or from serving any other class or classes of patients at reduced rates or free of any charge so long as such service does not prevent the Members from satisfying the other requirements of the covenants described in this section.

Sale, Lease or Other Disposition of Operating Assets; Disposition of Cash and Investments; Sale of Accounts

(a) Each Member of the Obligated Group agrees that it will not transfer Operating Assets except for Transfers of Operating Assets:

(i) To any Person if prior to the Transfer there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative stating that such Operating Asset has or will within the next twenty-four (24) months become inadequate, obsolete, worn out, unsuitable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Operating Assets.

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

(iii) To any Person provided there shall be delivered to the Master Trustee prior to such Transfer an Officer's Certificate certifying the Long-Term Debt Service Coverage Ratio, assuming the disposition of such Operating Assets occurred at the beginning of such period, for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the Officer's Certificate for which the Audited Financial Statements have been reported upon by independent certified public

accountants and such Long-Term Debt Service Coverage Ratio is not less than 1.15 and not less than sixty-five percent (65%) of what it would have been were such Transfer not to take place;

(iv) To any Person provided that the Member of the Obligated Group proposing to make such Transfer shall receive, as consideration for such Transfer, cash, services or Property equal to the fair market value of the asset so transferred, the value of the asset so transferred and the consideration received to be determined by the Obligated Group Representative. Each Member of the Obligated Group covenants to maintain records adequate to enable the Master Trustee to ascertain that the provisions of this paragraph (iv) have been complied with and to make such records available to the Master Trustee upon written request,

(v) To any Person if the aggregate Book Value of the Operating Assets Transferred pursuant to this Subsection (v) in the current Fiscal Year does not exceed 10% of the Book Value of all Property of the Obligated Group as shown in the Audited Financial Statements for the most recent Fiscal Year.

(vi) To any Person any Operating Assets received subsequent to the date hereof and restricted by the donor thereof to a particular use which ceases to be consistent with the business and obligations of the Obligated Group Member.

(b) So long as no Event of Default exists hereunder, any Member of the Obligated Group will have the right to sell its then existing Accounts:

(i) without limitation if such sale, pledge, assignment, or other disposition is without recourse or such Accounts are obligations of private persons and the Obligated Group Representative determines that such Accounts are unlikely to be collected utilizing normal collection procedures and at reasonable cost,

(ii) the fair market value, as determined by the Obligated Group Representative, of such Accounts does not exceed 15% of the Operating Revenues and the purchase price of such Accounts is not less than 85% of the net realizable value of such Accounts, as determined in accordance with GAAP, if such sale, pledge, assignment or other disposition is with recourse, and, in each case, if such Member of the Obligated Group shall receive as consideration for such sale, pledge, assignment or other disposition cash, services or Property equal to the fair market value of the Accounts so sold, such fair market value to be determined by the Obligated Group Representative.

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

(c) in addition to other Transfers permitted hereunder, any Member of the Obligated Group may Transfer unrestricted cash or marketable securities or other non-operating assets to:

(i) another Member of the Obligated Group without limit,

(ii) any Person, if prior to such Transfer, an Officer's Certificate is delivered to the Master Trustee stating that (a) such Transfer will be a loan evidenced in writing, (b) such loan is for a reasonable term and bears a reasonable interest rate, and (c) such loan is reasonably expected to be repaid in accordance with its terms,

(iii) any Person, if prior to such Transfer, an Officer's Certificate is delivered to the Master Trustee stating that, taking such Transfer into account as if such Transfer had occurred at the beginning of the most recent period of twelve (12) fun consecutive months for which the Audited Financial Statements have been reported upon by an independent certified public accountant, the Long-Term Debt Service Coverage Ratio for such period would not be less than 1.15,

(iv) any Person provided that Member of the Obligated Group shall receive as consideration for such Transfer services or Property acquired in the ordinary course of business, the fair market value of which is at least equal to the amount of the unrestricted cash or marketable securities so transferred, such fair market value to be determined in good faith by the Obligated Group Representative, or

(v) any Person, provided that the aggregate amount of Transfers under this subsection in any Fiscal Year shall not exceed five percent (5%) of the unrestricted cash and marketable securities as shown in the preceding fiscal year's Audited Financial Statements.

(d) The foregoing provisions of this Section notwithstanding, each Member of the Obligated Group agrees that it will not sell, lease, donate or otherwise dispose of Property (a) which could reasonably be expected at the time of such sale, lease, donation or disposition to result in a reduction of the Long-Term Debt Service Coverage Ratio such that the Master Trustee could or would be obligated to require the Obligated Group to retain a Consultant pursuant to the provisions of the Master Indenture or (b) if a

Consultant has been retained, such action, in the opinion of such Consultant, will have an adverse effect on the Income Available for Debt Service.

Consolidation, Merger, Sale or Conveyance

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

(i) Either a Member of the Obligated Group will be the successor corporation, or if the successor corporation is not a Member of the Obligated Group, such successor corporation shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume the due and punctual payment of the principal of, premium, if any, and interest on all Outstanding Obligations issued under the Master Indenture according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture and any Supplement thereto; and

(ii) There is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative indicating that no Member of the Obligated Group immediately after such merger or consolidation, or such sale or conveyance, would be in default in the performance or observance of any covenant or condition of the Master Indenture; and

(iii) If any Related Bond then Outstanding was issued with the intent that interest thereon not be includable in the gross income of the recipient thereof for federal income tax purposes, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of the delivery of such Related Bond, would not, in and of itself, adversely affect the exclusion of interest payable on such Related Bond from the gross income of the holder thereof for federal income tax purposes; and

(iv) There is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative demonstrating compliance with the Transaction Test; provided, however, that compliance with the Transaction Test shall not be required for the merger or consolidation of any two or more Members with each other.

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

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

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

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

The Obligated Group covenants that it will:

(a) Within 30 days after receipt of the audit report mentioned below but in no event later than one hundred eighty (180) days after the end of each fiscal reporting period for which the Audited Financial Statements are reported upon by independent certified public accountants, file with the Master Trustee, with each Holder who may have so requested in writing or on whose behalf the Master Trustee may have so requested and with the Municipal Securities Rulemaking Board's ("MRSB") electronic filing system (or any successor system or additional required repositories) in accordance with Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, a copy of the Audited Financial Statements as of the end of such fiscal reporting period accompanied by the opinion of independent certified public accountants. Such Audited Financial Statements shall be prepared in accordance with generally accepted accounting principles and shall include such statements necessary for a fair presentation of the financial

position, results of operations and changes in unrestricted net assets and cash flows as of the end of such fiscal reporting period,

(b) Within 30 days after receipt of the audit report mentioned above but in no event later than one hundred eighty (180) days after the end of each fiscal reporting period, file with the Master Trustee, an Officer's Certificate stating the Long-Term Debt Service Coverage Ratio for such fiscal reporting period and stating whether, to the best knowledge of the signers, any Member of the Obligated Group is in default in the performance of any covenant contained in the Master Indenture and, if so, specifying each such default of which the signers may have knowledge.

(c) Immediately upon becoming aware of the existence of any condition or event which constitutes or with the passage of time or the giving of notice, or both, would constitute an Event of Default as defined in the Master Indenture, the Obligated Group shall cause to be furnished to the Master Trustee a written notice specifying the nature and period of existence thereof and what action the Obligated Group is taking and proposes to take with respect thereto.

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

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

Parties Becoming Members of the Obligated Group

Persons which are not Members of the Obligated Group and corporations which are successor corporations to any Member of the Obligated Group through a merger or consolidation permitted by the Master Indenture may, with the prior written consent of the Obligated Group Representative, become Members of the Obligated Group, if:

(a) The Person or successor corporation which is becoming a Member of the Obligated Group shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee containing the agreement of such Person or successor corporation (i) to become a Member of the Obligated Group under the Master Indenture and any Supplements and thereby become subject to compliance with all

provisions of the Master Indenture and any Supplements pertaining to a Member of the Obligated Group, and the performance and observance of all covenants and obligations of a Member of the Obligated Group under the Master Indenture, (ii) to unconditionally and irrevocably pay, jointly and severally as a co-obligor with each other Member of the Obligated Group and not as a surety, to the Master Trustee and each other Member of the Obligated Group, all Obligations issued and then Outstanding and to be issued and Outstanding under the Master Indenture in accordance with the terms thereof and of the Master Indenture when due and (iii) to pledge its Gross Revenues to secure all Obligations outstanding under the Master Indenture.

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

(c) There shall be filed with the Master Trustee an Officer's Certificate of the Obligated Group Representative demonstrating compliance with the Transaction Test.

(d) Any Related Bond is then Outstanding which was issued with the intent that interest thereon is not includable in the gross income of the recipient thereof for federal income tax purposes, there shall be filed with the Master Trustee, (i) an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not, in and of itself, adversely affect the exclusion of the interest on any such Related Bond from the gross income of the holder thereof for federal income tax purposes and (ii) an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not require the registration of the Obligations under the Securities Act of 1933, as amended or the Supplements under the Trust Indenture Act of 1939, as amended, or if such registration is required, that all applicable registration and qualification provisions of said acts have been complied with.

(e) There shall be delivered to the Master Trustee an Officer's Certificate certifying that the admission of such Person as a Member of the Obligated Group will not give rise to an Event of Default under the Master Indenture.

Withdrawal from the Obligated Group

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

(i) If any Related Bonds then Outstanding was issued with the intent that interest thereon not be includable in the gross income of the recipient thereof for federal income tax purposes, there shall be delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law such Member's withdrawal from the Obligated Group, whether or not contemplated on any date of delivery of any Related Bond, would not in and of itself, cause the interest payable on such Related Bond to become includable in the gross income of the recipient thereof for federal income tax purposes; and

(ii) An Officer's Certificate of the Obligated Group Representative demonstrating compliance with the Transaction Test.

(b) Upon the withdrawal of any Member from the Obligated Group pursuant to subsection (a) of this Section, any guaranty by such Member pursuant to the Master Indenture shall be released and discharged in full and all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under the Master Indenture shall cease; provided, however, that unless specifically released by the Obligated Group Representative any obligations of such withdrawing Member to the Obligated Group shall not be released and discharged.

(c) A Member of the Obligated Group shall withdraw upon the request of the Obligated Group Representative provided the conditions for voluntary withdrawal set forth in (a) above are met.

(d) So long as Obligation Nos. 5, 6 or 7 are Outstanding, the Hospital will remain a Member of the Obligated Group.

Covenants of the Combined Group

(a) The Members of the Obligated Group agree that they will cause each Restricted Affiliate to comply with all of the covenants and perform all of the obligations set forth in the Master Indenture as if such Restricted Affiliate were a Member of the Obligated Group.

(b) The Obligated Group agrees to cause the Restricted Affiliates that are controlled by one or more Members of the Obligated Group to transfer funds or other assets to the Member of the Obligated Group that is its sole member, beneficiary or controlling person to the extent permitted by law and by the documents governing the Restricted Affiliate Indebtedness for the purpose of allowing the Obligated Group to satisfy its debt service requirements applicable to all Obligations.

Anything in this Section to the contrary notwithstanding, any Restricted Affiliate Undertaking may contain provisions that (i) require that each Member of the Obligated Group expend its funds in excess of a reasonable operating reserve (not to exceed 60 days of operating expenses) to satisfy the debt service requirements of Obligations as a precondition to the Restricted Affiliate transferring its funds in excess of a reasonable operating reserve (not to exceed 60 days of operating expenses) to the Obligated Group for payment of debt service on Obligations; and (ii) require each Member of the Obligated Group to expend all of its funds for such payments as a precondition to the Restricted Affiliate transferring all of its funds to the Obligated Group for such payments; and (iii) treat any funds transferred by the Restricted Affiliate to the Obligated Group as an advance or loan by the Restricted Affiliate to, and Subordinated Indebtedness of, the Obligated Group.

Conditions for Designation of Restricted Affiliates

Any Affiliate that has satisfied the definition of "Restricted Affiliate" may become a Restricted Affiliate upon delivery to the Master Trustee of the following documents:

(a) An Officer's Certificate from the Obligated Group Representative (i) to the effect that the Obligated Group Representative consents to such Person becoming a Restricted Affiliate and (ii) demonstrating that the Transaction Test has been met;

(b) A written undertaking for the benefit of the Master Trustee duly authorized and executed by such Affiliate evidencing the agreement of such Affiliate to observe and perform the obligations that the Obligated Group has covenanted to cause Restricted Affiliates to observe and perform under the Master Indenture (a "Restricted Affiliate Undertaking);

(c) Evidence of appropriate action of the Governing Body of such Affiliate authorizing such undertaking;

(d) Evidence of the filing of all appropriate financing statements as required by the Master Indenture, pursuant to which the Restricted Affiliate will pledge its Gross Revenues to the payment of Obligations outstanding under the Master Indenture.

(e) An Opinion of Counsel to the effect that the conditions contained in the Master Indenture relating to designation of a Restricted Affiliate have been satisfied and an opinion of Counsel to the effect that (i) the Restricted Affiliate Undertaking has been duly authorized, executed and delivered by such Restricted Affiliate, and constitutes the legal, valid and binding agreement of the Restricted Affiliate enforceable in accordance with its terms and (ii) the transfer of funds or assets by Restricted Affiliates to the Members of the Obligated Group, in the form of loans, advances, grants, gifts or other transfers as contemplated by the Master Indenture is permissible under the applicable laws of Florida; provided that such opinion may be qualified by stating that the validity

and enforceability of such agreement and the validity of such transfers of funds may be limited by applicable bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally, and by stating other customary legal exceptions.

Release of Restricted Affiliates

A Restricted Affiliate shall be released from its obligations and status as a Restricted Affiliate only upon compliance with the following conditions:

(a) The Master Trustee shall have received (i) an Officer's Certificate from the Obligated Group Representative consenting to the release of such Person from its status as a Restricted Affiliate and (ii) an Officer's Certificate of the Obligated Group Representative demonstrating compliance with the Transaction Test; provided, that the term "Combined Group" shall be substituted for the term "Obligated Group" for purposes of the Transaction Test.

(b) The Master Trustee receives an Officer's Certificate of the Person requesting such release stating that all conditions precedent provided for under the Master Indenture relating to the release of such Person as a Restricted Affiliate have been complied with and that, were such Person released as a Restricted Affiliate on the date of such Officer's Certificate, no Event of Default would then exist under the Master Indenture, nor to such officer's knowledge, would there then exist any event which with the passage of time or giving of notice, or both, would or might become an Event of Default.

Upon compliance with the conditions contained in subsections (a) and (b), the Master Trustee shall execute any documents reasonably requested by the released Person to evidence the termination of such Person's status as a Restricted Affiliate under the Master Indenture.

Replacement of Master Indenture

A Related Bond Trustee for Related Bonds shall, at the written direction of the Obligated Group Representative, surrender any Obligation issued to secure such Related Bonds to the Master Trustee upon presentation to the Related Bond Trustee of the following:

(a) an original replacement note or similar obligation issued by the obligated group (the "Substitute Obligation") under and pursuant to a master trust indenture (the "Replacement Master Indenture") executed by the Members of the Obligated Group and other parties previously unrelated to any Member of the Obligated Group named therein (collectively, the "New Group") and an independent corporate trustee which may be the Master Trustee or the Related Bond Trustee (the "New Trustee") meeting the eligibility

requirements of the Master Trustee as set forth in the Master Indenture, which Substitute Obligation has been duly authenticated by the New Trustee;

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

(c) an Opinion of Counsel addressed to the Related Bond Trustee and the Obligated Group Representative to the effect that the Replacement Master Indenture has been duly authorized, executed and delivered by each member of the New Group, the Substitute Obligation has been duly authorized, executed and delivered by the Obligated Group, and the Replacement Master Indenture and the Substitute Obligation are each a legal, valid and binding obligation of each member of the New Group, subject in each case to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity;

(d) an Officer's Certificate certifying that (i) the Long-Term Debt Service Coverage Ratio as calculated pursuant to the Master Indenture for the most recent period of 12 full consecutive calendar months for which Audited Financial Statements are available (x) for the members of the New Group other than the Members of the Obligated Group and (y) for the Obligated Group, adjusted as if the New Group was formed at the beginning of such period, is not less than 1.30 for such period, and (ii) the New Group would not be in default under the provisions of the Master Indenture;

(e) evidence satisfactory to the Master Trustee that each rating then in effect on Related Bonds will not be lowered due to the surrender of the Obligation and the acceptance of the Substitute Obligation;

(f) an Opinion of Bond Counsel that (i) the surrender of the Obligation and the acceptance by the Bond Trustee of the Substitute Obligation will not adversely affect the validity of the Related Bonds or any exemption for the purposes of federal income taxation to which interest on the Related Bonds would otherwise be entitled; (ii) all requirements and conditions to the issuance of the Substitute Obligation set forth in the Replacement Master Indenture have been complied with and satisfied; and (iii) registration of the Substitute Obligation under the Securities Act of 1933, as amended, is not required or, if such registration is required, that all applicable registration provisions of such act have been complied with;

(g) an original executed counterpart of the Replacement Master Indenture; and

(h) such other opinions and certificates as the Related Bond Trustee or the bond insurer or credit facility provider, if any, may reasonably require, together with such reasonable indemnities as the Related Bond Trustee or the bond insurer or credit facility provider, if any, may request.

Notwithstanding the foregoing, so long as Obligation No. 5, 6 or 7 are outstanding, the foregoing provisions set forth under "Replacement of Master Indenture" shall not be applicable.

Pledge of Revenues

To secure the prompt payment of the principal of, redemption premium, if any, and the interest on the Obligations and the performance by each Member of the Obligated Group of its other obligations under the Master Indenture, each Member of the Obligated Group, and each Restricted Affiliate pursuant to the Master Indenture pledged, assigned and granted to the Master Trustee, for the benefit of the Holders of the Obligations, equally and ratably without preference or priority as to lien or source of payment of any one Obligation over any other Obligation, a lien on and security interest in:

(a) All Gross Revenues and/or Accounts of the Obligated Group and such Restricted Affiliate;

(b) All other property or collateral held by or assigned or pledged to the Master Trustee under the Master Indenture;

(c) All proceeds and products of any of the foregoing;

(d) Subject, in each case, to Permitted Liens.

Prior to any Event of Default, any Member of the Obligated Group and any Restricted Affiliate may sell accounts receivable, to the extent permitted by the provisions of the Master Indenture. In the event of such sale, upon written request of a Member of the Obligated Group, the Master Trustee shall execute a release of its security interest with respect to the accounts receivable so sold.

Each new Member of the Obligated Group and each Restricted Affiliate shall upon becoming a Member pursuant to the Master Indenture, execute and deliver to the Master Trustee from time to time such amendments or supplements to the Master Indenture as may be necessary or appropriate to include as security thereunder its Gross Revenues and/or Accounts, as the case may be.

Each Member of the Combined Group covenants that it will prepare and file such financing statements or amendments to or terminations of existing financing statements which shall, in the Opinion of Counsel, be necessary to comply with applicable law or as required due to changes in the Combined Group, including, without limitation, (i) any

Person becoming a Member of the Obligated Group pursuant to the Master Indenture, or (ii) any Member of the Obligated Group ceasing to be a Member of the Obligated Group pursuant to the Master Indenture or (iii) any Person becoming a Restricted Affiliate under the Master Indenture or ceasing to be a Restricted Affiliate under the Master Indenture. In particular, each Member of the Obligated Group covenants that it will, at least sixty (60) days prior to the expiration of any financing statement, prepare and file such continuation statements of existing financing statement as shall, in the Opinion of Counsel, be necessary to comply with applicable law and shall provide to the Master Trustee written notice of such filing. If the Master Trustee shall not have received such notice at least twenty-five (25) days prior to the expiration date of any such financing statement, the Master Trustee may prepare and file or cause each Member of the Combined Group to prepare and file such continuation statements in a timely manner to assure that the security interest in Gross Revenues or Accounts, as the case may be, shall remain perfected.

Derivative Agreements

The Obligated Group may enter into one or more Derivative Agreements with respect to one or more Obligations or Series of Related Bonds (or portions thereof) pertaining thereto without satisfying the requirements for the issuance of other Obligations under the Master Indenture; provided, however, that if such Derivative Agreement is not entered into at the time of initial issuance of the Obligations or the Series of Related Bonds to which it relates, the requirements for the issuance of other Obligations under the Master Indenture must be met, applying the same to the Obligations then Outstanding, but using the assumptions provided in the definition of Long Term Debt Service Requirement with respect to the Derivative Agreement and the Related Bonds to which it relates as of the effective date of such Derivative Agreement. The Obligated Group may grant to the counterparties to such Derivative Agreements a lien on the Gross Revenues to secure payment of such derivative payments on a parity with the lien thereon securing interest payments on the Related Bonds to which such Derivative Agreement relates.

Prior to entering into any Derivative Agreement with respect to any Related Bonds, the Obligated Group shall notify Moody's and S&P, to the extent they shall maintain a rating on Outstanding Related Bonds, of the Obligated Group's intent to enter into such agreement.

Events of Default

Event of Default, as used herein, shall mean any of the following events:

(a) The Members of the Obligated Group shall fail to make any payment of the principal of, the premium if any, or interest on any Obligations issued and Outstanding under the Master Indenture when and as the same shall become due and payable, whether

at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof, of the Master Indenture or of any Supplement;

(b) Any Member of the Combined Group shall fail duly to perform, observe or comply with any covenant or agreement on its part under the Master Indenture for a period of 30 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Members of the Obligated Group by the Master Trustee, or to the Members of the Obligated Group and the Master Trustee by the Holders of at least 25% in aggregate principal amount of Obligations then Outstanding; provided, however, that if said failure be such that it cannot be corrected within thirty (30) days after the receipt of such notice but is reasonably subject to cure within a reasonable time, it shall not constitute an Event of Default if corrective action is instituted within such 30-day period and diligently pursued until the Event of Default is corrected;

(c) An event of default shall occur under a Related Bond Indenture or Related Loan Agreement or upon a Related Bond;

(d) (i) Any Member of the Combined Group shall fail to make any required payment with respect to any Indebtedness (other than Subordinated Indebtedness, Non-Recourse Indebtedness or Obligations issued and Outstanding under the Master Indenture), which Indebtedness is in an aggregate principal amount greater than one percent (1%) of Operating Revenues for the most recent Fiscal Year whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or (ii) there shall occur an event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, which Indebtedness (other than the Obligations) is in an aggregate principal amount greater than one percent (1%) of Operating Revenues for the most recent Fiscal Year whether such Indebtedness now exists or shall hereafter be created, which event of default shall not have been waived by the holder of such mortgage, indenture or instrument, and as a result of such failure to pay or other event of default such Indebtedness shall have been accelerated; provided, however, that such default shall not constitute an Event of Default within the meaning of this Section if within 30 days (i) written notice is delivered to the Master Trustee, signed by the Authorized Representative of the Obligated Group Representative, that such Member of the Combined Group is contesting the payment of such Indebtedness and within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, any Member of the Combined Group in good faith shall commence proceedings to contest the obligation to pay such Indebtedness and if a judgment relating to such Indebtedness has been entered against such Member of the Combined Group (A) the execution of such judgment has been stayed or (B) sufficient moneys are escrowed with a bank or trust company for the payment of such Indebtedness;

(e) The entry of a decree or order by a court having jurisdiction in the premises for an order for relief against any Member of the Combined Group, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Member under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, custodian, assignee, or sequestrator (or other similar official) of such Member or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days;

(f) The institution by any Member of the Combined Group of proceedings for an order for relief or the consent by it to an order for relief against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement, adjustment, composition or relief under the United States Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, custodian, assignee, trustee or sequestrator (or other similar official) of such Member of the Combined Group or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due; and

(g) Upon receipt by the Hospital of a Notice of Termination pursuant to Section 9.02 of the Lease.

Acceleration; Annulment of Acceleration

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

(b) At any time after the principal of the Obligations shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if (i) the Obligated Group

has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices then due (other than the principal then due only because of such declaration) of all Obligations Outstanding; (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay the charges, compensation, expenses, disbursements, advances, fees and liabilities of the Master Trustee; (iii) all other amounts then payable by the Obligated Group hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee; and (iv) every Event of Default (other than a default in the payment of the principal of such Obligations then due only because of such declaration) shall have been remedied or waived pursuant to the Master Indenture, then the Master Trustee may, and upon the written request of Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding or any Person exercising the right given to such Person in any Supplement, shall, annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Additional Remedies and Enforcement of Remedies

(a) Upon the occurrence and continuance of any Event of Default the Master Trustee may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding, or any Person exercising the right given to such Person in any Supplement, together with indemnification of the Master Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Holders hereunder by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(i) Enforcement of the right of the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;

(ii) Suit upon all or any part of the Obligations;

(iii) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders;

(iv) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders;

(v) Enforcement of rights as a secured party under the Uniform Commercial Code of the State of Florida; and

(vi) Enforcement of any other right of the Holders conferred by law or hereby.

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

Application of Moneys after Default

During the continuance of an Event of Default, subject to the expenditure of moneys to make any payments required to permit any Member of the Obligated Group to comply with any requirement or covenant in any Related Indenture to cause Related Bonds the interest on which, immediately prior to such Event of Default, is excludable from the gross income of the recipients thereof for federal income tax purposes under the Code to retain such status under the Code, all moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article (after application of funds as contemplated under the Master Indenture) shall be applied, after the payment of any compensation, expenses, disbursements and advances then owing to the Master Trustee pursuant to the Master Indenture, as follows:

(a) Unless the principal of all Outstanding Obligations shall have become or have been declared due and payable:

> First: To the payment to the Persons entitled thereto of all installments of interest then due on Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference; and
>
> Second: To the payment to the Persons entitled thereto of the unpaid principal installments of any Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference.

(b) If the principal of all Outstanding Obligations shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

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

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

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

Remedies Not Exclusive

No remedy by the terms hereof conferred upon or reserved to the Master Trustee or the Holders 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 existing at law or in equity or by statute on or after the date hereof.

Remedies Vested in the Master Trustee

All rights of action (including the right to file proof of claims) under the Master Indenture or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining as plaintiffs or defendants any Holders. Subject to the provisions of the Master Indenture, any recovery or judgment shall be for the equal benefit of the Holders.

Holders' Control of Proceedings; Conflicting Directions

If an Event of Default shall have occurred and be continuing, notwithstanding anything herein to the contrary, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee, to direct the method and place of conducting any proceeding or action to be taken in connection with the enforcement of the terms and conditions hereof or any other proceedings under the Master Indenture, provided that such direction is not in conflict with any applicable law or the provisions hereof, and is not unduly prejudicial to the interest of any Holders not joining in such direction, and provided further, that the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability, and, in the sole judgment of the Master Trustee, and provided further that nothing in this Section shall impair the right of the Master Trustee in its discretion to take any other action under the Master Indenture which it may deem proper and which is not inconsistent with such direction by the Holders.

With respect to actions which may be taken by Holders of less than a majority in aggregate principal amount of Obligations pursuant to any provision of the Master Indenture, if the Master Trustee receives conflicting directions, then the directions of Holders of the greater percentage of aggregate principal amount of Obligations shall control, subject to the exceptions described in the immediately preceding paragraph.

Waiver of Event of Default

(a) No delay or omission of the Master Trustee or of any Holder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Master Trustee and the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Master Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Master Indenture, or before the completion of the enforcement of any other remedy thereunder.

(c) Notwithstanding anything contained herein to the contrary, the Master Trustee, upon the written request of the Holders of not less than a majority of the aggregate principal amount of Obligations then Outstanding, shall waive any Event of Default under the Master Indenture and its consequences; provided, however, that except under the circumstances set forth in subsection (b) of the Acceleration Section hereof, a default in the payment of the principal of, premium if any, or interest on any Obligation, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Obligations (with respect to which such payment default exists) at the time Outstanding.

(d) In case of any waiver by the Master Trustee of an Event of Default under the Master Indenture, the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights under the Master Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Notice of Default

The Master Trustee shall, within 10 days after it has actual knowledge of the occurrence of an Event of Default, mail, by first class mail, to all Holders as the names and addresses of such Holders appear upon the books of the Master Trustee, notice of such Event of Default known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice; provided that, except in the case of default in the payment of the principal of or premium, if any, or interest on any of the Obligations and the Events of Default specified in subsections (e) and (f) of the Events of Default Section, the Master Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or any responsible officer of the Master Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

Removal and Resignation of the Master Trustee

The Master Trustee may resign on its motion or may be removed at any time, with or without cause, by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Obligations then Outstanding or, if no Event of Default shall have occurred and be continuing, by an instrument in writing signed by the Authorized Representative of the Obligated Group Representative. No such resignation or removal shall become effective unless and until a successor Master Trustee (or temporary successor trustee as provided below) has been appointed and has

assumed the trusts created by the Master Indenture. Written notice of such resignation or removal shall be given to the Members of the Obligated Group and to each Holder by first class mail at the address then reflected on the books the Master Trustee and such resignation or removal shall take effect upon the appointment and qualification of a successor Master Trustee. A successor Master Trustee may be appointed by the Obligated Group Representative or, if no such appointment is made by the Obligated Group Representative within thirty (30) days of the date notice of resignation or removal is given, the Holders of not less than a majority in aggregate principal amount of Obligations Outstanding. In the event a successor Master Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation is given, the Master Trustee, any Member of the Obligated Group or any Holder may apply to any court of competent jurisdiction for the appointment of a temporary successor Master Trustee to act until such time as a successor is appointed as above provided.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Master Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business in one or more states of the United States of America and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least $50,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Master Trustee howsoever appointed under the Master Indenture shall execute, acknowledge and deliver to its predecessor and also to each Member of the Obligated Group an instrument in writing, accepting such appointment under the Master Indenture, and thereupon such successor Master Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver instrument transferring to such successor Master Trustee all the rights, powers and trusts of such predecessor. The predecessor Master Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master Trustee shall promptly deliver all material records relating to the trust or copies thereof and, on request, communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

Each successor Master Trustee, not later than ten (10) days after its assumption of the duties under the Master Indenture, shall mail a notice of such assumption to each registered Holder.

Supplements Not Requiring Consent of Holders

Each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the

consent of or notice to any of the Holders, enter into one or more Supplements to the Master Indenture for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission in the Master Indenture.

(b) To correct or supplement any provision herein which may be inconsistent with any other provision in the Master Indenture, or to make any other provisions with respect to matters or questions arising under the Master Indenture and which shall not adversely affect the security for the Obligations.

(c) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of clause (a) under "Supplements Requiring Consent of Holders" below.

(d) To qualify the Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.

(e) To create and provide for the issuance of Indebtedness as permitted under the Master Indenture.

(f) To obligate a successor to any Member of the Obligated Group or any additional Member of the Obligated Group as provided in the Master Indenture.

(g) To comply with the provisions of any federal or state securities law.

(h) To modify any provision hereof in order to avoid any unintended impact on the compliance by the Obligated Group with financial covenants following any change in generally accepted accounting principles that would affect the computation of any financial ratio or other financial computation under the Master Indenture, *if* the Master Trustee is provided with (1) an Officer's Certificate stating that (1) the amendment is intended to avoid a change (positive or negative) in the Obligated Group's future compliance with any minimum or maximum financial ratio or other metric required by the Master Indenture when applied to the same economic facts and (2) if the changed accounting principles and amendment were in effect in the prior Fiscal Year, no minimum or maximum financial ratio or other metric imposed by the Master Indenture would have been complied with by a greater margin.

(i) To grant a lien on or security interest in any Property as security for payment of Obligations, to correct or amplify the description of any Property at any time subject to such lien or security interest, or better to assure, convey, and confirm unto the Master Trustee any Property subject or required to be subjected to such lien or security interest.

(j) To make any other changes or modifications to the terms of the Master Indenture which, in the judgment of the Master Trustee, in reliance on certificates and/or opinions contemplated in the Master Indenture, are not prejudicial to the rights and interests of the Holders of Obligations outstanding under the Master Indenture.

Supplements Requiring Consent of Holders

(a) Other than Supplements referred to under "Supplements Not Requiring Consent of Holders" next above and subject to the terms and provisions and limitations contained in this Article and not otherwise, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right from time to time, anything contained in the Master Indenture to the contrary notwithstanding, to consent to and approve the execution by each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its governing Body, and the Master Trustee of such Supplements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture; provided, however, nothing in this Section shall permit or be construed as permitting a Supplement which would:

(i) Effect a change in the times, amounts or currency of payment of the principal of, premium, if any, and interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of such Obligation;

(ii) Permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding; or

(iii) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Obligations then Outstanding.

(b) If at any time the Obligated Group Representative shall request the Master Trustee to enter into a Supplement pursuant to this Section, which request is accompanied by a copy of the resolution or other action of its Governing Body certified by its secretary or if it has no secretary, its comparable officer, the Master Trustee shall receive an instrument or instruments purporting to be provided by either (i) the Holders of not less than the aggregate principal amount of Obligations specified in subsection (a) of this Section for the Supplement in question (determined as of the date the final consent is received) which instrument or instruments (which may be deemed to have been provided by the registered owners of Related Bonds if the offering document for such Related Bonds expressly describes such Supplement and states that by virtue of their purchase of such Related Bonds the owners are deemed to have notice of, and consented to, such Supplement) (ii) the underwriter for the Related Bonds pursuant to paragraph (e) of this

Section, or (iii) the Credit Facility Provider of the Related Bonds pursuant to the Master Indenture, which sets forth in unambiguous terms the provisions to be amended or supplemented (which terms may be contained in a definitive Supplement or through conceptual amendments), thereupon, but not otherwise, the Master Trustee may execute such Supplement in substantially such form or containing provisions consistent with such conceptual amendments, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

(c) Any such consent shall be binding upon the Holder giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Supplement, such revocation and, if such Obligation is transferable by delivery, proof that such Obligation is held by the signer of such revocation in the manner permitted by the Master Indenture. At any time after the Holders of the required principal amount or number of Obligations shall have filed their consents to the Supplement, the Master Trustee shall make and file with each Member of the Obligated Group a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

Notwithstanding the foregoing, no consent contained within the terms of an Obligation at the time of issuance thereof may be revoked by the original or any subsequent Holder.

(d) If the Holders of the required principal amount of the Obligations Outstanding shall have consented to and approved the execution of such Supplement as herein provided, no Holder shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or any Member of the Obligated Group from executing the same or from taking any action pursuant to the provisions thereof.

(e) In the event that an Obligation is issued in connection with a new issue of Related Bonds, the underwriter or underwriters of such Related Bonds shall be permitted to vote such Related Bonds in favor of an amendment to the Master Indenture if the nature of the amendment is disclosed in any offering document used in connection with sales of such Related Bonds.

Satisfaction and Discharge of Indenture

If (i) the Obligated Group Representative shall deliver to the Master Trustee for cancellation all Obligations theretofore authenticated (other than any Obligations which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or

paid as provided in the Supplement) and not theretofore canceled, or (ii) all Obligations not theretofore canceled or delivered to the Master Trustee for cancellation shall have become due and payable and money sufficient to pay the same shall have been deposited with the Master Trustee, or (iii) all Obligations that have not become due and payable and have not been canceled or delivered to the Master Trustee for cancellation shall be Defeased Obligations, and if in all cases the Members of the Obligated Group shall also pay or cause to be paid all other sums payable under the Master Indenture by the Members of the Obligated Group or any thereof, then the Master Indenture shall cease to be of further effect, and the Master Trustee, on demand of the Members of the Obligated Group and at the cost and expense of the Members of the Obligated Group, shall execute proper instruments acknowledging satisfaction of and discharging the Master Indenture. Each Member of the Obligated Group, respectively, agrees to reimburse the Master Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with the Master Indenture or such Obligations.

Evidence of Acts of Holders

(a) In the event that any request, direction or consent is requested or permitted hereunder of the Holders of any Obligation securing an issue of Related Bonds, the registered owners of such Related Bonds then outstanding shall be deemed to be such Holders for the purpose of any such request, direction or consent in the proportion that the aggregate principal amount of Related Bonds then outstanding held by each such owner of Related Bonds bears to the aggregate principal amount of all Related Bonds then outstanding; provided however that (i) if any portion of such Related Bonds is secured by a Credit Facility that is also secured by a separate Obligation issued under the Master Indenture, the provider of such Credit Facility shall, as provided in the Rights of the Credit Facility Provider below, be treated as the Holder of the Related Bonds secured by it for all such requests, directions and consents so long as such provider is not in default under such Credit Facility, (ii) the underwriter of Related Bonds may provide consent on behalf of the owners of such Related Bonds in accordance with the provisions of this Section hereof and (iii) if a Related Bond Indenture provides that the Related Bond Trustee can provide such request, direction or consent on behalf of the registered owners of such Related Bonds, than the consent of such Related Bond Trustee may be provided in lieu of the consent of such registered owners.

(b) As to any request, direction, consent or other instrument provided hereby to be signed and executed by the Holders, such action may be in any number of concurrent writings, shall be of similar tenor, and may be signed or executed by such Holders in person or by agent appointed in writing.

(c) Proof of the execution of any such request, direction, consent or other instrument or of the writing appointing any such agent and of the ownership of Obligations, if made in the following manner, shall be sufficient for any of the purposes

hereof and shall be conclusive in favor of the Master Trustee and the Members of the Obligated Group, with regard to any action taken by them, or either of them, under such request, direction or consent or other instrument, namely:

(i) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(ii) The ownership of Related Bonds may be proved by the registration books for such Related Bonds maintained pursuant to the Related Bond Indenture.

(d) Nothing in this Section shall be construed as limiting the Master Trustee to the proof in the Master Indenture specified, it being intended that the Master Trustee may accept any other evidence of the matters in the Master Indenture stated which it may deem sufficient.

(e) Any action taken or suffered by the Master Trustee pursuant to any provision of the Master Indenture upon the request or with the assent of any person who at the time is the Holder of any Obligation, shall be conclusive and binding upon all future Holders of the same Obligation.

(f) In the event that any request, direction or consent is requested or permitted under the Master Indenture of the Holders of an Obligation that constitutes a Guaranty, for purposes of any such request, direction or consent the principal amount of such Obligation shall be deemed to be the stated principal amount of such Obligation, notwithstanding the fact that lesser amounts may be included in the Exposure no Guaranteed Debt.

Rights of the Credit Facility Provider

Notwithstanding anything in the Master Indenture to the contrary, in the event that a Credit Facility is in full force and effect as to any series of Related Bonds or Indebtedness issued thereunder, the Credit Facility provider is not insolvent and no default of the Credit Facility exists on the part of the Credit Facility provider, then the said Credit Facility provider, in place of the owner of the Obligations to which such Related Bonds relate, shall have the power and authority to give any written consents and exercise any and all other rights which the owner of that Obligation would otherwise have the power and authority to make, give or exercise, including, but not limited to, the exercise of remedies provided in Article V of the Master Indenture and the giving of written consents to Supplements when required, and such consent shall be deemed to also

constitute the consent of the owners of all of those Related Bonds which are secured by such Credit Facility.

The Authorized Representative of the Obligated Group Representative may execute and deliver any contracts or agreements with Credit Facility providers to carry out the provisions hereof or to clarify the rights of such Credit Facility provider with respect to any Related Bonds.

Limitations on Liability

With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from the Master Indenture or the Obligations issued thereunder is intended or shall be construed to give to any Person other than each Member of the Obligated Group, the Master Trustee, and the Holders thereunder any legal or equitable right, remedy or claim under or in respect to the Master Indenture or any covenants, conditions and provisions therein contained; the Master Indenture and all of the covenants, conditions and provisions thereof being intended to be and being for the sole and exclusive benefit of the parties mentioned in this Section.

THE TRUST AGREEMENT

The Trust Agreement contains various covenants, security provisions, terms and conditions, certain of which are summarized below. The following summaries are not intended to be summaries of every provision of the Trust Agreement or complete summaries of the provisions purported to be summarized and reference is made to the Trust Agreement for a full and complete statement of its provisions.

General

The Trust Agreement creates the Construction Fund, the Sinking Fund, the Reserve Fund and the Rebate Account. The Trust Agreement creates three separate accounts in the Sinking Fund, which accounts are designated the "Interest Account", the "Principal Account" and the "Redemption Account".

The funds and accounts will be established with and held by the Bond Trustee. The money in the funds and accounts will be held in the trust and applied as hereinafter provided and pending, such application, will be subject to a lien and charge in favor of the Holders.

Permitted Parity Indebtedness of Additional Bonds

Additional Bonds may be issued on a parity with the Bonds if the Obligated Group is authorized to incur Indebtedness evidenced by the corresponding Obligation under the Master Indenture, and if certain other requirements are met.

Deposits to the Funds

Except as otherwise provided in the Trust Agreement, pursuant to the Financing Agreement and the Obligations, the Obligated Group will pay the following amounts, and all moneys received by the Bond Trustee under the Trust Agreement, either from the Obligated Group, the Master Trustee or the Issuer, shall be disposed of in the following order:

(a) Interest Account. First to the credit of the Interest Account, the amount necessary, together with any moneys therein and available therefor, to pay the next maturing installment of interest on the Bonds. Deposits shall be increased or decreased to the extent required to pay interest coming due, after making allowance for any accrued and capitalized interest and taking into account prior deficiencies.

(b) Principal Account. Next to the credit of the Principal Account, the amount necessary, together with any moneys therein and available therefor, to make the next regularly scheduled installment of principal on the Bonds in such Bond Year.

(c) Redemption Account. Next to the credit of the Redemption Account, an amount equal to the Mandatory Amortization Requirement becoming due with respect to the next ensuing principal payment date in such Bond Year, to the extent required to retire the Term Bonds to be called by mandatory redemption or to be paid at maturity on the next ensuing principal payment date in such Bond Year in accordance with the Mandatory Amortization Requirements therefor.

(d) Alternative Method of Satisfying Mandatory Amortization Requirement. The Obligated Group may satisfy its obligations under subparagraph (c) above with respect to the Mandatory Amortization Requirements, on or before the 45th day next preceding each principal payment date on which Term Bonds are to be retired pursuant to the Mandatory Amortization Requirements, by delivering to the Bond Trustee for cancellation, Term Bonds of the Series and maturity required to be redeemed on such principal payment date in any aggregate principal amount desired. Upon such delivery, the Obligated Group will receive a credit against the amounts required to be deposited into the Redemption Account on account of such Term Bonds in an amount equal to 100% of the principal amount of any such Current Interest Term Bonds and an amount equal to 100% of the Compounded Amount of any such Capital Appreciation Term Bonds so purchased and cancelled.

The money credited to the Interest Account, the Principal Account and the Redemption Account for the Bonds shall be used by the Obligated Group only to pay the Debt Service Requirements of the Bonds as such Debt Service Requirements become due. Money on deposit in the Sinking Fund to pay Debt Service Requirements on the Bonds shall be transferred from the Sinking Fund to the Paying Agent on or before the due date.

(e) Rebate Account. On the first day of each Bond Year to the credit of the Rebate Account, the cumulative Rebate Amount from the date of issue of any Series of Bonds or the last date a payment of the Rebate Amount was due to the United States of America under the Code.

(f) Reserve Fund. Then to the credit of the Reserve Fund and pro rata into each subaccount therein, the amount if any, required to be paid by the Obligated Group to make the amounts on deposit therein equal to the Reserve Requirement.

(g) All amounts received by the Bond Trustee as principal of or interest accruing on Bonds that have been accelerated will be deposited in the Sinking Fund and applied in accordance with the Trust Agreement.

If, after giving effect to the credits specified below, any installment of Loan Repayments should be insufficient to enable the Bond Trustee to make the deposits required above, the Bond Trustee shall so notify the Obligated Group and request that each future installment of the Loan Repayments be increased as may be necessary to

make up any previous deficiency in any of the required payments and to make up any deficiency or loss in any of the above-mentioned accounts and funds.

To the extent that investment earnings are credited to the Interest, Principal or Redemption Accounts in accordance with the Trust Agreement or amounts are credited thereto as a result of the application of Bond proceeds or a transfer of investment earnings on any other fund or account held by the Bond Trustee, or otherwise, future deposits to such accounts shall be reduced by the amount so credited, and the Loan Repayments due from the Obligated Group following the date upon which such amounts are credited shall be reduced by the amounts so credited.

All amounts received by the Bond Trustee as principal of or interest accruing on the Bonds to be redeemed as a result of a prepayment of any Obligation shall be deposited in the Redemption Account and Interest Account, respectively, when received. All amounts received by the Bond Trustee as redemption premiums shall be deposited in the Redemption Account when received.

Use of Moneys in the Interest Account and Principal Account.

Moneys on deposit in the Interest Account shall be used solely for the payment of interest on the Bonds, and moneys on deposit in the Principal Account shall be used solely for the payment of maturing principal of the Bonds; provided, however, that if such principal or interest, or a portion thereof have been made on behalf of the Obligated Group by an insurer, credit facility issuer or other entity insuring, guaranteeing or providing for the payment of the Bonds or any series thereof, moneys on deposit therein and allocable to such series shall be paid to such insurer, credit facility issuer or entity having theretofore made a corresponding payment. Interest accruing with respect to any fully registered Bond shall be paid by wire transfer or by check or draft of the Bond Trustee to the registered owner thereof, as described in the form of the Bond.

Events of Default

Events of Default under the Trust Agreement include the following:

(a) payment of the principal or premium on any Bond or the making of any deposits into the Principal Account or the Redemption Account in the Sinking Fund, of or for any of the Bonds shall not be made when the same shall become due and payable, either at maturity (whether by acceleration or otherwise) or on required payment dates by proceedings for redemption or otherwise; or

(b) payment of any installment of interest or the making of any deposit into the Interest Account shall not be made when the same shall become due and payable; or

(c) the Issuer shall for any reason be rendered incapable of fulfilling its obligations under the Trust Agreement to the extent that the payment of, or security for,

the Bonds would be materially adversely affected, and such conditions shall continue unremedied for a period of thirty (30) days after the Issuer becomes aware of such conditions; provided, however, that if said failure be such that it cannot be corrected within thirty (30) days after the receipt of such notice but is reasonably subject to cure within a reasonable time, it shall not constitute an Event of Default if corrective action is instituted within such 30-day period and diligently pursued until the Event of Default is corrected; or

(d) an order or decree shall be entered, with the consent or acquiescence of the Issuer, appointing a receiver or receivers of the Issuer and of the Total Required Payments or any other income to be derived from the Financing Agreement to the Obligated Group, or the filing of a petition by the Issuer for relief under federal bankruptcy laws or any other applicable law or statute of the United States of America or the State which shall not be vacated or discharged or stayed on appeal within ninety (90) days after the entry thereof, or

(e) any proceedings shall be instituted, with the consent or acquiescence of the Issuer, for the purpose of effecting a composition between the Issuer and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statutes now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the Total Required Payments or any other income to be derived by the Issuer pursuant to the Financing Agreement, or

(f) the Master Trustee shall have declared the aggregate principal amount of the Obligations and all interest due thereon immediately due and payable in accordance with the Master Indenture; or

(g) an event of default under the Financing Agreement shall have occurred; or

(h) the Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Trust Agreement on the part of the Issuer to be performed the nonperformance of which would have a material adverse effect on the payment of the Bonds, and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer and the Obligated Group by the Bond Trustee, which may give such notice in its discretion and shall give such notice at the written request of the registered owners of not less than twenty-five percent (25%) of the Bond Obligation then outstanding; provided, however, that if said failure be such that it cannot be corrected within thirty (30) days after the receipt of such notice but is reasonably subject to cure within a reasonable time, it shall not constitute an Event of Default if corrective action is instituted within such 30-day period and diligently pursued until the Event of Default is corrected.

Remedies on Default

Upon the happening and continuance of any Event of Default specified in above, then and in every such case the Bond Trustee may, and upon the written request of the owners of not less than twenty-five percent (25%) of the Bond Obligation then outstanding shall, by a notice in writing to the Issuer and the Obligated Group, declare the principal of all of the Bonds then outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable; provided, however, that if at any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Trust Agreement, moneys shall have accumulated in the appropriate Funds and Accounts created under the Trust Agreement sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, on all Bonds then outstanding (except the principal of any Bonds not then due and payable by their terms and the interest accrued on such Bonds since the last interest payment date), and the charges, compensation, expenses, disbursements, advances and liabilities of the Bond Trustee and all other amounts then payable by the Issuer under the Trust Agreement shall have been paid or a sum sufficient to pay the same shall have been deposited with the Bond Trustee, and every other default known to the Bond Trustee in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds or in the Trust Agreement (other than a default in the payment of the principal of such Bonds then due and payable only because of declaration under this Section) shall been remedied, then and in every such case the Bond Trustee may, and upon the written request of the owners of not less than fifty-one percent (51%) of the Bond Obligation not then due and payable by the terms of the Bonds and then outstanding shall, by written notice to the Issuer and the Obligated Group, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon provided that: (a) money shall have accumulated in the Interest Account, the Principal Account and the Redemption Account sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon Bonds then Outstanding (except the principal of any Bonds not then due except by virtue of such declaration and the interest accrued on such Bonds since the last Interest Payment Date but not otherwise due and payable), (b) all amounts then payable by the Issuer under the Trust Agreement shall have been paid or a sum sufficient to pay the same shall have been deposited by the Issuer with the Bond Trustee, and (c) every other default in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds or in the Trust Agreement (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this Section) shall have been remedied and, in the case of an event of default under subsection (f) under "Events of Default" above, any acceleration of Obligation No. 5, Obligation No. 6, Obligation No. 7

or any subsequent Obligations issued in connection with the issuance of Bonds shall have been rescinded in accordance with the Master Indenture.

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Section next above, then and in every such case the Bond Trustee may proceed and upon the written request of the owners of not less than twenty-five percent (25%) of the Bond Obligation then outstanding shall proceed, subject to the provisions of the Trust Agreement, to protect and enforce its rights and the rights of the Bondholders under the laws of the State of Florida, including the Act, and under the Trust Agreement, the Financing Agreement or the Master Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board, body or officer having jurisdiction, either for the specific performance of any covenant or agreement contained herein or in aid of execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Bond Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights. The Trust Agreement contains restrictions on actions by individual Bondholders and allows the Bond Insurer, if any, to control the enforcement of remedies and waivers of Events of Default.

Pro Rata Application of Funds

Anything in the Trust Agreement to the contrary notwithstanding, if at any time the moneys in the Sinking Fund shall not be sufficient to pay the principal of or the interest on the Bonds as the same become due and payable (either by their terms or by acceleration of maturities), such money, together with any money then available or thereafter becoming available for such purposes, or to redeem particular Bonds theretofore called for redemption, whether through the exercise of the remedies provided for herein or otherwise, subject to the expenditure or moneys to make any payments required to permit the Issuer to comply with any requirement or covenant in the Trust Agreement to cause interest on the Bonds not to become includable in the gross income of the Holders thereof for federal income tax purposes, shall be applied, after the payment of any compensation, expenses, disbursements and advances then owing to the Bond Trustee, as follows:

first: if the principal of the Bonds shall not have become due and payable, to the payment of all installments of interest then due, in the order of the maturity of the installments of such interest;

second: if the principal of less than all of the Bonds shall have become due and payable, first to the payment of all installments of accrued interest in the order of the maturity of the installments thereof, and next to the payment of interest at the

respective rates specified in such Bonds on overdue principal, and next to the payment of the principal of Bonds then due in order of their due dates;

third: if the principal of all Bonds shall have become due and payable by declaration, redemption or otherwise, first to the payment of all interest due on the Bonds and unpaid, and next to the payment of interest at the respective rates specified in the Bonds on overdue principal, and next to the payment of the principal of the Bonds in order of their due date;

fourth: if the principal of all Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Trust Agreement, then, subject to the provisions of paragraph third of this Section in the event that the principal of all Bonds shall later become due and payable or be declared due and payable, the money then remaining in and thereafter accruing to the Interest Account, Principal Account, and the Redemption Account shall be applied in accordance with the provisions of paragraph first or second of this section, whichever is then applicable;

provided, however that all payments to be made to the Holders pursuant to this Section shall be made ratably to the persons entitled thereto, without discrimination or preference, and provided further, however, that if there are insufficient funds to make any payment of interest or principal then due, the amount to be paid in respect of principal or interest, as the case may be, on each Bond shall be determined by multiplying the aggregate amount of the funds available for such payment by a fraction the numerator of which shall be the amount then due as principal or interest, as the case may be, on each Bond and the denominator of which shall be the aggregate amount due in respect of all interest or all principal, as the case may be, on all Bonds.

Additional Bonds

In addition to the Series 2011 Bonds, the Series 2015 Bonds and the Series 2016 Bonds, Additional Bonds are authorized to be issued in one or more series by the Trust Agreement, and so long as no event of default shall be continuing thereunder, the Issuer, as a conduit issuer for any Member of the Obligated Group, may issue Additional Bonds under the Trust Agreement at one time or from time to time pursuant to the provisions and limitations set forth in the Trust Agreement; provided, however, that in no event shall the Issuer issue any Additional Bonds if as a result of the issuance thereof, interest on any Bonds then Outstanding which were issued with the intent that interest thereon be excluded from gross income, will cease to be excludable from the gross income of the recipients thereof for federal income tax purposes, as evidenced by an Opinion of Bond Counsel. Interest on such Additional Bonds need not be excludable from gross income for federal income tax purposes. Principal and Mandatory Amortization Requirements with respect to Additionally Bonds shall be payable on November 15 of each year in which such payments are scheduled to become due, or semiannually on May 15 and

November 15 each such year, and interest shall be payable on May 15 and November 15 of each year, or in each case on a more frequent basis consistent with the foregoing.

Defeasance

If, at any time after the date of the Trust Agreement, (i) the Bonds secured hereby or any Series or maturity thereof shall have become due and payable in accordance with their terms or otherwise as provided in the Trust Agreement, or such Bonds shall have been duly called for redemption, or the Issuer gives the Trustee irrevocable instructions concerning the payment of the principal of premium, if any, and interest on such Bonds at maturity or at any earlier redemption date scheduled by the Issuer, or any combination thereof, (ii) the whole amount of the principal and the interest so due and payable upon all of such Bonds or any Series or maturity thereof then outstanding, at maturity or upon redemption, shall be paid, or sufficient moneys shall be held by the Trustee under the Trust Agreement (whether or not in any accounts created thereby) which, when invested in Escrow Obligations maturing not later than the maturity or redemption dates of such principal and interest will, together with the income realized on such investments, be sufficient to pay all such principal and interest on such Bonds at the maturity thereof or the dates upon which such Bonds are to be called for redemption prior to maturity, and (iii) provisions shall also be made for paying all other sums payable hereunder by the Issuer, then and in that case the right, title and interest of such Bondholders hereunder relating or pertaining to security for the payment of such Bonds and the pledge of and lien on the Issuer's interests under the Financing Agreement and all other pledges and liens created hereby and thereby or pursuant thereto with respect to such Bonds shall thereupon cease, determine and become void, and if provision for the payment of all Bonds outstanding hereunder have been made, the Trustee, on demand of the Issuer, shall release the Trust Agreement and shall execute such documents to evidence such release as may be reasonably required by the Issuer or the Board, and shall as herein provided turn over to the Board any surplus in any account in the Sinking Fund and all balances remaining in any other funds or accounts created by the Trust Agreement other than moneys held for redemption or payment of bonds and to pay all other sums payable by the Issuer and/or the Obligated Group, otherwise the Trust Agreement shall be, continue and remain in full force and effect.

The deposit required above, may be made with respect to any particular series of Bonds, in which case such Bonds shall no longer be deemed to be Outstanding under the terms of the Trust Agreement, and the holders of such defeased Bonds shall be secured only by such trust funds and not by any other part of the Trust Estate, and the Trust Agreement, the Financing Agreement and the Obligations shall remain in full force and effect to protect the interests of the holders of Bonds remaining Outstanding thereafter.

In the absence of a request by the Obligated Group authorized by appropriate resolution as aforesaid, the payment of all Bonds Outstanding shall not render the Trust

Agreement inoperative or prevent the issuance of Additional Bonds from time to time thereafter as therein provided.

The obligations of the Obligated Group to the Issuer, the Bond Trustee, and the Registrar and Paying Agent, including those under Article VIII of the Financing Agreement, and the obligation to remit the Rebate Amount to the United States pursuant to the Trust Agreement, shall survive the satisfaction and discharge of the Trust Agreement.

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Issuer to the registered Holders shall continue to exist and shall run to the benefits of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

Supplemental Trust Agreements Without Bondholders' Consent

The Issuer and the Bond Trustee may, from time to time and at any time without the consent of the Bondholders, enter into such supplemental trust agreements as shall not be inconsistent with the terms and provisions of the Trust Agreement (which supplemental trust agreements shall thereafter form a part hereof):

(i) To cure any ambiguity, inconsistency or formal defect or omission in the Trust Agreement or in any supplemental trust agreement, or

(ii) To grant to or confer upon the Bond Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders or the Bond Trustee, or

(iii) To provide for the sale, authentication and delivery of Additional Bonds or refunding Bonds and the disposition of the proceeds from the sale thereof, in the manner and to the extent authorized by Article XII of the Trust Agreement, or

(iv) To modify, amend or supplement the Trust Agreement or any trust agreement supplemental thereto in such manner as to permit the qualification thereof and of the Trust Agreement under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America, and if they so determine, to add to

the Trust Agreement or any trust agreement supplemental thereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute, or

(v) To provide for the designation of a co-Bond Trustee who shall have the same qualifications as provided for a successor Bond Trustee in Section 10.14 of the Trust Agreement, or

(vi) To provide for the issuance of coupon Bonds or certificated or uncertificated registered public obligations, or

(vii) To provide for changes suggested by Moody's or S&P's as necessary to secure the highest rating on the Bonds, or

(viii) To make any other change or modification of the terms of the Trust Agreement which, in the judgment of the Issuer and the Bond Trustee, based on and in reliance on certificates and/or opinions contemplated in the Trust Agreement, is not materially prejudicial to the rights or interests of the holders of the Bonds under the Trust Agreement.

Other amendments are permitted with the consent of the holders of the majority of the Bonds outstanding. The Bond Insurer, if any, is given the right to execute consents on behalf of the holders of the Bonds insured by it.

Amendment of Financing Agreement

The Trust Agreement permits certain supplements and amendments to the Financing Agreement without the consent of Bondholders which the Bond Trustee believes, in reliance on certificates, are not detrimental to their interests.

Except for supplemental contracts provided for in the immediately preceding paragraph or amendments to the Financing Agreement as therein provided for as provided for in the Trust Agreement, the Bond Trustee shall not consent to any supplemental contract or amendment to the Financing Agreement unless notice of the proposed execution of such supplemental contract or amendment shall have been given and the owners or holders of not less than a majority of the Bond Obligation then Outstanding shall have consented to and approved the execution thereof all as provided for in the Trust Agreement in the case of the supplemental trust agreements; provided that the Bond Trustee shall be entitled to exercise its discretion in consenting or not consenting to any such supplemental contract or amendment and to rely on an Opinion of Bond Counsel in the same manner as provided for in the Trust Agreement in the case of supplemental trust agreements.

The foregoing notice requirements shall not be applicable to any consents contained or referred to in a Series of Bonds issued under the Trust Agreement.

The Bond Insurer, if any, is given the right to execute consents on behalf of the holders of Bonds insured by it.

Deposits Constitute Trust Funds

All funds or other property which at any time may be owned or held in the possession of or deposited with the Bond Trustee under the provisions of the Trust Agreement shall be held in trust and applied only in accordance with the provisions of the Trust Agreement, and shall not be subject to lien or attachment by any creditor of the Issuer or the Bond Trustee.

All funds or other property which at any time may be owned or held in the possession of or deposited with the Bond Trustee pursuant to the Trust Agreement and the Financing Agreement shall be continuously secured, for the benefit of the Issuer, the Obligated Group and the owners of the Bonds either (a) by lodging with a bank or trust company approved by the Bond Trustee, as custodian, with collateral security consisting of obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America having a market value (exclusive of accrued interest) not less than the amount of such deposit or (b) in such other manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of the deposit of trust funds; but it shall not be necessary for the Bond Trustee to lodge such collateral security with any other bank or trust company, if it lodges such collateral security with its Trust Department as custodian, nor shall it be necessary for the Bond Trustee to give security for any moneys which shall be represented by investments in the obligations referred to in the "Investment of Moneys" Section below, purchased under the provisions of the Trust Agreement as an investment of such moneys.

All moneys deposited with each Depositary shall be credited to the particular Fund or Account to which such moneys belong.

Investment of Moneys

Moneys held for the credit of the Funds and Accounts created by the Trust Agreement (except for moneys held in a special account, for the payment of Bonds for which payment is due) shall be invested and reinvested at the Written Request of the Obligated Group Representative, or if there shall be no Written Request, at the sole discretion of the Bond Trustee, by the Bond Trustee in Investment Obligations described in clause (d) of the definition thereof Such investments or reinvestments shall mature not later than the respective dates, as estimated by the Obligated Group, that the moneys held for the credit of said Funds or Accounts will be needed for the purposes of such Funds or Accounts; provided, however, that Rinds in the Reserve Funds shall not be invested in such Investment Obligations having a maturity date of longer than five (5) years. The Written Request of the Obligated Group Representative shall specify the issuer or

obligor, the type, principal amount, the interest rate and the maturity of each such requested investment of moneys.

Obligations so purchased as an investment of moneys in any such Fund or Account shall be deemed at all times to be a part of such Fund or Account, and shall at all times, for the purposes of the Trust Agreement, be valued on each principal payment date at the market value thereof on the date of valuation. The Bond Trustee, at the written direction of the Obligated Group Representative or when required to pay debt service on the Bonds, shall sell at the best price obtainable any obligations so purchased whenever it shall be necessary or desirable to do so in order to provide moneys to meet any payment or transfer from such Funds or Accounts. The Bond Trustee shall not be liable or responsible for any loss resulting from any such investments or reinvestments made at the request of the Obligated Group Representative.

All income and profits derived from the investment of moneys in the Construction Fund shall be retained in such Fund and used for the purposes specified for such Fund. All income and profits derived from the investment of moneys in all other Funds and Accounts created by the Trust Agreement shall be retained in such Funds and Accounts to the extent necessary to make the amount then on deposit therein equal to the maximum amount required to be on deposit in such Funds and Accounts. Any balance remaining in or accruing to any such other Fund or Account shall be deposited upon receipt first into the Sinking Fund for use as provided herein for said Fund and shall then be transferred to the Obligated Group to be used for any lawful purpose. Notwithstanding the foregoing, an amount equal to the Rebate Amount shall be deposited to the credit of the Rebate Account as provided in the Trust Agreement.

Valuation

For the purpose of determining the amount on deposit in any fund or account Investment Obligations in which money in such fund or account is invested shall be valued at the lesser of (i) the cost of such Investment Obligations, and (ii) the market value of such obligations, exclusive of accrued interest, if any.

The Bond Trustee shall value the Investment Obligations in the funds and accounts established under the Trust Agreement on the last day of each Fiscal Year. In addition, the Investment Obligations shall be valued by the Bond Trustee at any time requested by the Obligated Group Representative on reasonable notice to the Bond Trustee (which period of notice may be waived or reduced by the Bond Trustee); provided, however, that the Bond Trustee shall not be required to value the Investment Obligations more than once in any calendar month other than as provided in the Trust Agreement.

Rights of Bond Insurer

Any other provision of the Trust Agreement to the contrary notwithstanding, each Bond Insurer, if any, shall be entitled to control and direct the enforcement of all remedies and rights granted to the Bond Trustee under the Trust Agreement with respect to the Bonds it insures, excluding the right of the Bond Trustee to receive compensation for its services, and shall also have the sole right to waive Events of Default with respect to the Bonds it insures, provided that such Bond Insurer is not in default with respect to its obligations under the applicable Bond Insurance Policy.

Restrictions On Actions by Individual Owners

No Bondholder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder or for any other remedy hereunder unless such Bondholder previously shall have given to the Bond Trustee written notice of the event of default on account of which such suit, action or proceeding is to be taken, and unless the holders of not less than twenty-five percent (25%) of the Bond Obligation then outstanding shall have made written request of the Bond Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Bond Trustee a reasonable opportunity either to proceed to exercise the powers herein above granted or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Bond Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, including the reasonable fees and expenses of its attorneys (including fees and expenses on appeal), and the Bond Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Bond Trustee, to be conditions precedent to the execution of the powers and trusts of the Trust Agreement or for any other remedy hereunder. It is understood and intended that no one or more owners of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Trust Agreement, or to enforce any right hereunder, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all owners of the Outstanding Bonds, and that any individual rights of action or any other right given to one or more of such owners by law are obligated by the Trust Agreement to the rights and remedies herein provided.

Nothing contained herein, however, shall affect or impair the right of any Bondholder, individually, to enforce the payment of the principal of and interest on his Bond at and after the maturity thereof, at the time, place, from the source and in the manner provided in the Trust Agreement.

Notice of Default

Except in the case of a default in the payment of principal of (or premium, if any) or interest on the Bonds, the Bond Trustee shall not be obligated to take notice or be deemed to have notice of any event of default under the Trust Agreement except as to the funds held by it or other defaults actually known to it unless specifically notified in writing of such event of default by any Bondholder, the Issuer, or any Member of the Obligated Group. Within thirty (30) days after the occurrence of any Event of Default under the Trust Agreement the Bond Trustee shall transmit by mail to the registered owners of the Bonds notice of such Event of Default known to the Bond Trustee; provided, however, that except in the case of a default in the payment of the principal of (or premium, if any) or interest on any Bonds, the Bond Trustee shall not be required to deliver such notice if and so long as the Bond Trustee in good faith determines that the withholding of such notice will not be detrimental to the interests of the Bondholders.

Removal of Bond Trustee

The Bond Trustee may be removed at any time: (i) by an instrument or concurrent instruments in writing, executed by the owner or owners of not less than a majority of the Bond Obligation then outstanding and secured and filed with the Issuer and the Obligated Group Representative, or (ii) so long as no Event of Default shall have occurred and be continuing, by an instrument in writing executed by the Authorized Representative of the Obligated Group Representative, and notice given in the manner provided in the Trust Agreement not less than sixty (60) days before such removal is to take effect as stated in said instrument or instruments; provided, however, that in the case of clause (i) above, if there shall be filed with the Issuer and the Obligated Group Representative prior to the date on which such removal is so stated to take effect an instrument or concurrent instruments in writing, executed by the owner or owners of a greater amount of the Bond Obligation hereby secured and then outstanding than the amount of such Bond Obligation held by the owner or owners signing such removal instrument or instruments, objecting to the removal of the Bond Trustee, then such removal instrument or instruments shall be ineffective and the Bond Trustee shall not be removed. A photographic copy of any instrument filed with the Issuer and the Obligated Group Representative under the provisions of this paragraph shall be delivered by the Issuer to the Bond Trustee and shall be certified to be a true and correct copy of the original. The Bond Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of the Trust Agreement with respect to the duties and obligations of the Bond Trustee, or for failing to remain qualified by any court of competent jurisdiction upon the application of the Obligated Group Representative, the Issuer or the owner or owners of not less than twenty-five percent (25%) of the Bond Obligation then outstanding under the Trust Agreement.

Appointment of Successor Bond Trustee

If at any time hereafter the Bond Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting, or the bank or trust company acting as Bond Trustee shall be taken over by any governmental official, agency, department or board, the position of Bond Trustee shall thereupon become vacant. If at any time moneys on deposit with the Bond Trustee shall not be secured as required in the Trust Agreement and the Bond Trustee shall have been given thirty (30) days advance written notice thereof without having cured the same, a vacancy in the position of Bond Trustee may be declared by a resolution duly passed by the Issuer. If the position of Bond Trustee shall become vacant for any of the foregoing reasons or for any other reason, the Obligated Group Representative shall recommend, and the Issuer shall appoint, a Bond Trustee to fill such vacancy; provided, however, that the resignation or removal of the Bond Trustee shall not affect the rights of the Bond Trustee under the Trust Agreement.

If no appointment of a successor Bond Trustee shall be made pursuant to the foregoing provisions of this Article, the owner of any Bond outstanding hereunder or any retiring Bond Trustee may apply to any court of competent jurisdiction to appoint a successor Bond Trustee. Such court may thereupon after such notice, if any, as such court may deem proper and prescribe, appoint a successor Bond Trustee.

Any successor Bond Trustee appointed pursuant to the Trust Agreement shall have the qualifications provided in the Trust Agreement and shall be reasonably acceptable to the Bond Insurer.

Holders of Bonds Deemed Owners of Obligations

In the event that any request, direction or consent is required or permitted by the Master Indenture of the registered owners of Obligations issued thereunder, including Obligation No. 5, Obligation No. 6, Obligation No. 7 and any subsequent obligation issued pursuant to the Master Indenture and securing a Loan under the Financing Agreement, the Holders of Bonds then Outstanding shall be deemed to be registered owners of the Obligations which correspond to such Bonds for the purpose of any such request, direction or consent in the proportion that the aggregate principal amount of Bonds then Outstanding held by each such Holder of Bonds bears to the aggregate principal amount of all Bonds then Outstanding. The provisions of the Trust Agreement of the Master Indenture shall govern the execution of any such request, direction, consent or other instrument in writing required or permitted to be signed by Holders and registered owners of Obligations.

Notwithstanding anything in the Trust Agreement to the contrary, in the event that a Credit Facility is in full force and effect as to any Series of Bonds, the Credit Facility provider is not insolvent and no default under the Credit Facility exists on the part of the Credit Facility provider, then the said Credit Facility provider, in place of the owners of

the applicable Series of Bonds, shall have the power and authority to give any written consents and exercise any and all other rights which the owners of the said Series of Bonds would otherwise have the power and authority to make, give or exercise, including, but not limited to, the exercise of remedies on Default and giving of written consents to Supplemental Trust Agreements when required and such consents shall be deemed to also constitute the consent of the owners of all said Series of Bonds which are secured by such Credit Facility.

THE FINANCING AGREEMENT

The Financing Agreement contains various covenants, security provisions, terms and conditions, certain of which are summarized below. The following summaries are not intended to be summaries of every provision of the Financing Agreement or complete summaries of the provisions purported to be summarized and reference is made to the Financing Agreement for a full and complete statement of its provisions.

Security for the Loan

As collateral security for repayment of the Loan and the performance by Systems and the Hospital of their obligations under the Financing Agreement, Systems and the Hospital have executed and delivered to the Issuer, Obligation No. 5, Obligation No. 6 and Obligation No. 7 (Obligation Nos. 1, 2, 3 and 4 were previously defeased). Obligation No. 5 was issued under and secured by the Master Indenture and Supplement No. 5. Obligation No. 6 was issued under and secured by the Master Indenture and Supplement No. 6. Obligation No. 7 will be issued under and secured by the Master Indenture and Supplement No. 7. The Master Indenture provides that the Members of the Obligated Group may incur additional indebtedness secured by the security for Obligation No. 5, Obligation No. 6 and Obligation No. 7 on a pari passu basis for the purposes, under the terms and conditions and to the extent described in the Master Indenture.

Total Required Payments

Systems and the Hospital shall make Total Required Payments under the Financing Agreement when due.

The obligation of Systems and the Hospital to make the Total Required Payments and to satisfy any other financial liabilities incurred under the Financing Agreement shall be a direct, general and unconditional joint and several obligation of Systems and the Hospital.

Systems and the Hospital, jointly and severally, agree to make Loan Repayments pursuant to the Financing Agreement, and Required Payments pursuant to the Financing Agreement that are required for the repayment of the Bonds, directly to the Bond Trustee for deposit in the Sinking Fund and the various accounts therein. Required Payments under the Financing Agreement, other than those referred to in the preceding sentence, shall be made by Systems and the Hospital directly to the persons, firms, governmental agencies and other entities entitled to such payments.

Neither the Issuer nor the Bond Trustee is required to give Systems and the Hospital notice of any date upon which any of the Total Required Payments is due. Nothing in this Section shall require Systems and the Hospital to pay the costs and

expenses set forth in the Financing Agreement, so long as the validity or the reasonableness thereof shall be contested in good faith and Systems and the Hospital shall have delivered to the Bond Trustee an Opinion of Counsel, the content of which is acceptable to the Bond Trustee, to the effect that such contest does not jeopardize the interests of the Issuer, the Bond Trustee or the Holders; otherwise Systems and the Hospital shall pay such costs and expenses to the end that, in the Opinion Of Counsel, the interests of the Issuer, the Bond Trustee or the Holders are not jeopardized. If the content of the Opinion of Counsel mentioned in the preceding sentence is not acceptable to the Bond Trustee, the Bond Trustee shall so notify the Issuer, Systems and the Hospital within five (5) days of its receipt thereof, after which a subsequent Opinion of Counsel may be furnished. If the content of such subsequent Opinion of Counsel is not acceptable to the Bond Trustee, Systems and the Hospital shall pay such costs and expenses.

If, after giving effect to the credits specified in the Trust Agreement, any installment of Total Required Payments should be insufficient to enable the Bond Trustee to make the deposits specified in the Trust Agreement, Systems and the Hospital shall increase each future installment of the Total Required Payments as may be necessary to make up any previous deficiency.

All of the Total Required Payments shall be made in any coin or currency of the United States of America that is legal tender for the payment of public and private debts at the time each of the Total Required Payments is made.

Loan Repayments

Systems and the Hospital, jointly and severally, shall repay the Loan in installments, or as otherwise provided in the Financing Agreement. Each installment shall be deemed to be a Loan Repayment and shall be paid at the times and in the amounts set forth below, subject to the credits provided for in the Financing Agreement and in the Trust Agreement. Loan Repayments shall be sufficient in the aggregate to repay the Loan, together with interest thereon and to pay in full, when due (whether by maturity, redemption, acceleration or otherwise), all Bonds, together with the total interest and redemption premium, if any, thereon, and payments made by Systems and the Hospital with respect to the Bonds shall be credited against the corresponding payments due under Obligation No. 5, Obligation No. 6, Obligation No. 7 and any subsequent Obligation (as defined in the Master Indenture) issued pursuant to the Master Indenture and securing a Loan under the Financing Agreement.

(a) The Loan Repayments shall be due and payable as follows (and the following shall constitute "Loan Repayments" for purposes of the Financing Agreement):

(i) to the credit of the Interest Account on the fifth Business Day prior to each Interest Payment Date an amount equal to the interest due on the

Bonds on such Interest Payment Date, provided, however, that there shall be credited against such payment obligation any amount remaining in the Interest Account that was deposited to the credit of the Interest Account on the date of delivery of the Bonds;

(ii) on the fifth Business Day prior to each Maturity Date of Serial Bonds, the principal amount maturing on such Maturity Date;

(iii) to the credit of the Redemption Account, on the Business Day prior to each November 15 on which a Mandatory Amortization Requirement is due, the amount required to retire the Term Bonds to be called by mandatory redemption or to be paid at maturity on such November 15 in accordance with the Mandatory Amortization Requirement therefor;

(iv) any amount that may from time to time be required to enable the Issuer to pay redemption premiums, if any, as and when Bonds are called for redemption;

(v) to the credit of the Reserve Fund (a) at the times required under the Trust Agreement, an amount equal to the Reserve Requirement under the Trust Agreement if either the Liquidity Requirement or the Coverage Requirement are not met and as a result thereof the Reserve Requirement becomes the Maximum Annual Debt Service Requirement, (b) within 120 days of any valuation date contemplated by the Trust Agreement any amount required to make up any deficiency in the Reserve Fund; and (c) monthly in 12 equal installments any amounts necessary to make up a deficiency in the Reserve Requirement as a result of a drawing on the Reserve Fund.

Each Loan Repayment shall be equal to the sum of the amounts specified above in paragraphs (i) to (v), inclusive and all other amounts that may become due and owing with respect to the Bonds.

On the Interest Payment Date following a date on which Systems and the Hospital shall have failed to pay to the Bond Trustee the amount due as a Loan Repayment or on which an investment loss shall have been charged to the Sinking Fund or any account therein in accordance with the Trust Agreement, Systems and the Hospital shall pay, in addition to the Loan Repayment then due, an amount equal to the deficiency in payment or an amount equal to the amount of such loss. To the extent that the investment earnings are transferred or credited to the Sinking Fund or any account therein in accordance with the Trust Agreement or amounts are transferred or credited to such Fund or accounts as a result of the application of Bond proceeds or otherwise, future Loan Repayments shall be proportionately reduced by the amount so credited unless such transfer is made to cure deficiencies in the fund or account to which the transfer is made.

Systems and the Hospital may satisfy all or a portion of their obligations to make the payments required by paragraph (a)(iv) of this Section, on or before the forty-fifth (45th) day next preceding any November 15 on which Bonds are to mature or be retired pursuant to the Mandatory Amortization Requirement, by causing the Obligated Group Representative to deliver to the Bond Trustee, Bonds maturing or required to be redeemed on such November 15 in any aggregate principal amount desired; provided that the price paid to purchase any such Bond shall not exceed the Redemption Price applicable to such Bonds on the next redemption date. Upon such delivery Systems and the Hospital will receive a credit against amounts required to be deposited into the Redemption Account on account of such Bonds in an amount equal to the principal amount of any such Bonds so purchased and canceled. If, on any November 15, the face amount of such Bonds plus the amounts on deposit in the Redemption Account are greater than the amount required to be deposited into such Account, the excess in such Account shall be returned pro rata to Systems and the Hospital by the Bond Trustee as an overpayment.

If the Bond Trustee applies money on deposit in the Redemption Account to the purchase of Bonds pursuant to the Trust Agreement and if the principal amount of Bonds purchased is in excess of the principal amount of Bonds to be redeemed on the next ensuing November 15, the Obligated Group Representative shall deliver to the Bond Trustee, not later than the tenth (10th) day prior to such November 15, an Officer's Certificate setting forth, with respect to the amount of such excess, the Bond Years in which and the amount by which future Mandatory Amortization Requirements are to be reduced.

Systems and the Hospital may prepay all or any part of the Loan at the times and in the manner provided in the Financing Agreement.

The Loan Repayments under the Financing Agreement set forth in this Section shall be increased as may be necessary to make up any previous deficiency in any of such Loan Repayments.

(b) Systems and the Hospital shall pay, when due and payable, as Required Payments under the Financing Agreement, certain costs and expenses, exclusive of costs and expenses payable from the proceeds of the Bonds, as follows (and the following shall constitute "Required Payments" for purposes of the Financing Agreement):

(i) the fees and other costs payable to the Master Trustee, the Bond Trustee, the Bond Registrar, and the Authenticating Agent, and other costs incurred connection with or allocated to the Bonds;

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

(iii) the fees and other costs incurred for services of such attorneys, management consultants, insurance advisers and accountants as are employed to make examinations, provide services, render opinions or prepare reports required under the Financing Agreement, the Master Indenture or the Trust Agreement;

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

(v) Issuance Costs incurred in connection with the issuance of the Bonds to the extent such Issuance Costs are not paid from the proceeds of the Bonds, provided, however, in no event shall the amount of Issuance Costs paid from proceeds of the Bonds exceed two percent (2%) of the principal amount of the Bonds minus any original issue discount.

The Required Payments under the Financing Agreement, if any, as set forth in this Subsection (b) shall be equal to the sum of the amounts specified in clauses (i) to (v), inclusive.

(c) Systems and the Hospital shall also cause to be paid to the United States Government at the times and in the amounts required under Section 148 of the Code, any Rebate Amount, after taking into account amounts deposited in the Rebate Account under the Trust Agreement which may be available for such purpose, all as more fully set forth in the Financing Agreement. The obligation of Systems and the Hospital to make such payments shall survive the termination of the Financing Agreement.

Examination of Books and Records of the Obligated Group

The Bond Trustee or its designee shall be permitted, during normal business hours and upon reasonable notice, (i) to examine the books and records (other than. donor records, patient records and personnel records and other records protected by confidentiality agreements or attorney-client privilege and other confidential business information) of Systems and the Hospital, including any accountants' work papers, with respect to compliance with the obligations of Systems and the Hospital hereunder and under the Master Indenture and (ii) to make copies of those portions of such books and records as the Bond Trustee shall reasonably request.

Events of Default and Remedies

The term "Event of Default" shall mean any one or more of the following events:

(a) Systems and the Hospital shall fail to pay, or cause to be paid, in full any payment required under the Financing Agreement or under Obligation No. 5, Obligation No. 6, Obligation No. 7 or any subsequent Obligation (as defined in the Master Indenture) issued pursuant to the Master Indenture and securing a Loan under the Financing Agreement when due, whether at maturity, redemption, acceleration or otherwise pursuant to the terms of the Financing Agreement or thereof, or

(b) Systems and the Hospital shall fail duly to perform, observe or comply with any covenant, condition or agreement on its pan under the Financing Agreement (other than a failure by Systems and the Hospital to make any payment as described in subsection (a) of this Section), including any covenant, condition or agreement in the Master Indenture applicable to Systems and the Hospital and incorporated by reference in the Financing Agreement, and such failure continues for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to Systems and the Hospital by the Bond Trustee, or to Systems and the Hospital and the Bond Trustee by the Holders of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding; provided, however, that if such performance, observation or compliance requires work to be done, action to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such thirty-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, Systems and the Hospital shall commence such performance, observation or compliance within such period and shall diligently and continuously prosecute the same to completion.

(c) The Master Trustee shall have declared the aggregate principal amount of Obligation No. 5, Obligation No. 6, Obligation No. 7 and any subsequent Obligation (as defined in the Master Indenture) issued pursuant to the Master Indenture and securing Loans under the Financing Agreement and all interest due thereon immediately due and payable in accordance with the Master Indenture; or

(d) The occurrence of an Event of Default under the Master Indenture.

Whenever any Event of Default shall have happened and be continuing, the Issuer may take the following remedial steps:

(a) In the case of an Event of Default described in Subsection (a) above, the Issuer may take whatever action at law or in equity is necessary or desirable to collect the payments then due;

(b) In the case of an Event of Default described in Subsection (b) above, the Issuer may take whatever action at law or in equity may be necessary or desirable to enforce the performance, observance or compliance by Systems and the Hospital with any covenant, condition or agreement by Systems and the Hospital under the Financing Agreement or under the Master Indenture; and

(c) In the case of an Event of Default described in Subsections (c) or (d) above, the Issuer shall take such action, or cease such action, as the Master Trustee shall direct, but only to the extent such directions are consistent with the provisions of the Master Indenture.

Prepayment of Loans

Subject to the approval of the Obligated Group Representative, Systems and the Hospital are granted, and shall have, the option to prepay, together with accrued interest to the date of redemption or maturity date of the Bonds, all or any portion of the unpaid aggregate amount of the Loan in accordance with the terms and provisions of the Trust Agreement. Said prepayment shall be made by Systems and the Hospital requesting that the Obligated Group Representative cause the Issuer to take the actions required (i) for payment of the Bonds, whether by redemption or purchase prior to maturity or by payment at maturity, or (ii) to effect the purchase, redemption or payment at maturity of less than all of the Outstanding principal amount of the Bonds according to their terms.

Subject to the approval of the Obligated Group Representative, Systems and the Hospital shall have the option to prepay all or a portion of the unpaid aggregate amount of the Loan, together with accrued interest to the date of redemption of the Bonds, from amounts received by Systems and the Hospital or another Member of the Obligated Group as insurance proceeds with respect to any casualty loss or failure of title or as condemnation awards, upon the occurrence of the following event:

> Damage or destruction of all or any part (if damage or destruction of such part causes the Operating Assets to be impracticable to operate, as evidenced by an Officer's Certificate filed with the Issuer and the Bond Trustee) of the Operating Assets by fire or casualty, or loss of title to or use of substantially all of the Operating Assets as a result of the failure of title or as a result of Eminent Domain proceedings or proceedings in lieu thereof.

Subject to the approval of the Obligated Group Representative, Systems and the Hospital shall have the option to prepay all of the unpaid aggregate amount of the Loan, together with accrued interest to the date of prepayment, upon the occurrence of the following events:

> Changes in the Constitution of the United States of America or of the State or of legislation or administrative action, or failure of administrative action by the United States or the State or any agency or political subdivision of either thereof, or by reason of any judicial decision to such extent that, in the opinion of the Obligated Group Representative, in the opinion of the Board of Bond Trustees of Systems and the Hospital (expressed in a resolution) and in the opinion of an independent architect, engineer or management consultant (as may be appropriate for the particular event), both filed with the Issuer and the Bond Trustee, (i) the Financing Agreement is impossible to perform without unreasonable delay or (if) unreasonable burdens or excessive liabilities not being imposed on the date hereof are imposed on Systems and the Hospital.

Subject to the provisions of the Master Indenture, this Section shall not be construed to prohibit Systems and the Hospital from applying insurance proceeds with respect to any casualty loss or condemnation awards or payments in lieu thereof to the optional prepayment of the Loan in accordance with the provisions of the Financing Agreement.

Systems and the Hospital shall be required to prepay all of the unpaid aggregate amount of the Loan, together with accrued interest to the date of prepayment, if a change in the Constitution of the State or the United States of America or a legislative or administrative action (whether local, state, or federal), or a final decree, judgment, or order of any court or administrative body (whether local, state, or federal), after all allowable appeals or expiration of the time therefor, causes the Trust Agreement, the Financing Agreement, the Master Indenture, Obligation No. 5, Obligation No. 6, Obligation No. 7, the Series 2011 Bonds, the Series 2015 Bonds or the Series 2016 Bonds to become void or unenforceable or impossible of performance in accordance with the intended purposes of the parties as expressed therein.

To make a prepayment, the Obligated Group Representative shall give written notice to the Issuer and the Bond Trustee which shall specify therein (i) the date of the intended prepayment of the Loan (or such lesser period as is agreed to the Bond Trustee as providing sufficient time to effect a redemption of Bonds), which shall not be less than thirty-five (35) nor more than sixty (60) days from the date the notice is mailed, (ii) the aggregate principal amount of the Bonds to be purchased, redeemed or paid at maturity and the date or dates on which the purchase, redemption or payment is to occur, (iii) the source of the money that will be used by Systems and the Hospital to make such prepayment of the Loan, and (iv) subject to the requirements of the Trust Agreement, the maturities of the Bonds to be called.

The Obligated Group Representative shall have the right to revoke any notice of prepayment given pursuant to this Section if, on or prior to the fifth (5th) Business Day preceding any date fixed for redemption of Bonds pursuant to the Trust Agreement, the

Obligated Group Representative notifies the Bond Trustee in writing that the Obligated Group Representative has elected to revoke its election to redeem such Bonds because it has determined that the source of money for such redemption specified in the notice given by the Obligated Group Representative pursuant to the Financing Agreement will not be available.

Amendment of the Financing Agreement

The Financing Agreement may, without the consent of or notice to any of the Holders, be amended from time to time, to:

(a) cure any ambiguity or formal defect or omission in the Financing Agreement or in any supplement thereto;

(b) correct or supplement any provisions herein which may be inconsistent with any other provisions herein or make any other provisions with respect to matters which do not materially or adversely affect the interest of the Holders;

(c) grant to or confer upon the Bond Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Bond Trustee; or

(d) add conditions, limitations and restrictions on Systems and the Hospital to be observed thereafter.

Other than amendments referred to in the preceding paragraph of this Section and subject to the terms and provisions and limitations contained in the Trust Agreement, and not otherwise, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by Systems and the Hospital and the Issuer of such supplements and amendments to the Financing Agreement as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; provided, however, nothing in this Section shall permit or be construed as permitting a supplement or amendment which would:

(i) Extend the stated maturity of or time for paying interest on Obligation No. 5, Obligation No. 6, Obligation No. 7 or any subsequent Obligation (as defined in the Master Indenture) issued pursuant to the Master Indenture and securing a Loan under the Financing Agreement or reduce the principal amount of or the redemption premium or rate of interest payable on Obligation No. 5, Obligation No. 6, Obligation No. 7 or any subsequent Obligation (as defined in the Master Indenture) issued pursuant to the

Master Indenture and securing a Loan under the Financing Agreement without the consent of the Holders of all Bonds then Outstanding; or

(ii) Reduce the aggregate principal amount of Bonds then outstanding the consent of the Holders of which is required to authorize such supplement or amendment without the consent of the Holders of all Bonds then Outstanding.

No Set-Off

The obligation of Systems and the Hospital to make the Loan Repayments and all other Required Payments under the Agreement and Obligation No. 5, Obligation No. 6, Obligation No. 7 and any subsequent Obligation (as defined in the Master Indenture) issued pursuant to the Master Indenture and securing a Loan under the Financing Agreement and to perform and observe the other agreements contained in the Financing Agreement shall be absolute and unconditional. Systems and the Hospital will pay without abatement, diminution or deduction (whether for taxes or otherwise) all such amounts regardless of any cause or circumstance whatsoever, including, without limitation, any defense, set-off, recoupment or counterclaim that Systems and the Hospital may have or assert against the Issuer, the Bond Trustee or any other person.

Special Covenants

The Financing Agreement provides that Systems and the Hospital will comply with each covenant, condition and agreement in the Master Indenture and in the Financing Agreement. The Financing Agreement also sets forth certain other agreements of the Corporation with respect to: merger, sale and transfer of assets; examination of books and records of the Obligated Group by the Bond Trustee and the Issuer; furnishing to the Issuer, the Bond Trustee, and the registered owners of the Bonds the financial statements and certain other information required to be furnished under the Master Indenture to the Master Trustee; the execution and delivery of supplements, amendments and other instruments as may be reasonably required with respect to the performance of the Financing Agreement; inspection of the Operating Assets by the Issuer, the Bond Trustee, and the registered Holders of not less than 25% in aggregate principal amount of the Outstanding Bonds; and the investment of funds.

Limitations on Liability

All obligations of the Issuer under the Financing Agreement shall be payable solely from the Total Required Payments and other revenues derived and to be derived from Systems and the Hospital. Neither the members, officers nor employees of the Issuer shall be personally liable for the payment of any sum or for the performance of any obligation under the Financing Agreement.

Notwithstanding the fact that it is the intention of the parties hereto that the Issuer shall not incur any loss, expense or pecuniary liability by reason of the terms of the Financing Agreement or the undertakings required of the Issuer hereunder, by reason of the issuance of the Bonds, by reason of the execution of the Agreement or the Trust Agreement or by reason of the performance of any act requested of the Issuer by Systems and the Hospital, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing; nevertheless, if the Issuer should incur any such loss, expense or pecuniary liability, then in such event Systems and the Hospital shall indemnify and hold the Issuer harmless against all claims, demands or causes of action whatsoever, by or on behalf of any person, firm or corporation or other legal entity arising out the same or out of any offering statement or lack of offering statement or disclosure in connection with the sale or resale of the Bonds or out of any determination of taxability of the Bonds or the interest thereon and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the Issuer, Systems and the Hospital shall defend the Issuer in any such action or proceeding. All references to the Issuer in this Section shall be deemed to include its Mayor, City Council Members, officers, employees, and agents.

Notwithstanding anything to the contrary contained herein or in any of the Bonds, or the Agreement or the Trust Agreement, or in any other instrument or document executed by or on behalf of the Issuer in connection herewith, no stipulation, covenant, agreement or obligation contained herein or therein shall be deemed or construed to be a stipulation, covenant, agreement or obligation of any present or future member, officer, employee or agent of the Issuer, or of any incorporator, member, director, trustee, officer, employee or agent of any successor to the Issuer, in any such person's individual capacity, and no such person, in his individual capacity, shall be liable personally for any breach or non-observance of or for any failure to perform, fulfill or comply with any such stipulations, covenants, agreements or obligations, nor shall any recourse be had for the payment of the principal of, premium, if any, or interest on any of the Bonds or for any claim based thereon or on any such stipulation, covenant, agreement, or obligation, against any such person, in his individual capacity, either directly or through the Issuer or any successor to the Issuer, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such person, in his individual capacity, is hereby expressly waived and released. The provisions of this Section shall survive the termination of the Financing Agreement.

Exclusion From Gross Income Covenant

Systems and the Hospital represent and covenant that each will comply with the requirements and conditions of the Financing Agreement and the Certificate as to Tax, Arbitrage, and Other Matters to be executed and delivered by them concurrently with the issuance and delivery of the Bonds, and neither has executed or will execute any

agreement with provisions contradictory to, or in opposition to, the provisions hereof Systems and the Hospital acknowledge that such covenants are designed for the purpose of ensuring that the Bonds are treated as obligations described in Section 103(a) of the Code. Without limiting the foregoing, Systems and the Hospital also represent and covenant that, notwithstanding any provision of the Financing Agreement or the rights of the Obligated Group hereunder, neither has taken, and neither will take or omit to take, or permit to be taken on its behalf (either by another Member of the Obligated Group or by any other party), any action which would cause, or which would reasonably be likely to cause, the interest on the Bonds to be included in gross income for federal income tax purposes. Systems and the Hospital also covenant that each will take such reasonable action as may be necessary to continue such exclusion from gross income, including, without limitation, the preparation and filing of any statements required to be filed by it in order to maintain such exclusions. Systems and the Hospital will comply with the applicable requirements of Section 103 and Part V of Subchapter B of Chapter I of Subtitle A of the Code to the extent necessary to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes.

THE LEASE AND TRANSFER AGREEMENT

All terms used under this heading "– The Lease and Transfer Agreement" that are not otherwise defined herein shall have the meaning set forth in the Lease and Transfer Agreement, except for "Bond Indenture," which shall mean the Trust Agreement; "Bonds," which shall mean all Bonds issued under the Trust Agreement; and "Financing Agreement," which shall mean the Agreement or Master Indenture, as applicable, which meanings have been acknowledged and agreed to in the Fifth Supplemental Financing Agreement by the Issuer, LRHS and LRMC.

General. Upon the organization of LRMC in 1986, LRMC and the Issuer entered into the Lease and Transfer Agreement. Under the Lease and Transfer Agreement, the Hospital, Real Property, Improvements, Equipment, and all licenses, permits and approvals (collectively, the "***Leased Facilities***") are leased to LRMC by the Issuer at a rent of $1.00 per Operating Year (the "***Rent***") plus "***Additional Payments***." The terms of the Additional Payments and the extension of the Lease and Transfer Agreement were agreed to through the Sixth Amendment entered into by LRMC, LRHS and the Issuer (the "***Sixth Amendment***") made effective September 30, 2015. The Additional Payments are based upon a fixed annual amount, payable in four equal quarterly installments, of $13,254,750 for the fiscal year ending September 30, 2016, which will be adjusted upward by 2.75% annually beginning in the fiscal year ending September 30, 2017, (i.e., the annual rent for the fiscal year ending September 30, 2017 would be approximately $13,619,256, a 2.75% increase) for a term ending on September 30, 2040, subject to any extensions or renewals which may be agreed upon by the parties (the "***Lease Term***"). See "– Lease Renewal/LRMC Option to Purchase" herein. As additional consideration, LRMC paid a one-time Additional Payment of $15,000,000 on October 1, 2015.

In addition, the Lease and Transfer Agreement transferred the Existing Operations and the Operating Assets to LRMC, and LRMC assumed all Assumed Liabilities of the Issuer effective October 1, 1986 in connection with the operation of the Leased Facilities, with certain exceptions.

Lease Renewal/LRMC Option to Purchase. The Sixth Amendment added a detailed process for future negotiations of the Lease and Transfer Agreement as expiration of the Lease Term nears. Beginning October 1, 2036 and continuing through September 30, 2037 (the "***Lease Negotiation Period***"), the Issuer must enter into good-faith negotiations with LRMC for a 25-year extension of the Lease and Transfer Agreement (the "***Renewal Term***"). During the Lease Negotiation Period, the Issuer may instead notify LRMC of its desire to sell the Hospital to LRMC.

Renewal. If the Issuer determines to extend the Lease and Transfer Agreement, then the parties must negotiate in good faith over the Rent and Additional Payments to be paid to the Issuer over the Renewal Term, which Rent and Additional Payments must be

consistent with payments made by other acute care not-for-profit hospitals in Florida that lease from governmental entities.

LRMC Purchase Option. If the Issuer notifies LRMC during the Lease Negotiation Period of its desire to sell the Hospital or if no agreement on renewal of the Lease and Transfer Agreement has been reached during the Lease Negotiation Period, LRMC will have the option to purchase the Hospital, which option must be exercised no later than January 1, 2038. If the Issuer opts to sell or LRMC exercises its option to purchase the Hospital, the Issuer and LRMC will enter into a 12-month period to negotiate a definitive purchase and sale agreement.

The base purchase price for the Hospital will be the then fair market value of the Hospital as determined by a nationally-recognized health care appraisal firm agreed upon by both the Issuer and LRMC. The Issuer or LRMC may request a second fair market valuation by a second nationally recognized health care appraisal firm. If the value of the two appraisals are within 15% of each other, the purchase price will be the average of the two appraisals. But if the appraisals differ by more 15%, a third appraisal will be performed and the average of the two appraisals closest in value will be the purchase price of the Hospital. LRMC will receive as a credit against the purchase price, all Rent and Additional Payments made to the Issuer during the period October 1, 1986 through September 30, 2040.

If the Issuer and LRMC are unable to agree upon a Renewal Term or upon the terms and conditions of a purchase and sale agreement for the Hospital, the Lease and Transfer Agreement will terminate September 30, 2040, the operating assets and current liabilities of LRMC related to the Hospital will revert back to the Issuer subject to the provisions of the Lease and Transfer Agreement, and the Issuer may sell or lease the Hospital to a third party or otherwise operate the Hospital free and clear of LRMC's claims or interests.

Covenants. The Lease and Transfer Agreement contains affirmative covenants common in commercial leases. In addition, the Lease and Transfer Agreement requires LRMC, among other things, to (a) operate the Leased Facilities as a healthcare institution, (b) operate and maintain the Leased Facilities, at a minimum, in accordance with all applicable standards for hospital accreditation as now or thereafter adopted or applied by The Joint Commission or its successor, (c) obtain approval of the Issuer or its designee for certain alterations of or demolishing of the Leased Facilities, (d) maintain insurance, (e) make the books and records of LRMC available for inspection by the Issuer or its designee, (f) submit financial statements to the Issuer within 120 days after the end of each fiscal year, and (g) refrain from any action which would jeopardize the continued accreditation of the Leased Facilities or its tax exempt status.

The Lease and Transfer Agreement also contains the following affirmative covenants:

Maintenance of Existing Facilities; Income Test. For any period of three consecutive calendar months or for any four calendar months within any 12 calendar month period, the expenses (determined in accordance with generally accepted accounting principles) of LRMC will not exceed the revenues (determined in accordance with generally accepted accounting principles) of LRMC. Within 30 days after the end of each calendar month under the Lease and Transfer Agreement, LRMC shall furnish the Issuer with a certificate, certified by the chief financial officer of LRMC to be true in all material respects to his or her best knowledge, to the effect that LRMC is not in breach of the foregoing covenant; and

Improvements. That in the event Improvements shall be provided, the provisions of the Lease and Transfer Agreement pertaining to the Leased Facilities shall automatically extend to such Improvements, which includes the Project.

The Lease and Transfer Agreement also contains negative covenants which, without prior consent from the Issuer, prohibits LRMC from among other things, (a) transferring or agreeing to transfer or encumber LRMC's interest in the Lease and Transfer Agreement, (b) transferring or disposing all or substantially all of its assets, (c) merging or consolidating with or into any other corporation or permitting any other corporation to consolidate with or merge into LRMC, and (d) amending LRMC's or LRHS's Articles of Incorporation.

In addition, the Lease and Transfer Agreement contains the following negative covenants:

Liens and Encumbrances. Except for Permitted Encumbrances or as set forth in the Security Interest paragraph below, not to create or suffer to be created any lien, encumbrance or charge upon the Leased Facilities, the Operating Assets or the Pledged Revenues and that it will satisfy or cause to be discharged, or shall make adequate provision to satisfy and discharge, within 60 days after the same will accrue, all lawful claims and demands for labor, materials, supplies or other items which, if not satisfied, might by law become a lien upon the Leased Facilities or any part thereof or upon Pledged Revenues;

Additional Indebtedness. Except as permitted or required by the Lease and Transfer Agreement, not to create, guarantee, assume, permit to exist or become liable, directly or indirectly, in respect to any indebtedness of any kind or character for money borrowed or in connection with acquisition of a capital asset (including, without limitation, any liability by way of endorsement, guarantee or agreement to repurchase or supply funds or any extension of its credit, directly or indirectly, in support of the obligations or undertakings of others) except that LRMC may incur "Additional Indebtedness" as the same is defined in the Master Indenture; provided, however, that the subordination of Additional Payments, as provided in Subordination of Additional Payments below, will not apply to the payment of principal, interest and premium on any

Permitted Parity Indebtedness proposed to be incurred pursuant to the Financing Agreement; and

Transfers to Affiliates. Notwithstanding the other provisions of the Lease and Transfer Agreement, LRMC shall have the right to make dispositions of Property to an Affiliate (which may include non-restricted gifts, grants and contributions) so long as the organizational documents of such Affiliate provide that upon dissolution of such Affiliate or upon termination of the Lease and Transfer Agreement, all the interests of LRMC in the Affiliate shall be returned to LRMC, or the Issuer, to become a part of the Leased Facilities. In the event LRMC transfers the operations and income of any Existing Revenue Center to an Affiliate or non-Affiliate, LRMC shall give the Issuer written notice of such transfer within 30 days after the end of the Fiscal Year of LRMC in which such transfer was made; provided, that no written consent of the Issuer shall be required to effect any such transfer, LRMC and LRHS shall take reasonable steps to insure that any investment by LRMC or LRHS or any Affiliate in any joint venture, partnership or corporation shall provide for an appropriate mechanism to liquidate, sell or redeem such investment upon the termination of the Lease and Transfer Agreement or upon the dissolution of LRHS or any such Affiliate. Notwithstanding the foregoing, LRMC shall not dispose of all or substantially all of the assets comprising the Operating Assets or the Existing Facilities, without the prior written consent of the Issuer. Nothing contained in the Lease and Transfer Agreement shall be construed to permit transfers of Property by LRMC to an Affiliate for other than valid business purposes of the Affiliate or for the primary purpose of disposing of said Property in a manner not permitted by the Lease and Transfer Agreement.

Subordination of Additional Payments. Subject only to the proviso contained under Permitted Indebtedness above, it is agreed by the Issuer and LRMC that all payments of Additional Payments pursuant to the Lease and Transfer Agreement shall be subordinated to the payments of principal, interest and premium (if any) on the Bonds and to any "Permitted Parity Indebtedness" incurred pursuant to the Financing Agreement (it being understood and agreed that the holders of the Bonds and the holders of any Permitted Parity Indebtedness shall have the first right to receive the Pledged Revenues superior to that of the Issuer).

Security Interest. To secure the prompt payment of the Required Payments and to secure the performance by LRMC of its other obligations under the Lease and Transfer Agreement, LRMC pledged to the Issuer and granted to the Issuer a security interest in LRMC's Pledged Revenues and in all equipment, machinery and furniture owned by the Issuer and used in connection with the Existing Operations and all equipment, machinery and furniture acquired and installed in replacement thereof or in substitution therefor; provided, however, that such pledge and grant of security interest with respect to Pledged Revenues shall be subject and subordinate to LRMC's grant of a security interest in and pledge of the Pledged Revenues to the Issuer in its capacity as issuer of the Bonds, which

pledge and security interest has been assigned to the Trustee under the Bond Indenture. The grant of a security interest will remain in full force and effect until all payments required by the Lease and Transfer Agreement have been made.

Involuntary Loss; Use of Insurance Proceeds, Condemnation Awards and Sale Proceeds. The Lease and Transfer Agreement contains provisions dealing with damage to, destruction of, or taking of the Leased Facilities (each an "***Involuntary Loss***") and provides that, if such condemnation award, insurance claim or proceeds from a sale under threat of condemnation shall exceed $100,000, all proceeds resulting from the Involuntary Loss shall be paid to the Issuer to be placed in a separate account (the "***Loss Account***") and applied in one of the following ways at the Issuer's election (which shall be exercised by the Issuer by notice to LRMC within 90 days after the date of the Involuntary Loss):

(a) the repair, rebuilding, replacement or restoration of the Leased Facilities or the portion thereof damaged, destroyed or taken to substantially the same condition as it was in prior to such Involuntary Loss; or

(b) the acquisition, by construction or otherwise, of other land or improvements suitable for LRMC's operation of the Leased Facilities; or

(c) the acquisition or construction of other capital assets as may be mutually agreed to by Issuer and LRMC.

LRMC and the Issuer agree that the Issuer will be entitled to the entire award attributable to any taking of all or any part of the Leased Facilities or to the proceeds of any sale under threat of condemnation, which award and proceeds shall be applied in accordance with the provisions of the Lease and Transfer Agreement, and LRMC shall not be entitled to any award by reason of the loss of its leasehold estate; provided, however, LRMC will be entitled to claim compensation from the condemning authority for business interruption as long as any award to LRMC does not impair or diminish the award otherwise payable to the Issuer.

Events of Default. The following are events of default under the Lease and Transfer Agreement:

(a) if LRMC shall fail to pay, when due and payable, any Required Payment (including, without limitation, any of the quarterly installments due under the Lease and Transfer Agreement), and such failure shall continue for a period of three business days after written notice of failure of payment shall have been given to LRMC by the Issuer;

(b) failure by LRMC to observe and perform in any material respect any covenant, condition or agreement in the Lease and Transfer Agreement or any other document contemplated thereby on LRMC's part to be observed or performed, other than

as referred to in the immediately preceding subsection (a), and such failure shall continue unremedied for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, given to LRMC by the Issuer, unless the Issuer shall agree in writing to an extension of such time prior to its expiration; provided, however that if such failure by LRMC is of the type that cannot be remedied within such 30 day period and LRMC diligently pursues appropriate actions to remedy such failure, and there shall be no risk of loss or forfeiture to LRMC, the agreement for an extension by the Issuer shall not be unreasonably withheld;

(c) the occurrence of an event of default under the Bond Indenture or the Financing Agreement as a result of any action or inaction by LRMC;

(d) if LRMC shall file a voluntary petition in bankruptcy, or shall be adjudicated as bankrupt or insolvent, or shall file any petition or other pleading seeking any reorganization, composition, readjustment, liquidation or similar relief for itself under any present or future law or regulation, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of it or of all or any substantial part of its assets or of the Leased Facilities, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due;

(e) if a petition or other pleading shall be filed against LRMC seeking an adjudication of bankruptcy, reorganization, composition, readjustment, liquidation or similar relief under any present or future law or regulation and shall remain undismissed or unstayed for 30 days, or if, by an order or decree of a court of competent jurisdiction, LRMC shall be adjudicated as bankrupt or insolvent or relief shall be granted under or pursuant to any such petition or other pleading, or if by order or decree of such court, there shall be appointed without the consent or acquiescence of LRMC, a trustee in bankruptcy or reorganization or a receiver or liquidator of it or of all or any substantial part of its property or of the Leased Facilities and any such order or decree shall have continued unvacated, or unstayed on appeal or otherwise and in effect for a period of 30 days, or if LRMC shall be dissolved or liquidated;

(f) the abandonment by LRMC of the Leased Facilities, or any substantial part thereof, or of the operations therein now conducted or as may be conducted in the future, and such abandonment shall continue for a period of 15 days;

(g) loss of federal tax exempt status for the interest on Bonds as a result of any action or inaction by LRMC;

(h) the default by LRMC in the payment of indebtedness for borrowed money when due in excess of $100,000, or an event of default under any indenture of trust or other agreement evidencing the indebtedness of LRMC for borrowed money shall have occurred and be continuing, the effect of which is to cause, or to permit any holder of

such indebtedness to cause, such indebtedness to become due prior to its stated maturity; and, in either case, such condition shall continue unremedied for a period of 60 days after LRMC shall become aware of such conditions;

(i) the entry of a final judgment or judgments for the payment of money aggregating in excess of five percent of operating revenues of LRMC for the most recent fiscal year for which audited financial statements are available against LRMC, for which there does not exist adequate insurance or appropriate bonds, any one of which remains outstanding for more than 60 days from the date of its entry and has not been discharged in full, stayed or superseded; or

(j) any material representation or warranty by LRMC in the Lease and Transfer Agreement, or as provided in any other certificate, document or agreement by LRMC as required by or in connection with the Lease and Transfer Agreement or the reorganization of the Hospital shall have been untrue in any material respect at the time such representation or warranty was given or made.

Remedies.

Termination upon Default. Upon the occurrence of any one or more of the events of default specified above, the Issuer may give to LRMC written notice that the Lease and Transfer Agreement shall terminate upon a date specified in such notice, which date shall be not less than 20 days after the date of such notice. Upon any such termination of the Lease and Transfer Agreement, LRMC shall peaceably vacate and surrender possession of the Leased Facilities including such additional or renewal or replacement facilities, furnishings or equipment as LRMC may have placed on or in the Leased Facilities, and the Issuer, or its designee, may reenter and take possession of any interest that the Issuer may then have in the Leased Facilities, including such additional or renewal or replacement facilities, furnishings, equipment or Improvements as LRMC may have placed on or in the Leased Facilities. If the Issuer elects to exercise its remedies under this section and any of the Bonds are outstanding, the Issuer shall take possession of the Leased Facilities subject and subordinate to the pledge of Pledged Revenues that has been granted to the Trustee pursuant to the Bond Indenture and the Financing Agreement and the Issuer shall continue and maintain, or cause any lessee or operator of the Leased Facilities to continue and maintain the pledge and grant of the security interest in the Pledged Revenues of the Leased Facilities to the Trustee for the benefit of Bondholders.

Upon receipt of such notice, LRMC is required to notify the Master Trustee, which will trigger and event of default under the Master Indenture. See "APPENDIX C – SUMMARIES OF PRINCIPAL DOCUMENTS – The Master Indenture – Events of Default" attached hereto for available remedies under the Master Indenture.

Repossession without Termination. Upon the occurrence of any one or more of the events of default specified above, in lieu of terminating the Lease and Transfer Agreement, at the option of the Issuer, LRMC shall vacate and surrender possession of the Leased Facilities including such additional or renewal or replacement facilities, furnishings or equipment as LRMC may have placed on or in the Leased Facilities, and the Issuer or its designee may reenter and take possession for LRMC's account. To protect its interest in the Leased Facilities, the Issuer upon such repossession without termination may provide for the use and occupancy of all or any part of the Leased Facilities from time to time in the name of LRMC or the Issuer without further notice, for such term or terms, on such conditions and consideration and for such uses and purposes as the Issuer, in its discretion, may determine, and (subject to the prior pledge of the Pledged Revenues under the Bond Indenture) may collect and receive all revenues and rentals derived therefrom and apply the same, after deduction of all appropriate operating expenses, to the payment of the Required Payments payable under the Lease and Transfer Agreement by LRMC. LRMC shall remain liable for any deficiency in the Required Payments payable by it under the Lease and Transfer Agreement and all costs incurred by the Issuer in connection with such reletting, including without limitation all repairs, charges and attorneys' fees.

Dissolution of LRMC; Distribution of Assets. Upon the expiration or earlier termination of the Lease and Transfer Agreement, or upon repossession, in accordance with Repossession without Termination above, or in the event the Lease and Transfer Agreement shall become void or unenforceable, all assets of the LRMC, including all of LRMC's interest in its Affiliates, shall become the property of the Issuer absolutely.

At the expiration of the Lease Term, (a) LRMC shall assign, transfer and convey to the Issuer all of the Operating Assets and Existing Operations received by LRMC under the Lease and Transfer Agreement plus all accumulations and additions thereto, and less all deletions and deductions therefrom as may have occurred in the ordinary course of business of LRMC; and (b) the Issuer or the Municipal Hospital Board of the City of Lakeland, Florida shall assume in writing all the then current liabilities of LRMC to the extent said liabilities constitute Permitted Indebtedness and provided that the obligation of the Issuer is not a general obligation of the Issuer but shall be payable from the Leased Facilities revenues; provided, however, that LRMC guarantees that it shall return to the Issuer an amount of current assets (determined in accordance with then generally accepted accounting principles), which less the amount of liabilities assumed by the Issuer pursuant to (b) above shall be at least equal to the amount of Operating Assets transferred to LRMC under the Lease and Transfer Agreement less the amount of current liabilities (determined in accordance with generally accepted accounting principles) assumed by LRMC under the Lease and Transfer Agreement.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

FORM OF BOND COUNSEL OPINION

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

FORM OF OPINION OF NABORS, GIBLIN & NICKERSON, P.A.
WITH RESPECT TO THE SERIES 2016 BONDS

Upon delivery of the Series 2016 Bonds in definitive form, Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, proposes to render its opinion with respect to such Series 2016 Bonds in substantially the following form:

(Date of Delivery)

Honorable Mayor and Members
of the City Commission of the
City of Lakeland, Florida
Lakeland, Florida

Mayor and Commission Members:

In the capacity of Bond Counsel, we have examined a record of proceedings relating to the issuance by the City of Lakeland, Florida (the "Issuer") of its $_____ aggregate principal amount of Hospital Revenue Refunding Bonds (Lakeland Regional Health Systems), Series 2016 (the "Series 2016 Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

The Series 2016 Bonds are issued under and pursuant to Chapter 166, Florida Statutes, as amended, Part II, Chapter 159, Florida Statutes, as amended, and other applicable provisions of law (collectively, the "Act"), an Ordinance adopted by the Issuer on July 18, 2016 (the "Ordinance") and pursuant to a Trust Agreement, dated as of September 2, 1999, as amended and supplemented, and particularly as supplemented by a Fifth Supplemental Trust Agreement, dated as of September 1, 2016 (collectively, the "Trust Agreement"), each between the Issuer and The Bank of New York Mellon Trust Company, N.A., as successor bond trustee (the "Bond Trustee").

The Series 2016 Bonds are being issued to provide funds, together with other available funds of the Borrowers (defined below), to (i) currently refund all of the outstanding City of Lakeland, Florida Hospital Revenue Refunding Bonds (Lakeland Regional Health Systems), Series 2006 (the "Refunded Bonds") and (ii) pay costs associated with the issuance of the Series 2016 Bonds.

The Series 2016 Bonds are payable from and secured solely by a pledge of and lien upon the Trust Estate (as defined in the Trust Agreement), including loan repayments made by Lakeland Regional Health Systems, Inc. ("Systems") and Lakeland Regional Medical Center, Inc. (the "Hospital", and collectively with Systems, the "Borrowers") to the Issuer pursuant to that certain Financing Agreement, dated as of September 2, 1999, as amended and/or supplemented by a First Supplemental Financing Agreement, dated as of August 6, 2002, a Second Supplemental Financing Agreement, dated as of October 1, 2006, a Third Supplemental Financing Agreement, dated as of July 1, 2011, a Fourth Supplemental Financing Agreement, dated as of February 1, 2015 and a Fifth Supplemental Financing Agreement, dated as of September 1, 2016, each between the Issuer and the Borrowers (collectively, the "Financing Agreement"). Pursuant to the Financing Agreement, the Borrowers agree to make loan payments sufficient to pay, among other obligations, the principal of and interest on the Series 2016 Bonds, when due, and to make any required deposits into certain funds and accounts established by the Trust Agreement.

The Borrowers, as the current Members of the Obligated Group (as such terms are defined in the Trust Agreement), have, in order to secure their obligations under the Financing Agreement with respect to the Series 2016 Bonds, issued Obligation No. 7 in a principal amount equal to the aggregate principal amount of the Series 2016 Bonds. Obligation No. 7 is being issued pursuant to an Amended and Restated Master Trust Indenture, dated as of February 1, 2015, between The Bank of New York Mellon Trust Company, N.A., successor to Wachovia Bank, National Association (formerly First Union National Bank), as master trustee (the "Master Trustee"), and the Borrowers, as amended and supplemented, particularly as supplemented by Supplemental Indenture for Obligation No. 7, dated as of September 1, 2016, between the Borrowers and the Master Trustee (collectively, the "Master Trust Indenture"). Obligation No. 7 is being issued on parity with the other Obligations (as defined in the Master Trust Indenture) issued, or to be issued, and outstanding under the terms of the Master Trust Indenture and is secured by a pledge of and lien upon the Gross Revenues (as defined in the Master Trust Indenture) of the Obligated Group, which as of the date hereof only includes the Borrowers.

None of the Issuer, the State of Florida (the "State") nor any political subdivision or agency of the State shall in any event be liable for the payment of the principal of, premium, if any, or interest on the Series 2016 Bonds or for the performance of any pledge, obligation or agreement undertaken by the Issuer, except to the extent that the trust estate created under the Trust Agreement is sufficient therefor. No owner of any 2016 Bond has the right to compel any exercise of the taxing power of the Issuer, the

State or any political subdivision or agency thereof to pay the Series 2016 Bonds or the interest thereon, and the Series 2016 Bonds do not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation.

The Series 2016 Bonds are dated and shall bear interest from their dated date, except as otherwise provided in the Trust Agreement. The Series 2016 Bonds will mature on the dates and in the principal amounts, and will bear interest at the respective rates per annum, as provided in the Trust Agreement. Interest on the Series 2016 Bonds shall be payable on November 15 and May 15 of each year, commencing November 15, 2016. The Series 2016 Bonds are subject to redemption prior to maturity in accordance with the terms of the Trust Agreement. The Series 2016 Bonds are in the form of fully registered bonds denominations of $5,000 or any integral multiple thereof.

Certain proceeds of the Series 2016 Bonds, together with other moneys of the Hospital, shall be deposited into an escrow deposit trust fund (the "Escrow Fund") established pursuant to the Escrow Deposit Agreement, dated September 15, 2016, between the Issuer and The Bank of New York Mellon Trust Company, N.A., as escrow agent, and invested in direct obligations of the United States of America (the "Escrow Securities"), such that the principal of and interest on said Escrow Securities shall be sufficient to pay the principal of and interest on the Refunded Bonds, as the same become due or are redeemed prior to maturity.

Reference is made to the opinion of even date of Peterson & Myers, P.A., Lakeland, Florida, counsel to the Borrowers, with respect to various matters, including, (i) the status of Systems and the Hospital as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) the corporate power of Systems and the Hospital to enter into and perform their respective obligations (as applicable) under the Master Trust Indenture, the Financing Agreement, Obligation No. 7 and the other documents and agreements executed by either of them in connection with the Series 2016 Bonds, and (iii) the authorization, execution and delivery of the Master Trust Indenture, Obligation No. 7, the Financing Agreement and such other documents and agreements by Systems and the Hospital, as applicable. In rendering the opinions set forth herein we have relied, with their consent, on said opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer, the Borrowers and the certified proceedings and other certifications of appropriate officials of the Issuer and the Borrowers furnished to us (including certifications as to the use of the proceeds of the Series 2016 Bonds), without undertaking to verify the same by independent investigation. Furthermore, we have

assumed continuing compliance with the covenants and agreements contained in the Master Trust Indenture, the Financing Agreement and Obligation No. 7. We have not undertaken an independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates and circumstances described in such proceedings and certifications. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

Based upon the foregoing, under existing law and in reliance upon the matters hereinafter referred to, we are of the opinion that:

1. The Issuer is a municipal corporation of the State of Florida duly created and validly existing under the laws of the State of Florida and has full power and authority to enter into, execute and deliver the Trust Agreement and the Financing Agreement and to issue and sell the Series 2016 Bonds.

2. The Ordinance has been duly adopted by the Issuer, and no further action of the Issuer is required for its continued validity.

3. The Trust Agreement and the Financing Agreement have each been duly authorized and approved by the Issuer, have each been duly executed and delivered by the Issuer, and, assuming the due authorization, execution and delivery of such documents by the other parties thereto, constitute legal, valid and binding obligations of the Issuer enforceable in accordance with their respective terms.

4. The Series 2016 Bonds have been duly authorized by the Issuer, duly executed by authorized representatives of the Issuer, authenticated by the Bond Trustee and validly issued by the Issuer and constitute the legal, valid and binding limited obligations of the Issuer enforceable in accordance with their terms and are entitled to the benefit and security of the Trust Estate created under the Trust Agreement. The Series 2016 Bonds are issued pursuant to the Trust Agreement on parity with the Issuer's outstanding City of Lakeland, Florida Hospital Revenue Refunding Bonds (Lakeland Regional Health Systems), Series 2011 and City of Lakeland, Florida Hospital Revenue Bonds (Lakeland Regional Health Systems), Series 2015 (collectively, the "Parity Bonds").

5. The Series 2016 Bonds and interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter

220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined in said Chapter 220.

6. Under existing statutes, regulations, rulings and court decisions, the interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes. Such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations although it should be noted that, in the case of corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for purposes of computing such alternative minimum tax on such corporations. The opinions set forth in this paragraph are subject to the condition that the Issuer, Systems and the Hospital comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2016 Bonds in order that interest thereon be (or continues to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Series 2016 Bonds to be so included in gross income retroactive to the date of issuance of the Series 2016 Bonds. The Issuer, Systems and the Hospital each have covenanted to comply with all such requirements. Ownership of the Series 2016 Bonds may result in collateral federal tax consequences to certain taxpayers and we express no opinion regarding such collateral federal tax consequences.

In rendering the opinions set forth above, we are relying upon (a) the arithmetical accuracy of certain computations included in schedules provided by J.P. Morgan Securities LLC relating to the computations of projected receipts of the Escrow Securities and any other amounts deposited in the Escrow Fund, of the adequacy of such projected receipts and other sums to pay the principal of, redemption premium, if any, and interest on the Refunded Bonds, and of the yield on the Series 2016 Bonds and on the Escrow Securities, and (b) the verifications of the arithmetical accuracy of such computations by Causey Demgen & Moore, Inc., a firm of certified public accountants.

7. The Series 2016 Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Master Trust Indenture and the Trust Agreement are exempt from qualification under the Trust Indenture Act of 1939, as amended.

Except as may expressly be set forth in an opinion delivered by us to the underwriter of the Series 2016 Bonds on the date hereof (upon which only the underwriter may rely), (1) we have not been engaged or undertaken to review the accuracy, sufficiency or completeness of the Official Statement or other offering material relating to the Series 2016 Bonds and we express no opinion relating thereto and (2) we have not been engaged or undertaken to review the compliance with any federal or state

law with regard to the sale or distribution of the Series 2016 Bonds and we express no opinion relating thereto.

The opinions expressed in paragraphs 3 and 4 hereof are qualified to the extent that the enforceability of the Series 2016 Bonds, the Financing Agreement and the Trust Agreement, respectively, may be limited by any applicable bankruptcy, insolvency, moratorium, reorganization, or other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity and public policy.

The opinions set forth herein are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax and securities laws of the United States of America.

This opinion is given as of the date hereof and we assume no obligation to update, raise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We have examined the form of the Series 2016 Bonds and, in our opinion, the form of the Series 2016 Bonds is regular and proper.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "***Disclosure Agreement***"), dated _____ __, 2016, is executed by and between Lakeland Regional Health Systems, Inc. and Lakeland Regional Medical Center, Inc. (collectively, the "***Borrower***"), as borrower of the hereinafter described Bonds, and Digital Assurance Certification, L.L.C., as the appointed Dissemination Agent hereunder (the "***Dissemination Agent***" or "***DAC***"), in connection with the issuance by the City of Lakeland, Florida (the "***Issuer***") of its $_____ Hospital Revenue Refunding Bonds (Lakeland Regional Health Systems), Series 2016 (the "***Bonds***"). The Bonds are being issued pursuant to an Ordinance adopted by the Issuer on July 18, 2016, and pursuant to a Trust Agreement, dated as of September 2, 1999, as amended and supplemented by the First Supplemental Trust Agreement, dated as of August 6, 2002, the Second Supplemental Trust Agreement, dated as of October 1, 2006, the Third Supplemental Trust Agreement, dated as of July 1, 2011, the Fourth Supplemental Trust Agreement, dated as of February 1, 2015, and the Fifth Supplemental Trust Agreement, dated as of August 1, 2016 (collectively, the "***Trust Agreement***"), each between the Issuer and The Bank of New York Mellon Trust Company, N.A., successor to Wachovia Bank, National Association (formerly First Union National Bank), as the trustee (the "***Trustee***"), and pursuant to a Financing Agreement, dated as of September 2, 1999, as amended and supplemented by the First Supplemental Financing Agreement, dated as of August 6, 2002, the Second Supplemental Financing Agreement, dated as of October 1, 2006, the Third Supplemental Financing Agreement, dated as of July 1, 2011, the Fourth Supplemental Financing Agreement, dated as of February 1, 2015, and the Fifth Supplemental Financing Agreement, dated as of August 1, 2016, each between the Issuer and the Borrower (collectively, the "***Financing Agreement***"). The Borrower and the Dissemination Agent hereby agree as follows:

SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with the continuing disclosure requirements of Securities and Exchange Commission Rule 15c2-12. The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Borrower through use of the DAC system and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "***Act***"). DAC will not provide any advice or recommendation to the Borrower or anyone on the Borrower's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 2. APPOINTMENT OF DISSEMINATION AGENT. The Borrower hereby appoints DAC as Dissemination Agent hereunder. DAC hereby accepts such appointment and all of the obligations and responsibilities related thereto and described herein.

SECTION 3. DEFINITIONS. In addition to the definitions set forth in the Trust Agreement and the Financing Agreement which apply to any capitalized term used in this Disclosure Agreement, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the Borrower pursuant to, and as described in, *Sections 4* and *5* of this Disclosure Agreement.

"*Beneficial Owner*" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Dissemination Agent*" shall mean Digital Assurance Certification, L.L.C., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Borrower pursuant to *Section 9* hereof.

"*EMMA*" shall mean the Electronic Municipal Market Access system of the MSRB.

"*Force Majeure Event*" shall mean: (i) acts of God, war, or terrorist action; (ii) failure or shutdown of EMMA; or (iii) to the extent beyond the Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"*Listed Events*" shall mean any of the events listed in *Section 6(a)* of this Disclosure Agreement.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"*Participating Underwriters*" shall mean the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*State*" shall mean the State of Florida.

SECTION 4. PROVISION OF ANNUAL REPORTS.

(a) The Borrower shall, or shall cause the Dissemination Agent to, not later than 120 days after the end of each fiscal year of the Borrower (presently ends September 30), commencing with the report for the fiscal year ending September 30, 2016, provide to the MSRB an Annual Report which is consistent with the requirements of *Section 5* of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in *Section 5* of this Disclosure Agreement; *provided* that the audited financial statements of the

Borrower may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report only if they are not available by that date so long as they are provided when they become available. If the Borrower's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under *Section 6(c)*.

(b) Not later than 15 Business Days prior to said date, the Borrower shall provide the Annual Report to the Dissemination Agent. If the Borrower is unable to provide to the MSRB an Annual Report by the date required in *subsection (a)*, the Borrower irrevocably instructs the Dissemination Agent to send a notice to the MSRB in substantially the form attached as *Exhibit A*.

(c) The Dissemination Agent shall:

(i) determine each year, prior to the date for providing the Annual Report, the filing specifications of the MSRB; and

(ii) if the Dissemination Agent is other than the Trustee, file a report with the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

(d) The Borrower shall send to the Dissemination Agent, not later than 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower (presently December 31, March 31 and June 30), and not later than 75 days after the end of the fourth fiscal quarter of each fiscal year of the Borrower (presently September 30), commencing with the quarter ending September 30, 2016, the unaudited quarterly financial statements of the Borrower, and the Dissemination Agent is hereby irrevocably instructed to provide to the MSRB such quarterly financial statements. The quarterly financial statements will contain a fiscal year to date balance sheet and summary of revenue and expenses for the Borrower.

SECTION 5. CONTENT OF ANNUAL REPORTS. The Borrower's Annual Report shall contain or include by reference the following:

(a) The financial statements of the Borrower for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles. If audited financial statements are not available at the time of the required filings, unaudited financial statements shall be filed pending the availability of audited financial statements, and such audited financial statements shall be filed when and if available.

(b) Annual financial information and operating data for the Borrower consistent with the financial information and operating data included in the final Official Statement dated August __, 2016 (the "***Official Statement***"), including an update of the financial information and operating data of the same general nature as that contained in the tables in Appendix A of the Official Statement under the captions "SERVICES AND PROGRAMS – LICENSED AND STAFFED BED COMPLEMENT," "COMPETITION – POLK COUNTY DISCHARGE MARKET SHARE," "COMPETITION – POLK COUNTY PROVIDERS," "UTILIZATION – HISTORICAL UTILIZATION," "FINANCIAL INFORMATION – Obligated Group Consolidated Balance Sheet and Summary of Revenues and Expenses – OBLIGATED GROUP CONSOLIDATED BALANCE SHEET," "FINANCIAL INFORMATION – Obligated Group Consolidated Balance Sheet and Summary

of Revenues and Expenses – OBLIGATED GROUP SUMMARY OF REVENUE AND EXPENSES," "FINANCIAL INFORMATION – Sources of Revenues – PERCENT OF GROSS PATIENT CHARGES," "FINANCIAL INFORMATION – Investments," "FINANCIAL INFORMATION – Capitalization and Debt Service Coverage – CAPITALIZATION AND INVESTMENT POSITION," "FINANCIAL INFORMATION – Capitalization and Debt Service Coverage – DEBT SERVICE COVERAGE OF PRO FORMA DEBT SERVICE OBLIGATED GROUP" (excluding pro forma calculations).

SECTION 6. REPORTING OF SIGNIFICANT EVENTS.

(a) Pursuant to the provisions of this Section, the Borrower shall give, or cause to be given, notice of the occurrence 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 credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

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

7. Modifications to rights of holders of the Bonds, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Borrower (this event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and

orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower);

13. The consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, 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 a trustee, if material; and

15. In a timely manner, notice of any failure of the Borrower to provide required information in the Annual Report on or before the date specified herein.

(b) The Borrower shall, in a timely manner not in excess of ten business days after its occurrence, notify the Dissemination Agent in writing of the occurrence of a Listed Event. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to *subsection (c)* of this Section. Such notice shall identify the Listed Event that has occurred, include the text of the disclosure that the Borrower desires to make, and identify the date the Borrower desires for the Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Listed Event).

(c) If the Dissemination Agent has been instructed by the Borrower as described in *subsection (b)* of this Section to report the occurrence of a Listed Event, the Dissemination Agent shall promptly file a notice of such occurrence with the MSRB.

SECTION 7. SUBMISSION OF INFORMATION TO THE MSRB. The information required to be disclosed pursuant to this Disclosure Agreement shall be submitted to the MSRB through EMMA. All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format (currently word-searchable portable document format (PDF) files that permit the document to be saved, viewed, printed and retransmitted by electronic means) and accompanied by identifying information as prescribed by the MSRB. Subject to future changes in submission rules and regulations, at the time that such information is submitted through EMMA, the Borrower or the Dissemination Agent, as applicable, shall also provide to the MSRB information necessary to accurately identity:

(i) the category of information being provided;

(ii) the period covered by the Annual Report and any additional financial information and operating data being provided;

(iii) the issues or specific securities to which such submission is related or otherwise material (including CUSIP number, issuer name, state, issue description/securities name, dated date, maturity date, and/or coupon rate);

(iv) the name of any obligated person (as defined in the Rule) other than the Borrower;

(v) the name and date of the document being submitted; and

(vi) contact information for the submitter.

Unless otherwise required by law and subject to technical and economic feasibility, the Borrower shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Borrower's information.

SECTION 8. TERMINATION OF REPORTING OBLIGATION. The Borrower's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Borrower shall give notice of such termination in the same manner as for a Listed Event under *Section 6*.

SECTION 9. DISSEMINATION AGENT. The Borrower has appointed DAC as exclusive Dissemination Agent under this Disclosure Agreement. The Borrower may, upon 30 days written notice to the Dissemination Agent and the Trustee, replace or appoint a successor Dissemination Agent. Upon termination of DAC's services as Dissemination Agent, whether by notice of the Borrower or DAC, the Borrower agrees to appoint a successor Dissemination Agent or, alternately, agrees to assume all responsibilities of Dissemination Agent under this Disclosure Agreement for the benefit of the Beneficial Owners of the Bonds. Notwithstanding any replacement or appointment of a successor, the Borrower shall remain liable until payment in full for any and all sums owed and payable to the Dissemination Agent. The Dissemination Agent may resign at any time by providing 30 days' prior written notice to the Borrower.

SECTION 10. DUTIES, IMMUNITIES AND LIABILITIES OF DISSEMINATION AGENT.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Borrower has provided such information to the Dissemination Agent as required by this Disclosure Agreement. The Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Dissemination Agent shall have no duty or obligation to review or verify any information, disclosures or notices provided to it by the Borrower and shall not be deemed to be acting in any fiduciary capacity for the Borrower, the Beneficial Owners of the Bonds, or any other party. The Dissemination Agent shall have no responsibility for the Borrower's failure to report to the Dissemination Agent a Listed Event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Borrower has complied with this Disclosure Agreement. The Dissemination Agent may conclusively rely upon any certifications of the Borrower at all times. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Borrower.

(c) Any information received by the Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by all other information required by the terms of this Disclosure Agreement will be filed by the Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; *provided*, *however*, the Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 11. AMENDMENT; WAIVER. Notwithstanding any other provision of this Disclosure Agreement, the Borrower and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of *Sections 4(a)*, *5*, or *6(a)*, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Borrower, or the type of business conducted;

(b) This Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (1) is approved by the Holders of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Borrower shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Borrower. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under *Section 6(c)*, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as

prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 12. ADDITIONAL INFORMATION. Nothing in this Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Borrower shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 13. DEFAULT. In the event of a failure of the Borrower to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations under this Disclosure Agreement; *provided*, *however*, the sole remedy under this Disclosure Agreement in the event of any failure of the Borrower to comply with the provisions of this Disclosure Agreement shall be an action to compel performance. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement or the Financing Agreement.

SECTION 14. BENEFICIARIES. This Disclosure Agreement shall inure solely to the benefit of the Borrower, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. GOVERNING LAW. This Disclosure Agreement shall be governed by the laws of the State (other than with respect to conflicts of laws).

SECTION 16. COUNTERPARTS. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[*Remainder of page intentionally left blank.*]

IN WITNESS WHEREOF, the parties hereto have each caused this Disclosure Agreement to be executed by their duly authorized officers and appointed officials.

LAKELAND REGIONAL HEALTH SYSTEMS, INC.

By: _____
Name: Evan Jones
Title: Executive Vice President & Chief Financial Officer

LAKELAND REGIONAL MEDICAL CENTER, INC.

By: _____
Name: Evan Jones
Title Executive Vice President & Chief Financial Officer

DIGITAL ASSURANCE CERTIFICATION, L.L.C.

By:_____
Name: _____
Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Lakeland, Florida

Name of Borrower: Lakeland Regional Health Systems, Inc.
Lakeland Regional Medical Center, Inc.

Name of Bond Issue: $_____ Hospital Revenue Refunding Bonds (Lakeland Regional Health Systems), Series 2016

Date of Issuance: _____ ___, 2016

NOTICE IS HEREBY GIVEN that the Borrower has not provided an Annual Report with respect to the above-named Bonds as required by *Sections 4* and *5* of the Continuing Disclosure Agreement dated _____ ___, 2016. The Borrower anticipates that the Annual Report will be filed by _____.

Dated:_____

LAKELAND REGIONAL HEALTH SYSTEMS, INC.

By:_____
Name:_____
Title:_____

LAKELAND REGIONAL MEDICAL CENTER, INC.

By:_____
Name:_____
Title:_____

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

CITY OF LAKELAND, FLORIDA • HOSPITAL REVENUE REFUNDING BONDS (LAKELAND REGIONAL HEALTH SYSTEMS), SERIES 2016

Lakeland Regional Health Systems

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com