Exhibit 14

Wellmont's Currently Planned Fixed Rate Increases

To be submitted pursuant to CID.

Exhibit 15

Mountain States' Negotiated Rate Increases for the Past Five Years Calculated using the Same Methodology Proposed in the Commitment to Not Increase Negotiated Rates for Hospital, Physician, or Non-Hospital Outpatient Services

To be submitted pursuant to CID.

Exhibit 16

Wellmont's Negotiated Rate Increases for the Past Five Years Calculated using the Same Methodology Proposed in the Commitment to Not Increase Negotiated Rates for Hospital, Physician, or Non-Hospital Outpatient Services

To be submitted pursuant to CID.

Exhibit 17

Anticipated 10-Year Timeline

d. Common Clinical IT and Health Information Exchange	Year 1				Year 2				Year 3				Year 4				Year 5				Year 6				Year 7				Year 8				Year 9				Year 10			
Tenn. Comp. R. & Regs. 1200-38-01-02(2)(a)10	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
i. System Integration 18-24 months																																								
Assessment of Health Systems including vendor		X	X																																					
System Implementation with data conversion and 3rd party interfaces				X	X	X	X	X	X	X	X	X																													
Training all Users (employed & non-employed providers)									X	X	X	X																													
1. Behavioral Health Capability												X																													
EMR systems include: - Standardized screening questionnaires & assessment tools - Clear and consistent documentation protocols - Treatment plans, flowsheet & restraint documentation - Suicide intervention tools																																								
Integration and interoperability follows the standard for an integrated EMR, which is fully integrated and interoperable.																																								
EMR system will have future development for a behavioral health module																																								
2. Integration											X	X																													
Large EMRs interface with over fifty 3rd party vendors, linking records, integrating lab, medical, diagnostic, referral, and scheduling. Interfaces are inbound and outbound, to and from vendors, providers, government entities, etc.																																								
3. Migration of Historical Data										X	X	X																													
Historical data such as medications, allergies and problems lists are generally converted to the new system. The remaining historical data will be accessible through a link inside the EMR to an archiving system such as DataArk (used at Wellmont.)																																								
4. Training of New Users									X	X	X	X																													
All employed and non-employed providers are required to attend a minimum of 8 hours classroom training and pass a test to gain access to the EMR. Surgeons /proceduralists/specialists require additional training time. Training is specialty specific and includes a personalization lab.																																								
5. Patient Portal Access												X																													
5.1 Medications, allergies, problem list, immunization records, test results, visit/admission summaries, e-visits, billing information with the capability to pay online as well as patient engagement: such as clinical offerings to healthy behavior classes, research studies, patient education are available through a patient portal.																																								
5.2The patient portal also links to other vendor enabled health systems.																																								
5.3 Patients have access to reconciled health care data from different health systems.																																								
6. Collecting, Analyzing and Reporting Quality Outcomes													X																												
Data is sent monthly to various analytical companies including Crimson, Comparion and CMS providing statistical analysis for clinical cost, quality, and patient satisfaction for both system and non system providers.																																								

Exhibit 18

Estimates for How and When the $150 Million Investment in a Common Clinical IT Platform and Health Information Exchange will be Allocated

d. Common Clinical IT and Health Information Exchange	Year 1				Year 2				Year 3				Year 4				Year 5				Year 6				Year 7				Year 8				Year 9				Year 10			
Tenn. Comp. R. & Regs. 1200-38-01-02(2)(a)10	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ii $150 Million Investment																																							
1. Common Clinical IT Platform - $148m * This initiative provides the platform for both the common clinical IT solution and connectivity for health information exchange, population health management and quality measurement reporting. This creates the connected community of hospitals and care givers, providing patients full access to their personal health record.		X	X	X	X	X	X	X	X	X	X	X	X																									
a. Health information exchange - Wellmont's health information exchange plan includes, regional, domestic, and international capabilities. Currently Wellmont is exchanging on all three.														X																								
b. Quality reporting capabilities														X																								
c. Population Health Management														X																								
d. Connectivity for non system providers (current state)														X																								
2. EHR solution for non-system providers $2m*					X																																	
*Cost for the Common Clinical IT Platform will include, but not limited to, the following:																																						
-Hardware: new and upgrades																																						
-Software: new and upgrades																																						
-3rd party interfaces																																						
-Licensing fees																																						
-Post implementation annual maintenance fees																																						
-Vendor implementation fees																																						
-Consulting fees																																						
-Labor																																						
-Training/training related materials																																						
-Go-live support																																						

Exhibit 19

Current Commitment and Timeframe for Participation of both MSHA and Wellmont in OnePartner

RESPONSE:

- ***Description of the health information exchanges ("HIE") currently used by each party***

    - Wellmont
        - Wellmont is currently an acute data contributor to OnePartner.
        - As an acute data contributor, Wellmont provides the following information to OnePartner:
            - Demographics
            - Encounters
            - Labs
            - Diagnoses
            - Procedures and
            - Radiology.
        - The initial cost to set up the interface with OnePartner was $63,500.
        - There are annual fees of $9,800 for Wellmont to continue sending information to OnePartner.
        - The cost for each provider to be able to access the information in the HIE is $149 per physician per month.
        - As of July, 2016, a group of Wellmont physicians have access to OnePartner as collaborators rather than simply contributors.
        - The only patient information available within the HIE is the 18 data points identified below. The patient information can be viewed and printed when the provider is accessing the HIE.

    - Mountain States
        - Mountain States is currently an acute data contributor to OnePartner under a five year agreement set to expire on December 31, 2019.
        - As an acute data contributor, Mountain States provides the following information to OnePartner:
            - Demographics
            - Encounters
            - Labs
            - Diagnoses
            - Procedures and
            - Radiology.
        - Clinical documents are scheduled to go-live in July 2016. For acute hospitals the clinical documents will include history and physical, progress notes (SOAP), consults, procedure notes, and discharge summaries. For ambulatory surgery centers, the clinical documents will include office visit assessments, post- op visit notes, ER follow up notes, and prenatal visit notes.
        - Mountain States Medical Group is currently testing ambulatory data on-boarding with OnePartner and will be complete by the end of August 2016. Once on-board, Mountain States Medical Group is expected to provide

Demographics, Encounters, Vitals, Labs, Diagnoses, Procedures, Problems, Allergies, Medications, Immunizations, Clinical Documents to OnePartner for all patients treated by the Group's 375 providers and mid-levels.

- Mountain States' current financial commitment to OnePartner is $98,000.
- Initial setup cost to connect to OnePartner was $53,500. Mountain States pays $8,900 per year for five years for access to the OnePartner data.
- In addition to exchanging 11,432,731 data transactions with OnePartner, Mountain States has had a broad range of experiences with data sharing arrangements.
- Currently, other data sharing partners include:
  - State of Franklin Health Associates : 373,673 data transactions
  - Inpatients Consultants: 289,760 data transactions
  - Medical Practice Management: 162,384 data transactions
  - East Tennessee State University: 69,502 data transactions.
- Mountain States also currently send Immunization data, and is in final testing for exchanging Syndromic Surveillance data, to the state of Tennessee. In addition, Mountain States currently sends Immunization and Syndromic Surveillance data to the Virginia Connect HIE.
- Mountain States was a Veterans Administration proof of concept, pilot and demonstration partner in the development of the Direct Messaging platform and has recently undertaken initial conversations with the Veterans Administration for potential inclusion with their Virtual Lifetime Electronic Record (VLER) program.
- Finally, Mountain States is actively working with Tennessee's Healthcare Innovation Initiative to develop a community case management tool.

- ***Description of the OnePartner HIE***
  - OnePartner is a for-profit limited liability company owned by physicians in northeast Tennessee.
  - OnePartner is exclusively a physician Regional Health Information Exchange available to providers located in Northeast Tennessee and Southwest Virginia.
  - It is operationalized through the use of a product named dbMotion. dbMotion is a context aware computer application that when deployed and integrated with a OnePartner collaborator's EMR, provides access to the OnePartner patient record from the practicing physician's EMR workstation.
  - Access to OnePartner is available through an online portal: https://provider.onepartnerhie.com.
  - Before accessing the OnePartner HIE data, a participating entity must sign a collaborator agreement, meet the criteria in the agreement, pay a subscription fee of $150-200 per month per provider, and meet the minimum standards for participating providers. They must also sign a Business Associate Agreement and a Data Sharing Agreement.
  - The information fields available in the OnePartner HIE are limited to the following:

    - Name
    - Demographics
    - Active Allergies
    - Current Medications
    - Problem List (Current Problems)
    - Problem List (Resolved Problems)
    - Recent Visits
    - Immunizations
    - History (Medical and Surgical)
    - History (Family)
    - History (Social)
    - Last Recorded Vital Signs
    - Progress Notes
    - Plan of Care
    - Functional Status
    - Recent Results
    - PCP
    - Custodial/Source Organization

- These 18 components are sent to the HIE unless a patient affirmatively opts-out and requests that their information not be included.
- Once on the system, HIE data can be printed and can be brought into the participating entity's EMR only if they have certain computer capabilities on their end.
- According to OnePartner, over the last four years:
    - the number of providers providing data is currently greater than 1,000
    - the number of providers viewing data is approximately 400
    - there are 654,083 unique patients have been entered into the database.
- Based on information provided by OnePartner, the top contributing providers are Mountain States, Holston Medical Group, and State of Franklin Health Associates.
- Again, based on information provided by OnePartner, the top accessors of data are Holston Medical Group, State of Franklin Health Associates, and Qualuable Medical Professionals.

Exhibit 20

Additional Detail on the Proposed Community Reinvestment

Below is a description of the activities to be funded by the proposed community reinvestment by category. It should be noted that the timing of spending for each category is an estimate and may vary depending upon market circumstances. Also, some spending may cross into multiple categories. For example, as noted below, pediatric sub-specialty access may include specific mental health services. As a result, it has not yet been determined which category would be "credited" with that expenditure.

The $75 million investment in population health improvements:

RESPONSE: Additional detail on this incremental investment is provided in the proposed template Community Health Improvement Plan included separately as Exhibit 21 and the annual estimate of reinvestment from efficiencies, also provided separately as Exhibit 22. As explained in the Application, the Parties believe that including the Department, the local departments of health, the Community Health Work Groups, the Advisory Groups, and other community stakeholders in finalizing the proposed Index Categories, Key Focus Areas, and Accountability Mechanisms will lead to greater community buy-in and adaptation of the population health improvement process. Once the community health improvement goals are agreed upon with the state under the COPA, the exact programmatic investments – including location and timing – will be determined in order to most effectively leverage existing programs which operate successfully in the region and fill gaps in service offerings and funding needs where existing programs do not adequately cover the community health needs.

The $140 million to expand needed services:

RESPONSE: The $140 million spending referenced in the Application falls into three major categories: mental health and addiction recovery ($85 million), pediatric sub-specialty access ($27 million) and rural health access ($28 million). Additional detail on the incremental investment for these services is provided in the proposed template Community Health Improvement Plan included separately as Exhibit 21. Annual spending estimates for these services are included in the annual estimate of reinvestment from efficiencies that is included separately as Exhibit 22. These latter two categories of spending, pediatric sub-specialty access and rural health access, will support the provision of new services which would not otherwise generate sufficient revenue for the New Health System to offer, but are necessary to address specific health and health care needs and reduce patient travel time. These expenditures will be guided by physician needs assessments updated every three years in each sub-market within the Geographic Service Area.

The $85 million to develop and grow academic and research opportunities:

RESPONSE: Additional detail on the spending associated with academic and research opportunities is provided in the annual estimate of reinvestment from efficiencies, provided separately as Exhibit 22. In regard to the sub-categories of spending on research infrastructure, increasing residency and training slots, creating new specialty training opportunities, and adding faculty—the Parties believe these plans must be developed together with their academic partners in Tennessee and Virginia. This process will include the development of a ten-year plan

for post-graduate training of physicians, nurse practitioners, and physician assistants along with other allied health professions. The New Health System will work closely with ETSU and other academic institutions in Tennessee and Virginia to develop and implement a ten-year plan for investment in health research and growth in the health research enterprise within the region. It is not possible for the Parties to develop these plans without the integral involvement of their academic partners in Tennessee and Virginia, and the Parties expect this process will take at least a year for these plans to be fully developed.

Strategically, a major part of the New Health System's emphasis will be on the development of academic research infrastructure and personnel which is needed to attract additional research funding from national sources—specifically in the area of translational research. The New Health System intends to allocate resources to priority research projects identified by the New Health System and academic partners in pursuit of this goal. Translational research projects that are focused on rural health care, population health management, health care transformation, and community health improvement will offer important insights to inform the New Health System's overall efforts in the region and to create national models.

Further, the Parties will focus on developing the academic infrastructure to ensure effective training for the next generation of health professionals that are needed to address the health care needs of this region. This will require a program gap analysis and the formation of program development plans. In addition, the Parties will work to identify fellowship training opportunities to support the regional base of sub-specialty physicians along with collaboration where professors and research leaders can work together to close gaps in regional specialty services or provide clinical oversight. The Parties expect that an offshoot of these comprehensive efforts will be the development of new medically and technically oriented businesses in the region, and the Parties plan to work with municipalities and economic development agencies to help incubate these opportunities and attract new opportunities to the region to support the regional economy.

Exhibit 21

Template Community Health Improvement Plan

Template Community Health Improvement Plan

Ensure Strong Starts for Children 1/2	Short-term Outcomes	Intermediate Outcomes	Long-term Expected Health Impact				
			Heart	**Cancer**	**Diabetes**	**Behavioral Health**	**Infant Mortality**
Reduce Childhood Obesity		Reduction in percent children classified as "overweight"	X	X	X		
• Increase rates of breastfeeding ▪ Program Example: *Baby Friendly Hospital Initiative*	Increased rate of breastfeeding at 6 months		X	X	X		X
• Increase physical activity ▪ Program Example: *Morning Mile; Project SPARK*	Increased rate of children achieving the recommend level of weekly physical activity		X	X	X		
• Increase healthy eating ▪ Program Example: *#LiveSugarFreed campaign*	Decreased amount of weekly sugary beverage consumption in children		X	X	X		
Decrease Tobacco Use in Youth		Decreased rates of "current" use of tobacco	X	X	X	X	X
• Expand anti-smoking campaigns ▪ Program Example: *#UNSMOKABLE*	Reduced rate of past year smoking initiation or "ever" smoked		X	X	X	X	X
Decrease Opioid Abuse in Youth		Decreased reported past month non-medical use of pain relievers				X	X
• Decrease diversion ▪ Program Example: *Drug return kiosks*	Milligrams of prescription painkillers removed from circulation					X	X
• Expand anti-opioid campaigns ▪ Program Example: *Above the Influence*	Reduced rate of "ever" tried					X	X
Increase 3rd Graders reading at Grade Level		Increased percentage of 3rd graders scoring "proficient" on TCAP reading assessment	X	X	X	X	X
• Increase read aloud opportunities ▪ Program Example: *Bear Buddies; Nurse Family Partnership*	Increased percentage of "at-risk" K-2 students paired with a Bear Buddy reading mentor		X	X	X	X	X

Ensure Strong Starts for Children 2/2	Short-term Outcomes	Intermediate Outcomes	Long-term Expected Health Impact				
			Heart	**Cancer**	**Diabetes**	**Behavioral Health**	**Infant Mortality**
Decrease Pre-term Births		Decreased pre-term birth rate				X	X
• Increase effectiveness of pre-natal care ▪ Program Example: *Nurse Family Partnership; Centering Pregnancy; 17-P utilization*	Increased percentage high-risk women participating in program					X	X
• Decrease tobacco use among pregnant women ▪ Program Example: *ACOG 5 As Behavioral Intervention; Baby and Me; SMART Moms*	Increased percentage of pregnant female participants completing nicotine abstinence programs					X	X
• Decrease NAS births ▪ Program Example: *Residential treatment for opioid addicted pregnant women*	Decreased percentage of births with NAS					X	X
• Increase birth spacing ▪ Program Example: *Post-partum LARC insertion*	Increased average/median months between pregnancy in high-risk women					X	X

Help Adult Live Well in the Community	Short-term Outcomes	Intermediate Outcomes	Long-term Expected Health Impact				
			Heart	**Cancer**	**Diabetes**	**Behavioral Health**	**Infant Mortality**
Decrease Adult Obesity		Decreased adult obesity rate	X		X		
• Increase Physical Activity ▪ Program Example: *YMCA Diabetes Prevention Program*	Decreased percentage of adults reporting no physical activity within past month		X	X	X		
• Increase Healthy Eating ▪ Program Example: *YMCA Diabetes Prevention Program*	Improvement in the Healthy Eating Index measure of dietary quality		X	X	X		
Decrease Adult Tobacco Use		Decreased rates of "current" tobacco use	X	X	X	X	X
• Increase cessation treatment ▪ Program Example: *Screening and Physician Counseling*	Improved score on tobacco-related HEDIS measures in the New Health System.		X	X	X	X	X
• Expand successful mass-reach health communication interventions ▪ Program Example: *CDC's Tips From Former Smokers*	Increased population awareness in anti-smoking awareness and attitudes over survey baseline		X	X	X	X	X
Increased Early Detection of Chronic Disease		Decreased early mortality from heart disease, diabetes, suicide, cancer, infant mortality	X	X	X	X	X
• Increase population screening ▪ Program Example: *Screening and Physician Counseling; SBIRT; Mobile Health Unit Deployment*	Improved score on screening-related HEDIS measures in the New Health System.		X	X	X	X	X

Promoting a Drug Free Community	Short-term Outcomes	Intermediate Outcomes	Long-term Expected Health Impact				
			Heart	**Cancer**	**Diabetes**	**Behavioral Health**	**Infant Mortality**
Decrease Opioids In Circulation		Decreased reported past month non-medical use of pain relievers				X	X
• Decrease prescriptions written ▪ Program Example: *Choosing Wisely, CSMD*	Decreased morphine equivalents prescribed					X	X
Expand Environmental Prevention Strategies		Decreased reported past month non-medical use of pain relievers				X	X
• Increase multi-sector community collaborations ▪ Program Example: *Tennessee Community Prevention Coalitions*	Increased number of counties in the GSA with an active Community Prevention Coalition					X	X
Expand supportive services		Decreased reported past month non-medical use of pain relievers				X	X
• Increase supportive housing ▪ Program Example*: Oxford House*	Expanded number of units available in drug-free supportive housing.					X	X

Decrease Avoidable ED Use for High-Need High-Utilization Uninsured Individuals	**Short-term Outcomes**	**Intermediate Outcomes**	**Long-term Expected Health Impact**				
			Heart	**Cancer**	**Diabetes**	**Behavioral Health**	**Infant Mortality**
Increase use of ED alternatives		Reduction in avoidable ED and Inpatient Admissions in High-Need High-Use population	X	X	X	X	
• Increase use of primary, BH and specialty-care services ▪ Program: *Project Access, Free-clinics*	Increased utilization of primary care and specialty services by High-Need High-Risk population		X	X	X	X	
• Increase use of home-based health services ▪ Program Example: *Community Paramedics, Community Health Workers*	Increased utilization of home-based health services by High-Need High-Risk population		X	X	X	X	
Expand supportive services		Reduction in avoidable ED and Inpatient Admissions in High-Need High-Use population	X	X	X	X	
• Increase use of case management ▪ Programs example: *SC Medicaid Healthy Outcomes Program*	Increased percentage of High-Need High Utilizing population in active case management		X	X	X	X	
• Decrease transportation barriers ▪ Programs example: *Transportation vouchers*	Decrease “no-show” rate in High-Need High Utilization population		X	X	X	X	

Improve Access to Behavioral Health	Short-term Outcomes	Intermediate Outcomes	Long-term Expected Health Impact				
			Heart	**Cancer**	**Diabetes**	**Behavioral Health**	**Infant Mortality**
Increased Screening for Depression and Substance Abuse		Increased use of behavioral health treatment services				X	X
• Increased screening at sites of care ▪ Program Example: *SBIRT*	Increase in the rates of SBIRT administration					X	X
Reduce Unnecessary Psychiatric Admissions		Decreased psychiatric ER and inpatient admissions.				X	X
• Expand community based outpatient treatment ▪ Program Example: *Assertive Community Treatment*	Increased percentage of individuals with SMI/SUD participating in community-based treatment					X	X
• Expand crisis management services ▪ Program Example: *Mobile Crisis Teams*	Increased percentage of crisis calls responded to by crisis management teams versus law enforcement					X	X
Increase number of individuals with SUD in recovery		Increased percentage of individuals participating in active recovery				X	X
• Expand continuum of treatment options ▪ Program Example: *Medically Monitored Detox, Residential Treatment, Outpatient Treatment*	Increased capacity in full continuum of treatment services for individuals living with SUD					X	X

Exhibit 22

Year-by-Year Summary

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Expanded Health Care Services	Behavioral Health Services	$ 1,000,000	$ 4,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000	**$ 85,000,000**
	Children's Services	1,000,000	2,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	**27,000,000**
	Rural Health Services	1,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	**28,000,000**
Health Research & Graduate Medical Education	Academics & Research	3,000,000	5,000,000	7,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	**85,000,000**
Community Health Improvement	Strong Starts for Children; Helping Adults Live Well; Supporting a Drug Free Community; Decreasing High Utilization by the Uninsured	1,000,000	2,000,000	5,000,000	7,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	**75,000,000**

$ 300,000,000

Exhibit 23

Audited Financial Statement on MSHA as of June 30, 2015

MOUNTAIN STATES HEALTH ALLIANCE

Audited Consolidated Financial Statements (and Supplemental Information)

Years Ended June 30, 2015 and 2014

PYA
Certified Public Accountants

MOUNTAIN STATES HEALTH ALLIANCE

Audited Consolidated Financial Statements (and Supplemental Information)
(Dollars in Thousands)

Years Ended June 30, 2015 and 2014

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PYA
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mountain States Health Alliance:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Mountain States Health Alliance and its subsidiaries (the Alliance), which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's 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 auditor's 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 Alliance'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 Alliance'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 Mountain States Health Alliance and its subsidiaries as of June 30, 2015 and 2014, and the results of their operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

Pershing Yoakley & Associates PC

Knoxville, Tennessee
October 28, 2015

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Balance Sheets
(Dollars in Thousands)

	June 30, 2015	June 30, 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 79,714**	$ 59,185
Current portion of investments	**19,598**	25,029
Patient accounts receivable, less estimated allowances for uncollectible accounts of $73,805 in 2015 and $47,853 in 2014	**162,256**	161,318
Other receivables, net	**33,286**	45,502
Inventories and prepaid expenses	**33,969**	30,838
TOTAL CURRENT ASSETS	**328,823**	321,872
INVESTMENTS, less amounts required to meet current obligations	**694,542**	648,475
PROPERTY, PLANT AND EQUIPMENT, net	**847,089**	881,429
OTHER ASSETS		
Goodwill	**156,596**	156,613
Net deferred financing, acquisition costs and other charges	**24,755**	25,841
Other assets	**53,040**	48,350
TOTAL OTHER ASSETS	**234,391**	230,804
	$ 2,104,845	$ 2,082,580

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Balance Sheets - Continued
(Dollars in Thousands)

	June 30, 2015	June 30, 2014
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued interest payable	**$ 18,159**	$ 18,648
Current portion of long-term debt and capital lease obligations	**40,286**	30,618
Accounts payable and accrued expenses	**100,301**	87,126
Accrued salaries, compensated absences and amounts withheld	**72,066**	72,181
Estimated amounts due to third-party payers, net	**4,781**	10,463
TOTAL CURRENT LIABILITIES	**235,593**	219,036
OTHER LIABILITIES		
Long-term debt and capital lease obligations, less current portion	**1,031,661**	1,075,069
Estimated fair value of derivatives	**2,541**	10,603
Estimated professional liability self-insurance	**8,461**	8,957
Other long-term liabilities	**38,683**	35,974
TOTAL LIABILITIES	**1,316,939**	1,349,639
COMMITMENTS AND CONTINGENCIES - Notes D, F, G, and M		
NET ASSETS		
Unrestricted net assets		
Mountain States Health Alliance	**583,287**	541,979
Noncontrolling interests in subsidiaries	**191,118**	178,547
TOTAL UNRESTRICTED NET ASSETS	**774,405**	720,526
Temporarily restricted net assets		
Mountain States Health Alliance	**13,303**	12,204
Noncontrolling interests in subsidiaries	**71**	84
TOTAL TEMPORARILY RESTRICTED NET ASSETS	**13,374**	12,288
Permanently restricted net assets	**127**	127
TOTAL NET ASSETS	**787,906**	732,941
	$ 2,104,845	$ 2,082,580

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Operations
(Dollars in Thousands)

	Year Ended June 30,	
	2015	***2014***
Revenue, gains and support:		
Patient service revenue, net of contractual allowances and discounts	**$ 1,116,954**	$ 1,046,767
Provision for bad debts	**(127,519)**	(122,642)
Net patient service revenue	**989,435**	924,125
Premium revenue	**32,184**	10,683
Net investment gain	**17,016**	50,703
Net derivative gain	**13,890**	3,219
Other revenue, gains and support	**36,571**	62,457
TOTAL REVENUE, GAINS AND SUPPORT	**1,089,096**	1,051,187
Expenses and losses:		
Salaries and wages	**345,155**	340,589
Physician salaries and wages	**80,279**	77,636
Contract labor	**5,416**	4,282
Employee benefits	**77,306**	69,173
Fees	**120,691**	115,606
Supplies	**176,050**	163,699
Utilities	**16,775**	17,052
Medical costs	**18,383**	6,633
Other	**81,477**	79,980
Loss on early extinguishment of debt	**-**	4,622
Depreciation	**67,210**	69,437
Amortization	**1,557**	1,742
Interest and taxes	**43,697**	44,392
TOTAL EXPENSES AND LOSSES	**1,033,996**	994,843
EXCESS OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	**$ 55,100**	$ 56,344

See notes to consolidated financial statements.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Changes in Net Assets
(Dollars in Thousands)

Year Ended June 30, 2015

	Mountain States Health Alliance	*Noncontrolling Interests*	*Total*
UNRESTRICTED NET ASSETS:			
Excess of Revenue, Gains and Support over Expenses and Losses	$ 41,008	$ 14,092	$ 55,100
Pension and other defined benefit plan adjustments	(178)	(152)	(330)
Net assets released from restrictions used for the purchase of property, plant and equipment	478	-	478
Repurchases of noncontrolling interests, net	-	(1,014)	(1,014)
Distributions to noncontrolling interests	-	(355)	(355)
INCREASE IN UNRESTRICTED NET ASSETS	41,308	12,571	53,879
TEMPORARILY RESTRICTED NET ASSETS:			
Restricted grants and contributions	3,663	69	3,732
Net assets released from restrictions	(2,564)	(82)	(2,646)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	1,099	(13)	1,086
INCREASE IN TOTAL NET ASSETS	42,407	12,558	54,965
NET ASSETS, BEGINNING OF YEAR	554,310	178,631	732,941
NET ASSETS, END OF YEAR	$ 596,717	$ 191,189	$ 787,906

See notes to consolidated financial statements.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Changes in Net Assets - Continued
(Dollars in Thousands)

Year Ended June 30, 2014

	Mountain States Health Alliance	*Noncontrolling Interests*	*Total*
UNRESTRICTED NET ASSETS:			
Excess of Revenue, Gains and Support over Expenses and Losses	$ 48,058	$ 8,286	$ 56,344
Pension and other defined benefit plan adjustments	194	194	388
Net assets released from restrictions used for the purchase of property, plant and equipment	3,313	-	3,313
Noncontrolling interest in acquired subsidiary	-	914	914
Distributions to noncontrolling interests	-	(461)	(461)
INCREASE IN UNRESTRICTED NET ASSETS	51,565	8,933	60,498
TEMPORARILY RESTRICTED NET ASSETS:			
Restricted grants and contributions	4,693	88	4,781
Net assets released from restrictions	(5,265)	(56)	(5,321)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(572)	32	(540)
INCREASE IN TOTAL NET ASSETS	50,993	8,965	59,958
NET ASSETS, BEGINNING OF YEAR	503,317	169,666	672,983
NET ASSETS, END OF YEAR	$ 554,310	$ 178,631	$ 732,941

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Year Ended June 30,	
	2015	*2014*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	**$ 54,965**	$ 59,958
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for depreciation and amortization	**69,242**	71,789
Provision for bad debts	**127,519**	122,642
Loss on early extinguishment of debt	**-**	4,622
Change in estimated fair value of derivatives	**(7,718)**	2,761
Equity in net income of joint ventures, net	**(79)**	(369)
Loss (gain) on disposal of assets	**(2,192)**	(3,489)
Amounts received on interest rate swap settlements	**(6,172)**	(5,980)
Capital Appreciation Bond accretion and other	**2,780**	2,629
Restricted contributions	**(3,732)**	(4,781)
Pension and other defined benefit plan adjustments	**330**	(388)
Increase (decrease) in cash due to change in:		
Patient accounts receivable	**(128,457)**	(115,380)
Other receivables, net	**12,303**	(11,880)
Inventories and prepaid expenses	**(3,131)**	959
Trading securities	**(39,873)**	(46,451)
Other assets	**(3,128)**	(2,492)
Accrued interest payable	**(489)**	(1,058)
Accounts payable and accrued expenses	**16,745**	(6,666)
Accrued salaries, compensated absences and amounts withheld	**(115)**	8,006
Estimated amounts due to third-party payers, net	**(5,682)**	(16,312)
Estimated professional liability self-insurance	**(496)**	199
Other long-term liabilities	**2,379**	16,425
Total adjustments	**30,034**	14,786
NET CASH PROVIDED BY OPERATING ACTIVITIES	**84,999**	74,744
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment and property held for expansion	**(44,569)**	(64,424)
Acquisitions, net of cash acquired	**-**	(4,256)
Purchases of held-to-maturity securities	**(1,417)**	(5,978)
Net distribution from joint ventures and unconsolidated affiliates	**4,859**	661
Proceeds from sale of property, plant and equipment and property held for resale	**2,654**	2,858
NET CASH USED IN INVESTING ACTIVITIES	**(38,473)**	(71,139)

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Cash Flows - Continued
(Dollars in Thousands)

	Year Ended June 30, 2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt and capital lease obligations, including deposits to escrow	**(36,210)**	(38,768)
Payment of acquisition and financing costs	**-**	(3,826)
Proceeds from issuance of long-term debt and other financing arrangements	**-**	11,916
Net amounts received on interest rate swap settlements	**6,172**	5,980
Restricted contributions received	**4,041**	5,376
NET CASH USED IN FINANCING ACTIVITIES	**(25,997)**	(19,322)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**20,529**	(15,717)
CASH AND CASH EQUIVALENTS, beginning of year	**59,185**	74,902
CASH AND CASH EQUIVALENTS, end of year	**$ 79,714**	$ 59,185
SUPPLEMENTAL INFORMATION AND NON-CASH TRANSACTIONS:		
Cash paid for interest	**$ 38,982**	$ 40,546
Cash paid for federal and state income taxes	**$ 917**	$ 854
Construction related payables in accounts payable and accrued expenses	**$ 5,034**	$ 8,604
Assets contributed into joint venture	**$ 8,668**	$ -
Supplemental cash flow information regarding acquisitions:		
Assets acquired, net of cash	**$ -**	$ 12,715
Liabilities assumed	**-**	(8,459)
Acquisitions, net of cash acquired	**$ -**	$ 4,256

During the year ended June 30, 2014, the Alliance refinanced previously issued debt of $318,385.

NOTE A--ORGANIZATION AND OPERATIONS

Mountain States Health Alliance (the Alliance) is a tax-exempt entity with operations primarily located in Washington, Sullivan, Unicoi, and Carter counties of Tennessee and Smyth, Wise, Dickenson, Russell and Washington counties of Virginia. The primary operations of the Alliance consist of eleven acute and specialty care hospitals.

The Alliance's accompanying consolidated financial statements include all assets, liabilities, revenues, expenses, and changes in net assets attributable to the noncontrolling interests in the following subsidiaries:

- Smyth County Community Hospital and Subsidiary - the Alliance holds an 80% interest
- Norton Community Hospital and Subsidiaries - the Alliance holds a 50.1% interest
- Johnston Memorial Hospital, Inc. and Subsidiaries - the Alliance holds a 50.1% interest

The Alliance is the sole shareholder of Blue Ridge Medical Management Corporation (BRMM), a for-profit entity that owns and manages physician practices, real estate and ambulatory surgery centers and provides other healthcare services to individuals in Tennessee and Virginia.

The Alliance is a 99.9% shareholder of Integrated Solutions Health Network, LLC, a for-profit entity that owns a for-profit insurance company and an accountable care organization and administers a provider-sponsored health care delivery network,

The Alliance is the primary beneficiary of the activities of Mountain States Foundation, Inc., a not-for-profit foundation formed to coordinate fundraising and development activities of the Alliance.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the Alliance and its consolidated subsidiaries after elimination of all significant intercompany accounts and transactions.

Use of Estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents: Cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents designated as assets limited as to use or uninvested amounts included in investment portfolios are not included as cash and cash equivalents.

Investments: Investments include trading securities and held-to-maturity securities. Within the trading securities portfolio, all debt securities and marketable equity securities with readily determinable fair values are reported at fair value based on quoted market prices. Investments without readily determinable fair values are reported at estimated fair market value utilizing observable and unobservable inputs. Investments which the Alliance has the positive intent and ability to hold to maturity are classified as held-to-maturity and are stated at amortized cost. Realized gains and losses are computed using the specific identification method for cost determination. Interest and dividend income is reported net of related investment fees.

Management evaluates whether unrealized losses on held-to-maturity investments indicate other-than-temporary impairment. Such 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 at June 30, 2015.

Investments in joint ventures are reported under the equity method of accounting, which approximates the Alliance's equity in the underlying net book value. Other assets include investments in joint ventures of $5,180 and $1,364 at June 30, 2015 and 2014, respectively. During 2015, the Alliance contributed assets into a joint venture which owns and operates a rehabilitation hospital.

Inventories: Inventories, consisting primarily of medical supplies, are stated at the lower of cost or market with cost determined by first-in, first-out method.

Property, Plant and Equipment: Property, plant and equipment is stated on the basis of cost, or if donated, at the fair value at the date of gift. Generally, depreciation is computed by the straight-line method over the estimated useful life of the asset. Equipment held under capital lease obligations is amortized under the straight-line method over the shorter of the lease term or estimated useful life. Amortization of buildings and equipment held under capital leases is shown as a part of depreciation expense and accumulated depreciation in the accompanying consolidated financial statements. Renewals and betterments are capitalized and depreciated over their useful life, whereas costs of maintenance and repairs are expensed as incurred.

Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The amount capitalized is net of investment earnings on assets limited as to use derived from borrowings designated for capital assets.

The Alliance reviews capital assets for indications of potential impairment when there are changes in circumstances related to a specific asset. If this review indicates that the carrying value of these assets may not be recoverable, the Alliance estimates future cash flows from operations and the eventual disposition of such assets. If the sum of these undiscounted future cash flows is less than the carrying amount of the asset, a write-down to estimated fair value is recorded. The Alliance did not recognize any impairment losses during 2015 and 2014.

Other assets include property held for resale and expansion of $19,316 and $20,793, respectively, at June 30, 2015 and 2014. Property held for resale and expansion primarily represents land contributed to, or purchased by, the Alliance plus costs incurred to develop the infrastructure of such land. Management annually evaluates its investment and records non-temporary declines in value when it is determined the ultimate net realizable value is less than the recorded amount. No such declines were identified in 2015 and 2014.

Goodwill: Goodwill is evaluated for impairment at least annually. The Alliance comprises a single reporting unit for evaluation of goodwill. Management performed an evaluation of goodwill for impairment considering qualitative and quantitative factors and does not believe the goodwill to be impaired as of June 30, 2015 and 2014. Management's estimates utilized in the evaluation contain significant estimates and it is reasonably possible that such estimates could change in the near term.

Deferred Financing, Acquisition Costs and Other Charges: Other assets include deferred financing, acquisition costs and other charges of $24,755 and $25,841 at June 30, 2015 and 2014, respectively. Deferred financing costs are amortized over the life of the respective bond issue using the average bonds outstanding method.

Derivative Financial Instruments: The Alliance is a party to various interest rate swaps. These financial instruments are not designated as hedges and have been presented at estimated fair market value in the accompanying Consolidated Balance Sheets as either current or long-term liabilities, based upon the remaining term of the instrument.

Estimated Professional Liability Self-Insurance and Other Long-Term Liabilities: Self-insurance liabilities include estimated reserves for reported and unreported professional liability claims and are recorded at the estimated net present value of such claims. Other long-term liabilities include contributions payable and obligations under deferred compensation arrangements, a defined benefit pension plan, a post-retirement employee benefit plan as well as other liabilities which management estimates are not payable within one year.

Net Patient Service Revenue/Receivables: Net patient service revenue is reported on the accrual basis in the period in which services are provided at the estimated net realizable amounts, including estimated retroactive adjustments under reimbursement agreements with third-party payers.

Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Alliance's revenue recognition policies related to self-pay and other types of payers emphasize revenue recognition only when collections are reasonably assured.

Patient accounts receivable are reported net of both an estimated allowance for uncollectible accounts and an estimated allowance for contractual adjustments. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, Medicaid, TennCare and other third-party payment programs. Current operations include a provision for bad debts in the Consolidated Statements of Operations estimated based upon the age of the patient accounts receivable, historical writeoffs and recoveries and any unusual circumstances (such as local, regional or national economic conditions) which affect the collectibility of receivables, including management's assumptions about conditions it expects to exist and courses of action it expects to take. The primary uncertainty lies with uninsured patient receivables and deductibles, co-payments or other amounts due from individual patients. Additions to the allowance for uncollectible accounts result from the provision for bad debts. Patient accounts written off as uncollectible are deducted from the allowance for uncollectible accounts.

For uninsured patients that do not qualify for charity care, the Alliance recognizes revenue on the basis of discounted rates under the Alliance's self-pay patient policy. Under the policy, a patient who has no insurance and is ineligible for any government assistance program has their bill reduced to the amount which generally would be billed to a commercially insured patient. The Alliance's policy does not require collateral or other security for patient accounts receivable. The Alliance routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

Charity Care: The Alliance accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Alliance and various guidelines outlined by the Federal Government. These policies define charity as those services for which no payment is anticipated and, as such, charges at established rates are not included in net patient service revenue. Charges forgone, based on established rates, totaled $85,988 and $109,550 during 2015 and 2014, respectively. The estimated direct and indirect cost of providing these services totaled $17,953 and $24,011 in 2015 and 2014, respectively. Such costs are determined using a ratio of cost to charges analysis with indirect cost allocated.

In addition to the charity care services, the Alliance provides a number of other services to benefit the poor for which little or no payment is received. Medicare, Medicaid, TennCare and State indigent programs do not cover the full cost of providing care to beneficiaries of those programs. The Alliance also provides services to the community at large for which it receives little or no payment.

Excess of Revenue, Gains and Support Over Expenses and Losses: The Consolidated Statements of Operations and the Consolidated Statements of Changes in Net Assets includes the caption Excess of Revenue, Gains and Support Over Expenses and Losses (the Performance Indicator). Changes in unrestricted net assets which are excluded from the Performance Indicator, consistent with industry practice, include contributions of long-lived assets or amounts restricted to the purchase of long-lived assets, certain pension and related adjustments, and transactions with noncontrolling interests.

Income Taxes: The Alliance is classified as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes has been made in the accompanying consolidated financial statements for the Alliance and its tax-exempt subsidiaries. The Alliance's taxable subsidiaries are discussed in Note L. The Alliance has no significant uncertain tax positions at June 30, 2015 and 2014. At June 30, 2015, tax returns for 2011 through 2014 are subject to examination by the Internal Revenue Service.

Temporarily and Permanently Restricted Net Assets: Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. When a donor or time restriction expires; that is, when a stipulated time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Consolidated Statements of Operations and Changes in Net Assets as net assets released from restrictions. The Alliance's policy is to net contribution and grant revenues against related expenses and present such amounts as a part of other revenue, gains and support in the Consolidated Statements of Operations. Permanently restricted net assets have been restricted by donors to be maintained by the Alliance in perpetuity.

Premium Revenue: Premium revenue include premiums from individuals and the Centers for Medicare & Medicaid Services (CMS). CMS premium revenue is based on predetermined prepaid rates under Medicare risk contracts. Premiums are recognized in the month in which the members are entitled to health care services. Premiums collected in advance are deferred and recorded as unearned premium revenue. Premium deficiency losses are recognized when it is probable that expected future claim expenses will exceed future premiums on existing contracts. Management evaluated the need for a premium deficiency reserve and recorded an estimated reserve of $2,000 at June 30, 2015 and 2014.

Medicare Shared Savings Program (MSSP): The Alliance participates in CMS's Medicare Shared Savings Program which is designed to facilitate coordination and cooperation among providers to improve the quality of care for Medicare beneficiaries and reduce unnecessary costs. Accountable care organizations participating in the program are assigned beneficiaries by CMS and are entitled to share in the savings if they are able to lower growth in Medicare Parts A and B fee-for-service costs while meeting performance standards on quality of care. Utilizing statistical data and the

methodology employed by CMS, management estimated and recognized $2,857 and $5,425 of shared savings in 2015 and 2014, respectively.

Electronic Health Record (EHR) Incentives: The American Recovery and Reinvestment Act of 2009 (ARRA) provides for incentive payments under the Medicare and Medicaid programs for certain hospitals and physician practices that demonstrate meaningful use of certified EHR technology. The incentive payments are calculated based upon estimated discharges, charity care and other input data and are recorded upon the Alliance's attainment of program and attestation criteria. The incentive payments are subject to regulatory audit. During the years ending June 30, 2015 and 2014, the Alliance recognized EHR incentive revenues of $1,883 and $18,269, respectively. EHR incentive revenues are included in other revenue, gains and support in the accompanying Consolidated Statements of Operations. The Alliance incurs both capital expenditures and operating expenses in connection with the implementation of its various EHR initiatives. The amount and timing of these expenditures does not directly correlate with the timing of the Alliance's receipt or recognition of the EHR incentive payments.

Medical Costs: The cost of health care services is recognized in the period in which services are provided. Medical costs include an estimate of the cost of services provided to members by third-party providers, which have been incurred but not reported.

Subsequent Events: The Alliance evaluated all events or transactions that occurred after June 30, 2015, through October 28, 2015, the date the consolidated financial statements were available to be issued. During this period management did not note any material recognizable subsequent events that required recognition or disclosure in the June 30, 2015 consolidated financial statements, other than as disclosed in Note P.

Reclassifications: Certain 2014 amounts have been reclassified to conform with the 2015 presentation in the accompanying consolidated financial statements.

New Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. Under ASU 2014-09, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the accounting standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. Management is currently evaluating the impact of adopting the accounting standard.

NOTE C--INVESTMENTS

Assets limited as to use are summarized by designation or restriction as follows at June 30:

	2015	2014
Designated or restricted:		
Under safekeeping agreements	$ 8,221	$ 8,220
By Board to satisfy regulatory requirements	1,529	6,759
Under bond indenture agreements:		
For debt service and interest payments	53,812	55,123
For capital acquisitions	8,507	16,127
	72,069	86,229
Less: amount required to meet current obligations	(19,598)	(25,029)
	$ 52,471	$ 61,200

Assets limited as to use consist of the following at June 30:

	2015	2014
Cash and cash equivalents	$ 49,665	$ 54,437
U.S. Government and agency securities	19,757	28,518
Corporate and foreign bonds	860	2,354
Municipal obligations	1,787	920
	$ 72,069	$ 86,229

Held-to-maturity securities (other than assets limited as to use) are carried at amortized cost and consist of the following at June 30:

	2015	2014
Cash and cash equivalents	$ 2,781	$ 220
Corporate and foreign bonds	30,967	35,131
Municipal obligations	5,765	3,408
	$ 39,513	$ 38,759

Held-to-maturity securities had gross unrealized gains and losses of $98 and $425, respectively, at June 30, 2015 and $206 and $456, respectively, at June 30 2014. At June 30, 2015, the Alliance held securities within the held-to-maturity portfolio with a fair value and unrealized loss of $12,710

and $359, respectively, which had been at an unrealized loss position for over one year. At June 30, 2014, the Alliance held securities within the held-to-maturity portfolio with a fair value and unrealized loss of $13,513 and $456, respectively, which had been at an unrealized loss position for over one year. At June 30, 2015, the contractual maturities of held-to-maturity securities were $10,020 due in one year or less, $16,580 due from one to five years and $12,913 due after five years.

Trading securities consist of the following at June 30:

	2015	2014
Cash and cash equivalents	$ 20,789	$ 50,623
U.S. Government and agency securities	76,167	69,805
Corporate and foreign bonds	95,726	96,749
Municipal obligations	23,330	21,409
U.S. equity securities	5,419	1,868
Mutual funds	293,983	253,301
Alternative investments	87,144	54,761
	$ 602,558	$ 548,516

The net investment gain is comprised of the following for the years ending June 30:

	2015	2014
Interest and dividend income, net of fees	$ 13,894	$ 12,074
Net realized gains on the sale of securities	9,260	15,311
Change in net unrealized gains on securities	(6,138)	23,318
	$ 17,016	$ 50,703

The Alliance is a member of Premier Inc.'s (Premier) group purchasing organization and holds Class B Units which are convertible into cash or Class A common stock over a seven year vesting period. The Alliance records an investment relative to the estimated fair value of its Class B units, $14,724 and $14,713 at June 30, 2015 and 2014, respectively. In addition, as the vesting period is tangential to the Alliance's continued participation in the group purchasing contract, the Alliance recorded a liability equivalent to the estimated fair value of the Class B units, which is included within other long-term liabilities in the Consolidated Balance Sheets. The liability is being amortized as a vendor incentive over the vesting period. During 2015 and 2014, the Alliance recognized $4,045 and $2,933, respectively, related to the vendor incentive which is included within other revenue, gains and support in the Consolidated Statements of Operations.

NOTE D--DERIVATIVE TRANSACTIONS

The Alliance is subject to an enforceable master netting arrangement in the form of an ISDA agreement with Bank of America, Merrill Lynch (BofAML). The ISDA agreement requires that the Alliance post additional collateral for the derivatives' fair market value deficits above specified levels. As of June 30, 2015 and 2014, the Alliance was not required to post additional collateral. Under the terms of this agreement, offsetting of derivative contracts is permitted in the event of default of either party to the agreement.

The following is a summary of the interest rate swap agreements at June 30, 2015 and 2014:

Notional Amount	*Termination*	*Counterparty*	*Current Payments:* *Receive*	*Pay*	*Estimated Fair Value* *2015*	*2014*
$170,000	4/2026	BofAML	1.14%	0.00%	$ 5,205	$ 3,089
$95,000	4/2026	BofAML	1.14%	0.00%	2,929	1,748
$173,030	4/2034	BofAML	1.16%	0.00%	884	(1,884)
$82,055	7/2033	BofAML	67% USD-LIBOR-BBA	0.312% + USD-SIFMA	(8,253)	(9,365)
$50,000	7/2038	BofAML	67% (USD-LIBOR-BBA + 0.15%)	USD-SIFMA	(3,351)	(4,210)
$19,400	7/2018	BofAML	4.50%	1.05% + USD-SIFMA	48	63
$4,293	7/2015	First Tennessee Bank	0.00%	USD-LIBOR-BBA	(3)	(44)
					$ (2,541)	$ (10,603)

The Alliance recognized net settlement income on the interest rate swap agreements of $6,172 and $5,980 in 2015 and 2014, respectively.

NOTE E--PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30:

	2015	2014
Land	$ 60,337	$ 60,722
Buildings and leasehold improvements	766,089	760,853
Property and improvements held for leasing	83,582	80,824
Equipment and information technology infrastructure	733,315	700,748
Buildings and equipment held under capital lease	249	340
	1,643,572	1,603,487
Less: Allowances for depreciation and amortization	(815,105)	(757,641)
	828,467	845,846
Construction in progress	18,622	35,583
	$ 847,089	$ 881,429

Accumulated depreciation and amortization on property and improvements held for leasing purposes is $29,520 and $27,500 at June 30, 2015 and 2014, respectively. Net interest capitalized was $925 and $1,533 for the years ended June 30, 2015 and 2014, respectively.

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

Long-term debt and capital lease obligations consist of the following at June 30:

Description	*Rate as of June 30, 2015*	*Outstanding Balance 2015*	*2014*
2013 Hospital Revenue and Refunding Revenue Bonds:			
$61,180 variable rate tax-exempt term bond, due August 2031	1.15%	$ 327,785	$ 328,665
$47,970 variable rate tax-exempt term bond, due August 2032	0.93%		
$13,350 variable rate tax-exempt term bond, due August 2038	1.15%		
$89,370 variable rate tax-exempt term bonds, due August 2042	1.12% - 1.23%		
$16,235 variable rate tax-exempt term bond, due August 2043	0.07%		
$99,680 variable rate taxable term bond due August 2043	0.12%		
2012 Hospital Revenue Bonds: (net of unamortized premium of $1,696 and $1,756 at June 30, 2015 and 2014, respectively)			
$55,000 fixed rate tax-exempt term bond, due August 2042	5.00%	56,696	56,756
2011 Hospital Revenue and Refunding and Improvement Bonds:			
$74,795 variable rate tax-exempt term bonds, due July 2033	0.08%	94,320	104,710
$19,525 variable rate tax-exempt term bond, due July 2033	1.11%		

Description	*Rate as of June 30, 2015*	*Outstanding Balance 2015*	*2014*
2010 Hospital Revenue Refunding Bonds: (net of unamortized premium of $1,441 and $1,523 at June 30, 2015 and 2014, respectively)			
$33,960 fixed rate tax-exempt serial bonds, through 2020	4.00% to 5.00%	173,271	180,993
$4,355 fixed rate tax-exempt term bond, due July 2023	5.00%		
$14,985 fixed rate tax-exempt term bond, due July 2025	5.38%		
$4,250 fixed rate tax-exempt term bond, due July 2028	5.50%		
$19,230 fixed rate tax-exempt term bond, due July 2030	5.63%		
$95,050 fixed rate tax-exempt term bonds, due July 2038	6.00% - 6.50%		
2009 Hospital Revenue Bonds: (net of unamortized discount of $2,176 and $2,267 at June 30, 2015 and 2014, respectively)			
$14,425 fixed rate tax-exempt term bonds, due July 2019	7.25%	117,264	119,813
$21,730 fixed rate tax-exempt term bonds, due July 2029	7.50%		
$83,285 fixed rate tax-exempt term bonds, due July 2038	7.75% - 8.00%		
2007B Taxable Hospital Revenue Bonds:			
$15,920 variable rate taxable term bond due July 2019	0.12%	15,920	19,515
2006 Hospital First Mortgage Revenue Bonds: (net of unamortized premium of $123 and $129 at June 30, 2015 and 2014, respectively)			
$3,965 fixed rate tax-exempt serial bonds, through 2019	5.00%	167,143	167,864
$7,375 fixed rate tax-exempt term bond, due July 2026	5.25%		
$20,505 fixed rate tax-exempt term bond, due July 2031	5.50%		
$135,175 fixed rate tax-exempt term bond, due July 2036	5.50%		
2001 Hospital First Mortgage Revenue Bond:			
$19,400 fixed rate tax-exempt term bond, due July 2026	4.50%	19,400	20,400
2000 Hospital First Mortgage Revenue and Refunding Bonds:			
$42,000 fixed rate tax-exempt term bond, due July 2026	8.50%	81,538	81,006
$39,538 fixed rate tax-exempt Capital Appreciation Bond, interest and principal due July 2026 through 2030	6.63%		
Capitalized lease obligations secured by equipment			
Various monthly principal and interest payments through December 2016	Various	350	806
Notes payable secured by real estate			
Paid-off in 2015	Various	-	5,542
Promissory notes secured by assets of certain subsidiaries			
Various monthly principal and interest payments through 2019	Various	1,705	1,944
Term note			
Monthly principal payments of $60 plus variable rate interest beginning November 2012 through September 2015; remaining principal due October 2015	1.17%	16,160	16,883
Notes payable secured by equipment			
Various monthly principal and interest payments through 2016	Various	395	790
		1,071,947	1,105,687
Less current portion		(40,286)	(30,618)
		$ 1,031,661	$ 1,075,069

Capital Appreciation Bonds: The Series 2000 Bonds include $14,680 of insured Capital Appreciation Bonds. Such bonds bear a 0% coupon rate and have a yield of 6.625% annually. The Alliance recognizes interest expense and increases the amount of outstanding debt each year based upon this yield. Total principal and interest due at maturity (2026 through 2030) is $93,675.

Other: Outstanding tax-exempt bond obligations that were insured under municipal bond insurance policies were $81,538 and $81,006 at June 30, 2015 and 2014, respectively. Under terms of these policies, the insurer guarantees the Alliance's payment of principal and interest. At June 30, 2015 and 2014, the Alliance held $206,630 and $212,360, respectively, in variable rate demand bonds with letter of credit support and $231,395 and $240,530, respectively, in variable rate bonds held under direct purchase agreements.

Early Redemption: Essentially all of the Alliance's bonds are subject to redemption prior to maturity, including optional, mandatory sinking fund and extraordinary redemption, at various dates and prices as described in the respective Bond indentures and other documents.

Derecognized Bonds: In previous years, the Alliance advance refunded debt by placing required funds in irrevocable trusts in order to satisfy remaining scheduled principal and interest payments of the outstanding debt. Management, upon advice of legal counsel, believes the amounts deposited in such irrevocable trust accounts have contractually relieved the Alliance of any future obligations with respect to this debt. Debt outstanding and not recognized in the Consolidated Balance Sheet at June 30, 2015 due to previous advance refundings totaled $185,470.

The assets placed in the irrevocable trust accounts are also not recognized as assets of the Alliance. These assets consist primarily of various investments, as permitted by bond indentures and other documents, including United States Treasury obligations, an investment contract with MBIA Insurance Corporation (MBIA) in the original amount of $54,300, as well as the Series 2000C and 2000D Bonds which were purchased with the proceeds of the 2000A and 2000B Bonds specifically for the purpose of utilizing the Series 2000C and 2000D Bonds in the irrevocable trust. Therefore, certain of the assets held in the irrevocable trust accounts have future income streams contingent upon payments by the Alliance.

Financing Arrangements: The Alliance granted a deed of trust on Johnson City Medical Center and Sycamore Shoals Hospital to secure the payment of the outstanding bond indebtedness. The bonds are also secured by the Alliance's receivables, inventories and other assets as well as certain funds held under the documents pursuant to which the bonds were issued. The Johnston Memorial Hospital, Inc. and Subsidiaries (JMH) Series 2011 Hospital Refunding and Improvement Revenue Bonds are secured by pledged revenues of JMH, as defined in the Credit Agreement.

Certain members of the Alliance and JMH are each members of separate Obligated Groups. The bond indentures, master trust indentures, letter of credit agreements and loan agreements related to the various bond issues and notes payable contain covenants with which the respective Obligated Groups must comply. These requirements include maintenance of certain financial and liquidity ratios, deposits to trustee funds, permitted indebtedness, use of facilities and disposals of property. These covenants also require that failure to meet certain debt service coverage tests will require the deposit of all daily cash receipts of the Alliance into a trust fund. Management has represented the Alliance and JMH are in compliance with all such covenants at June 30, 2015.

The scheduled maturities and mandatory sinking fund payments of the long-term debt and capital lease obligations (excluding interest), exclusive of net unamortized original issue discount and premium, at June 30, 2015 are as follows:

Year Ending June 30,		
2016	$	40,286
2017		24,112
2018		24,793
2019		25,926
2020		27,048
Thereafter		928,699
		1,070,864
Net premium		1,083
	$	1,071,947

NOTE G--SELF-INSURANCE PROGRAMS

The Alliance is substantially self-insured for professional and general liability claims and related expenses. The Alliance maintains a $25,000 umbrella liability policy that attaches over the self-insurance limits of $10,000 per claim and a $15,000 annual aggregate retention. The Alliance's insurance program also provides professional liability coverage for certain affiliates and joint ventures.

The Alliance is also substantially self-insured for workers' compensation claims in the State of Tennessee and has established estimated liabilities for both reported and unreported claims. The Alliance maintains a stop-loss policy that attaches over the self-insurance limits of $1,000 per occurrence. In the State of Virginia, the Alliance is not self-insured and maintains workers' compensation insurance through commercial carriers.

At June 30, 2015, the Alliance is involved in litigation relating to medical malpractice and workers' compensation and other claims arising in the ordinary course of business. There are also known incidents occurring through June 30, 2015 that may result in the assertion of additional claims, and other unreported claims may be asserted arising from services provided in the past. Management has estimated and accrued for the cost of these unreported claims based on historical data and actuarial projections. The estimated net present value of malpractice and workers' compensation claims, both reported and unreported, as of June 30, 2015 and 2014 was $12,616 and $13,220, respectively. The discount rate utilized was 5% at June 30, 2015 and 2014.

Additionally, the Alliance is self-insured for employee health claims and recognizes expense each year based upon actual claims paid and an estimate of claims incurred but not yet paid. Such amount is included in accounts payable and accrued expenses in the Consolidated Balance Sheets.

NOTE H--NET PATIENT SERVICE REVENUE

Patient service revenue, net of contractual allowances and discounts, is composed of the following for the years ended June 30:

	2015	*2014*
Third-party payers	$ 965,865	$ 933,491
Patients	151,089	113,276
Patient service revenue	$ 1,116,954	$ 1,046,767

Patient deductibles and copayments under third-party payment programs are included within the patient amounts above.

The Alliance also provides services to uninsured and underinsured patients that do not qualify for financial assistance. Based on historical experience, a significant portion of uninsured and underinsured patients are unable or unwilling to pay the portion of their bill for which they are financially responsible, and a significant provision for bad debts is recorded in the period the services are provided.

The Alliance's allowance for doubtful accounts totaled $73,805 and $47,853 at June 30, 2015 and 2014, respectively. The allowance for doubtful accounts increased from 23% of patient accounts receivable, net of contractual allowances in 2014 to 31% of patient accounts receivable, net of contractual allowances in 2015. The increase is mainly related to the growing popularity of high-deductible insurance plans resulting in higher deductibles and out-of-pocket costs for patients. Management's estimate of the allowance for doubtful accounts is an estimate subject to change in the

near term. The provision for bad debts associated with the Alliance's ancillary service lines are not significant.

NOTE I--THIRD-PARTY REIMBURSEMENT

The Alliance renders services to patients under contractual arrangements with Medicare, Medicaid, TennCare and various other commercial payers. The Medicare program pays for inpatient services on a prospective basis. Payments are based upon diagnosis related group assignments, which are determined by the patient's clinical diagnosis and medical procedures utilized. The Alliance also receives additional payments from Medicare based on the provision of services to a disproportionate share of Medicaid and other low income patients. Most Medicare outpatient services are reimbursed on a prospectively determined payment methodology. The Medicare program also reimburses certain other services on the basis of reasonable cost, subject to various prescribed limitations and reductions.

Reimbursement under the State of Tennessee's Medicaid waiver program (TennCare) for inpatient and outpatient services is administered by various managed care organizations (MCOs) and is based on diagnosis related group assignments, a negotiated per diem or fee schedule basis. The Alliance also receives additional supplemental payments from the State of Tennessee and Medicaid. These payments recognized totaled $10,386 and $10,860 for the years ended June 30, 2015 and 2014, respectively.

The Virginia Medicaid program reimbursement for inpatient hospital services is based on a prospective payment system using both a per case and per diem methodology. Additional payments are made for the allowable costs of capital. Payments for outpatient services are transitioning from cost-based reimbursement principles to a prospective payment system. Full implementation of this transition is expected to take place over multiple years.

Amounts earned under the contractual agreements with the Medicare and Medicaid programs are subject to review and final determination by fiscal intermediaries and other appropriate governmental authorities or their agents. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The impact of final settlements of cost reports or changes in estimates increased net patient service revenue by $3,076 and $6,201 in 2015 and 2014, respectively.

Activity with respect to audits and reviews of the governmental programs in the healthcare industry has increased and is expected to increase in the future. No additional specific reserves or allowances have been established with regard to these increased audits and reviews as management is not able to estimate such amounts, if any. Management believes that any adjustments from these increased audits and reviews will not have a material adverse impact on the consolidated financial statements.

However, due to uncertainties in the estimation, it is at least reasonably possible that management's estimate will change in 2016, although the amount of any change cannot be estimated.

Participation in the Medicare program subjects the Alliance to significant rules and regulations; failure to adhere to such could result in fines, penalties or expulsion from the program. Management believes that adequate provision has been made for any adjustments, fines or penalties which may result from final settlements or violations of other rules or regulations. Management has represented that the Alliance is in substantial compliance with these rules and regulations as of June 30, 2015.

The Alliance has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations and employer groups. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

NOTE J--EMPLOYEE BENEFIT PLANS

The Alliance sponsors a defined contribution retirement plan (the Plan) which covers substantially all employees. The Alliance makes contributions to the Plan under a stratified system, whereby the Alliance's contribution percentage is based on each employee's years of service. Employees of certain other subsidiaries are covered by other plans, although such plans are not significant. The total expense related to defined contribution plans for the years ended June 30, 2015 and 2014 was $15,601 and $13,850, respectively.

NCH maintains a frozen defined benefit pension plan and a frozen post-retirement employee benefit plan. The accrued unfunded pension liability was $1,806 and $2,086, and the accrued unfunded post-retirement liability was $6,307 and $5,857 at June 30, 2015 and 2014, respectively.

The Alliance sponsors a secured executive benefit program (SEBP) for certain key executives. Contributions to the plan by the Alliance are based on an annual amount of funding necessary to produce a target benefit for the participants at their retirement dates, although the Alliance does not guarantee any level of benefit will be achieved. The Alliance contributed $1,727 and $511 to the plan during 2015 and 2014, respectively. Other assets at June 30, 2015 and 2014 include $13,030 and $11,302, respectively, related to the Alliance's portion of the benefits which are recoverable upon the death of the participant. In addition, the Alliance sponsors a Section 457(f) plan for certain key executives. Contributions to the Section 457(f) plan during 2015 and 2014 were not significant.

NOTE K--CONCENTRATION OF RISK

The Alliance has locations primarily in upper East Tennessee and Southwest Virginia, a geographic concentration. The Alliance grants credit without collateral to its patients, most of whom are local

residents and are insured under third-party payer agreements. Net patient service revenue from Washington County, Tennessee acute-care operations was approximately 52% of total net patient service revenue in 2015 and 2014.

The mix of receivables from patients and third-party payers based on charges at established rates is as follows as of June 30. The patient responsibility related to charges for which the third-party has not yet paid is included within the third-party payer categories.

	2015	*2014*
Medicare	41%	39%
Tenncare/Medicaid	15%	18%
Commercial	26%	28%
Other third-party payers	8%	8%
Patients	10%	7%
	100%	100%

Approximately 91% and 88% of the consolidated total revenue, gains and support were related to the provision of healthcare services during 2015 and 2014, respectively. Admitting physicians are primarily practitioners in the regional area.

The Hospital maintains bank accounts at various financial institutions covered by the Federal Deposit Insurance Corporation (FDIC). At times throughout the year, the Alliance may maintain bank account balances in excess of the FDIC insured limit. Management believes the credit risk associated with these deposits is not significant.

The Alliance routinely invests in investment vehicles as listed in Note C. The Alliance's investment portfolio is managed by outside investment management companies. Investments in corporate and foreign bonds, municipal obligations, money market funds, equities and other vehicles that are held by safekeeping agents are not insured or guaranteed by the U.S. government.

NOTE L--INCOME TAXES

BRMM and its subsidiaries file a consolidated federal tax return and separate state tax returns. As of June 30, 2015 and 2014, BRMM and its subsidiaries had net operating loss carryforwards for consolidated federal purposes of $30,700 and $27,085, respectively, related to operating loss carryforwards, which expire through 2033. At June 30, 2015 and 2014, BRMM had state net operating loss carryforwards of $75,619 and $74,191, respectively, which expire through 2029. The net operating loss carryforwards may be offset against future taxable income to the extent permitted by the Internal Revenue Code and Tennessee Code Annotated.

Net deferred tax assets related to these carryforwards and other deferred tax assets have been substantially offset through valuation allowances equal to these amounts. Income taxes paid relate primarily to state taxes for certain subsidiaries and federal alternative minimum tax.

NOTE M--OTHER COMMITMENTS AND CONTINGENCIES

Construction in Progress: Construction in progress at June 30, 2015 represents costs incurred related to various hospital and medical office building facility renovations and additions and information technology infrastructure. The Alliance has outstanding contracts and other commitments related to the completion of these projects, and the cost to complete these projects is estimated to be $30,508 at June 30, 2015. The Alliance does not expect any significant costs to be incurred for infrastructure improvements to assets held for resale.

Employee Scholarships: The Alliance offers scholarships to certain individuals which require that the recipients return to the Alliance to work for a specified period of time after they complete their degrees. Amounts due are then forgiven over a specific period of time as provided in the individual contracts. If the recipient does not return and work the required period of time, the funds disbursed on their behalf become due immediately, and interest is charged until the funds are repaid. Other receivables at June 30, 2015 and 2014 include $7,095 and $8,685, respectively, related to students in school, graduates working at the Alliance and amounts due from others who are no longer in the scholarship program, net of an estimated allowance.

Operating Leases and Maintenance Contracts: Total lease expense for the years ended June 30, 2015 and 2014 was $7,414 and $7,901, respectively. Future minimum lease payments for each of the next five years and in the aggregate for the Alliance's noncancellable operating leases with remaining lease terms in excess of one year are as follows:

Year Ending June 30,		
2016	$	7,346
2017		4,614
2018		3,605
2019		3,279
2020		2,481
Thereafter		11,240
	$	32,565

NOTE N--FAIR VALUE MEASUREMENT

The fair value of financial instruments has been estimated by the Alliance using available market information as of June 30, 2015 and 2014, and valuation methodologies considered appropriate. The estimates presented are not necessarily indicative of amounts the Alliance could realize in a current market exchange. The carrying value of substantially all financial instruments approximates fair value due to the nature or term of the instruments, except as described below.

Held-to-Maturity Securities: The estimated fair value of the Alliance's held-to-maturity securities at June 30, 2015 and 2014, is $39,186 and $38,508, respectively, and would be classified in level 2 of the fair value hierarchy (described below). The fair value is based on prices provided by the Alliance's investment managers and its custodian bank, which use a variety of pricing sources to determine market valuations.

Investment in Joint Ventures: It is not practical to estimate the fair market value of the investments in joint ventures.

Estimated Professional Liability Self-Insurance and Other Long-Term Liabilities: Estimates of reported and unreported professional liability claims, pension and post-retirement liabilities are discounted to approximate their estimated fair value. It is not practical to estimate the fair market value of other long-term liabilities.

Long-Term Debt: The estimated fair value of the Alliance's long-term debt at June 30, 2015 and 2014, is $1,130,580 and $1,172,357, respectively, and would be classified in Level 2 in the fair value hierarchy. The fair value of long-term debt is estimated based upon quotes obtained from brokers for bonds and discounted future cash flows using current market rates for other debt. For long-term debt with variable interest rates, the carrying value approximates fair value.

FASB Accounting Standards Codification 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- 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 included in 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. The Alliance's Level 2 investments are valued primarily using the market valuation approach.

- Level 3 - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Alliance's own assumptions.

In instances where the determination of the fair value hierarchy measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Alliance's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table sets forth, by level within the fair value hierarchy, the financial instruments measured at fair value as of June 30, 2015 and 2014:

	Total	*Level 1*	*Level 2*	*Level 3*
June 30, 2015				
Cash and cash equivalents	$ 70,439	$ 70,439	$ -	$ -
U.S. Government and agency securities	88,083	88,083	-	-
Corporate and foreign bonds	96,586	-	96,586	-
Municipal obligations	23,329	-	23,329	-
U.S. equity securities	5,419	5,419	-	-
Mutual funds	293,983	212,323	81,660	-
Alternative investments	87,144	-	72,420	14,724
Total assets	$ 664,983	$ 376,264	$ 273,995	$ 14,724
Derivative agreements	$ (2,541)	$ -	$ -	$ (2,541)
June 30, 2014				
Cash and cash equivalents	$ 98,956	$ 98,956	$ -	$ -
U.S. Government and agency securities	90,474	90,474	-	-
Corporate and foreign bonds	99,103	-	99,103	-
Municipal obligations	21,409	-	21,409	-
U.S. equity securities	1,868	1,868	-	-
Mutual funds	253,301	177,067	76,234	-
Alternative investments	69,474	-	54,761	14,713
Total assets	$ 634,585	$ 368,365	$ 251,507	$ 14,713
Derivative agreements	$ (10,603)	$ -	$ -	$ (10,603)

Fair values for the Alliance's fixed maturity securities are based on prices provided by the Alliance's investment managers and its custodian bank, which use a variety of pricing sources to determine market valuations. Fair values of equity securities have been determined by the Alliance from market quotations.

Alternative Investments: The Alliance generally uses net asset value per unit as provided by external investment managers without further adjustment as the practical expedient estimate of the fair value of its alternative investment in a real estate fund. Accordingly, such values may differ from values that would have been used had an active market for the investments existed. The real estate fund invests primarily in U.S. commercial real estate. The Alliance may request redemption of all or a portion of its interests as of the end of a calendar quarter by delivering written notice to the fund managers at least 60 days prior to the end of the quarter. Such redemptions are subject to the capital requirements of the fund manager.

The Alliance's investment in Premier Class B units does not have a readily determinable fair value and have been reported at estimated fair market value. The significant unobservable inputs primarily relate to management's estimate of the discount for lack of marketability of 12%. Accordingly, such value may differ from values that would have been used had an active market for the investment existed and as such it has been classified in Level 3 of the fair value hierarchy.

Derivative Agreements: The valuation of the Alliance's derivative agreements is determined using market valuation techniques, including discounted cash flow analysis on the expected cash flows of each agreement. This analysis reflects the contractual terms of the agreement, including the period to maturity, and uses certain observable market-based inputs. The fair values of interest rate agreements are determined by netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash receipts (or payments) are based on the expectation of future interest rates and the underlying notional amount. The Alliance also incorporates credit valuation adjustments (CVAs) to appropriately reflect both its own nonperformance or credit risk and the respective counterparty's nonperformance or credit risk in the fair value measurements. The CVA on the Alliance's interest rate swap agreements at June 30, 2015 and 2014 resulted in a decrease in the fair value of the related liability of $713 and $4,584, respectively.

A certain portion of the inputs used to value its interest rate swap agreements, including the forward interest rate curves and market perceptions of the Alliance's credit risk used in the CVAs, are unobservable inputs available to a market participant. As a result, the Alliance has determined that the interest rate swap valuations are classified in Level 3 of the fair value hierarchy. Due to the nature of these financial instruments, such estimates of fair value are subject to significant change in the near term.

The following tables provide a summary of changes in the fair value of the Alliance's Level 3 financial assets and liabilities during the fiscal years ended June 30, 2015 and 2014:

	Alternative Investment	*Derivatives, Net*
July 1, 2013	$ -	$ (8,185)
Total unrealized/realized losses	-	(2,761)
Net investment income	-	343
Additions	14,713	-
June 30, 2014	14,713	(10,603)
Total unrealized/realized gains	6,978	7,718
Net investment income	-	344
Settlements	(6,967)	-
June 30, 2015	$ 14,724	$ (2,541)

NOTE O--OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

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

NOTE P--SUBSEQUENT EVENTS

The Alliance and Wellmont Health System (Wellmont) have agreed to exclusively explore the creation of a new, integrated and locally governed health system. Wellmont operates six hospitals and numerous outpatient care sites, serving communities in Northeast Tennessee and Southwest Virginia. Wellmont and the Alliance have filed a letter of intent (LOI) with the Tennessee Department of Health, indicating the organizations will submit an application for a Certificate of Public Advantage (COPA). The two organizations have submitted a similar letter of intent with the Southwest Virginia Health Authority, signaling their intent to request approval by the commonwealth of the anticipated cooperative agreement between the two systems. A COPA in Tennessee and the cooperative agreement approval process in Virginia will allow Wellmont and the Alliance to merge, with the states actively supervising the proposed new health system to ensure it complies with the provisions of the COPA intended to contain costs and sustain high quality, affordable care. The two organizations are in the process of finalizing a definitive agreement. The date for expected completion of the merger has not been set but will not occur before state approval has been granted.

Supplemental Information

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Balance Sheets
(Smyth County Community Hospital and Subsidiary and Norton Community Hospital and Subsidiaries)
(Dollars in Thousands)

June 30, 2015

	Smyth County Community Hospital and Subsidiary	*Norton Community Hospital and Subsidiaries*
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,940	$ 6,798
Patient accounts receivable, less estimated allowances for uncollectible accounts	6,295	11,137
Other receivables, net	156	310
Inventories and prepaid expenses	1,079	2,061
Estimated amounts due from third-party payers, net	793	292
TOTAL CURRENT ASSETS	11,263	20,598
INVESTMENTS, less amounts required to meet current obligations	24,807	30,451
PROPERTY, PLANT AND EQUIPMENT, net	67,550	50,275
OTHER ASSETS		
Net deferred financing, acquisition costs and other charges	139	210
Other assets	741	-
TOTAL OTHER ASSETS	880	210
	$ 104,500	$ 101,534

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Balance Sheets - Continued
(Smyth County Community Hospital and Subsidiary and Norton Community Hospital and Subsidiaries)
(Dollars in Thousands)

June 30, 2015

	Smyth County Community Hospital and Subsidiary	*Norton Community Hospital and Subsidiaries*
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued interest payable	$ 12	$ 15
Current portion of long-term debt and capital lease obligations	134	110
Accounts payable and accrued expenses	2,323	6,245
Accrued salaries, compensated absences and amounts withheld	2,116	4,388
Payables to affiliates, net	342	89
TOTAL CURRENT LIABILITIES	4,927	10,847
OTHER LIABILITIES		
Long-term debt and capital lease obligations, less current portion	15,830	20,985
Estimated professional liability self-insurance	442	632
Other long-term liabilities	1,178	8,200
TOTAL LIABILITIES	22,377	40,664
NET ASSETS		
Unrestricted net assets	82,114	60,734
Temporarily restricted net assets	9	136
TOTAL NET ASSETS	82,123	60,870
	$ 104,500	$ 101,534

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Operations and Changes in Net Assets
(Smyth County Community Hospital and Subsidiary and Norton Community Hospital and Subsidiaries)
(Dollars in Thousands)

Year Ended June 30, 2015

	Smyth County Community Hospital and Subsidiary	*Norton Community Hospital and Subsidiaries*
UNRESTRICTED NET ASSETS:		
Revenue, gains and support:		
Patient service revenue, net of contractual allowances and discounts	$ 48,370	$ 78,667
Provision for bad debts	(5,332)	(8,546)
Net patient service revenue	43,038	70,121
Net investment gain	651	746
Other revenue, gains and support	1,745	2,576
TOTAL REVENUE, GAINS AND SUPPORT	45,434	73,443
Expenses and losses:		
Salaries and wages	17,289	23,681
Physician salaries and wages	257	6,043
Contract labor	170	567
Employee benefits	4,365	8,965
Fees	9,050	8,326
Supplies	5,349	8,793
Utilities	978	1,286
Other	4,348	7,753
Depreciation	4,289	4,489
Amortization	8	30
Interest and taxes	156	257
TOTAL EXPENSES AND LOSSES	46,259	70,190
EXCESS (DEFICIT) OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	(825)	3,253
Pension and postretirement liability adjustments	-	(305)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(825)	2,948

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Operations and Changes in Net Assets - Continued
(Smyth County Community Hospital and Subsidiary and Norton Community Hospital and Subsidiaries)
(Dollars in Thousands)

Year Ended June 30, 2015

	Smyth County Community Hospital and Subsidiary	*Norton Community Hospital and Subsidiaries*
TEMPORARILY RESTRICTED NET ASSETS:		
Restricted grants and contributions	8	134
Net assets released from restrictions	(8)	(160)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	-	(26)
INCREASE (DECREASE) IN TOTAL NET ASSETS	(825)	2,922
NET ASSETS, BEGINNING OF YEAR	82,948	57,948
NET ASSETS, END OF YEAR	$ 82,123	$ 60,870

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Balance Sheet
(Obligated Group and Other Entities)
(Dollars in Thousands)

June 30, 2015

	Obligated Group	*Other Entities*	*Eliminations*	*Total*
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 47,025	$ 32,689	$ -	$ 79,714
Current portion of investments	19,598	-	-	19,598
Patient accounts receivable, less estimated allowance for uncollectible accounts	134,777	27,479	-	162,256
Other receivables, net	17,873	15,413	-	33,286
Inventories and prepaid expenses	25,427	8,542	-	33,969
TOTAL CURRENT ASSETS	244,700	84,123	-	328,823
INVESTMENTS, less amounts required to meet current obligations	458,373	236,169	-	694,542
EQUITY IN AFFILIATES	351,724	-	(351,724)	-
PROPERTY, PLANT AND EQUIPMENT, net	614,870	232,219	-	847,089
OTHER ASSETS				
Goodwill	152,600	3,996	-	156,596
Net deferred financing, acquisition costs and other charges	23,504	1,251	-	24,755
Other assets	44,738	8,302	-	53,040
TOTAL OTHER ASSETS	220,842	13,549	-	234,391
	$ 1,890,509	$ 566,060	$ (351,724)	$ 2,104,845

See note to supplemental information.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Balance Sheet – Continued
(Obligated Group and Other Entities)
(Dollars in Thousands)

June 30, 2015

	Obligated Group	*Other Entities*	*Eliminations*	*Total*
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accrued interest payable	$ 18,125	$ 34	$ -	$ 18,159
Current portion of long-term debt and capital lease obligations	22,040	18,246	-	40,286
Accounts payable and accrued expenses	80,408	19,893	-	100,301
Accrued salaries, compensated absences and amounts withheld	54,519	17,547	-	72,066
Payables to (receivables from) affiliates, net	15,314	(15,314)	-	-
Estimated amounts due to third-party payers, net	3,909	872	-	4,781
TOTAL CURRENT LIABILITIES	194,315	41,278	-	235,593
OTHER LIABILITIES				
Long-term debt and capital lease obligations, less current portion	1,012,167	19,494	-	1,031,661
Estimated fair value of derivatives, net	2,541	-	-	2,541
Estimated professional liability self-insurance	7,362	1,099	-	8,461
Other long-term liabilities	35,176	3,507	-	38,683
TOTAL LIABILITIES	1,251,561	65,378	-	1,316,939
NET ASSETS				
Unrestricted net assets				
Mountain States Health Alliance	583,287	344,360	(344,360)	583,287
Noncontrolling interests in subsidiaries	42,160	143,222	5,736	191,118
TOTAL UNRESTRICTED NET ASSETS	625,447	487,582	(338,624)	774,405
Temporarily restricted net assets				
Mountain States Health Alliance	13,303	12,966	(12,966)	13,303
Noncontrolling interests in subsidiaries	71	7	(7)	71
TOTAL TEMPORARILY RESTRICTED NET ASSETS	13,374	12,973	(12,973)	13,374
Permanently restricted net assets	127	127	(127)	127
TOTAL NET ASSETS	638,948	500,682	(351,724)	787,906
	$ 1,890,509	$ 566,060	$ (351,724)	$ 2,104,845

See note to supplemental information.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Statement of Operations
(Obligated Group and Other Entities)
(Dollars in Thousands)

Year Ended June 30, 2015

	Obligated Group	*Other Entities*	*Eliminations*	*Total*
Revenue, gains and support:				
Patient service revenue, net of contractual allowances and discounts	$ 925,979	$ 203,883	$ (12,908)	$ 1,116,954
Provision for bad debts	(104,724)	(22,795)	-	(127,519)
Net patient service revenue	821,255	181,088	(12,908)	989,435
Premium revenue	-	32,184	-	32,184
Net investment gain	12,486	4,530	-	17,016
Net derivative gain	13,195	695	-	13,890
Other revenue, gains and support	27,244	97,465	(88,138)	36,571
Equity in net gain of affiliates	716	10,275	(10,991)	-
TOTAL REVENUE, GAINS AND SUPPORT	874,896	326,237	(112,037)	1,089,096
Expenses:				
Salaries and wages	284,643	67,093	(6,581)	345,155
Physician salaries and wages	64,838	71,222	(55,781)	80,279
Contract labor	3,101	2,913	(598)	5,416
Employee benefits	66,881	17,443	(7,018)	77,306
Fees	97,754	35,093	(12,156)	120,691
Supplies	146,516	29,660	(126)	176,050
Utilities	12,981	3,798	(4)	16,775
Medical Costs	-	30,566	(12,183)	18,383
Other	61,323	26,524	(6,370)	81,477
Depreciation	51,307	15,903	-	67,210
Amortization	1,488	69	-	1,557
Interest and taxes	41,599	2,098	-	43,697
TOTAL EXPENSES	832,431	302,382	(100,817)	1,033,996
EXCESS OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	$ 42,465	$ 23,855	$ (11,220)	$ 55,100

See note to supplemental information.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Statement of Changes in Net Assets
(Obligated Group and Other Entities)
(Dollars in Thousands)

Year Ended June 30, 2015

	Obligated Group		*Total*	*Other Entities*		*Total*		
	Mountain States Health Alliance	*Noncontrolling Interests*	*Obligated Group*	*Mountain States Health Alliance*	*Noncontrolling Interests*	*Other Entities*	*Eliminations*	*Total*
UNRESTRICTED NET ASSETS:								
Excess of Revenue, Gains and Support over Expenses and Losses	$ 41,008	$ 1,457	$ 42,465	$ 13,832	$ 10,023	$ 23,855	$ (11,220)	$ 55,100
Pension and other defined benefit plan adjustments	(178)	(152)	(330)	(207)	(206)	(413)	413	(330)
Net assets released from restrictions used for the purchase of property, plant and equipment	478	-	478	478	-	478	(478)	478
Repurchases of noncontrolling interests, net	-	(1,000)	(1,000)	-	(14)	(14)	-	(1,014)
Distributions to noncontrolling interests	-	-	-	(458)	(355)	(813)	458	(355)
Net asset transfers	-	-	-	912	2,372	3,284	(3,284)	-
INCREASE IN UNRESTRICTED NET ASSETS	41,308	305	41,613	14,557	11,820	26,377	(14,111)	53,879
TEMPORARILY RESTRICTED NET ASSETS:								
Restricted grants and contributions	3,663	69	3,732	3,172	7	3,179	(3,179)	3,732
Net assets released from restrictions	(2,564)	(82)	(2,646)	(2,093)	(5)	(2,098)	2,098	(2,646)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	1,099	(13)	1,086	1,079	2	1,081	(1,081)	1,086
INCREASE IN TOTAL NET ASSETS	42,407	292	42,699	15,636	11,822	27,458	(15,192)	54,965
NET ASSETS, BEGINNING OF YEAR	554,310	41,939	596,249	341,817	131,407	473,224	(336,532)	732,941
NET ASSETS, END OF YEAR	$ 596,717	$ 42,231	$ 638,948	$ 357,453	$ 143,229	$ 500,682	$ (351,724)	$ 787,906

See note to supplemental information.

MOUNTAIN STATES HEALTH ALLIANCE

Note to Supplemental Information

Year Ended June 30, 2015

NOTE A--OBLIGATED GROUP MEMBERS

As described in Note F to the consolidated financial statements, the Alliance has granted a deed of trust on JCMC and SSH to secure the payment of the outstanding bonds. The bonds are also secured by the Alliance's receivables, inventories and other assets as well as certain funds held under the documents pursuant to which the bonds were issued. The members pledged pursuant to the Amended and Restated Master Trust Indenture between Mountain States Health Alliance and the Bank of New York Mellon Trust Company, NA as Master Trustee include Johnson City Medical Center Hospital, Indian Path Medical Center, Franklin Woods Community Hospital, Sycamore Shoals Hospital, Johnson County Community Hospital, Russell County Medical Center, Unicoi County Memorial Hospital, Norton Community Hospital (hospital only), Smyth County Community Hospital (hospital only) and Blue Ridge Medical Management Corporation (parent company only), collectively defined as the Obligated Group (Obligated Group).

The supplemental consolidating information includes the accounts of the members of the Obligated Group after elimination of all significant intergroup accounts and transactions. Certain other subsidiaries of the Alliance are not pledged to secure the payment of the outstanding bonds as they are not part of the Obligated Group. These affiliates have been accounted for within the Obligated Group based upon the Alliance's original and subsequent investments, as adjusted for the Alliance's pro rata share of income or losses and any distributions, and are included as a part of equity in affiliates in the supplemental consolidating balance sheet.

Exhibit 24

Mountain State's current Fitch Ratings Watch

FITCH MAINTAINS RATING WATCH EVOLVING ON MOUNTAIN STATES HEALTH ALLIANCE (TN) REV BONDS

Fitch Ratings-New York-28 March 2016: Fitch Ratings maintains the Rating Watch Evolving on Mountain States Health Alliance's (MSHA) outstanding debt. A full list of outstanding debt follows at the end of this release.

SECURITY

Bonds are secured by pledged assets and a mortgage on Johnson City Medical Center and Sycamore Shoals Hospital. There is a debt service reserve fund on certain series of debt.

KEY RATING DRIVERS

MERGER PROCEEDING: In April 2015, Fitch placed MSHA's 'BBB+' rating on Rating Watch Evolving in response to the announcement that MSHA and Wellmont Health System (WHS; rated BBB+; Rating Watch Evolving) had signed an agreement to explore a merger. The maintenance of the Rating Watch Evolving reflects the continuation of the merger process.

COPA SUBMITTED: The two organizations have jointly submitted Certificate of Public Advantage (COPA) applications to Tennessee and Virginia. The COPA applications are the official request to each of these states for the approval of the merger. A public comment and consideration process is currently underway, which will last for 120 days in Tennessee and 150 days in Virginia. The timelines for the public comment periods officially start with the applications being declared complete by the states, which has yet to happen.

OPERATIONS REMAIN STEADY: MSHA had a 2.3% operating margin in FY2015 (June 30 year end) and 2.4x debt service coverage; results for the six month Dec. 31, 2015 interim period are consistent with the year end results.

RATING SENSITIVITIES

COMPLETION OF PENDING TRANSACTION: Resolution of the Rating Watch will be tied to the completion of the merger process and the treatment of the debt of Mountain States Health Alliance post-transaction.

CREDIT PROFILE

Headquartered in Johnson City, Tennessee, MSHA was formed in 1998 from the acquisition of six hospitals in Tennessee from Columbia/HCA and has grown into a large regional health care system with 13 hospitals (1,699 licensed beds) and other related entities, primarily serving northeast Tennessee and southwest Virginia. MSHA has a membership interest (ranging from 50.1% - 80%) in three of the hospitals in the system (Smyth County Community Hospital, Norton Community Hospital, Johnston Memorial Hospital). In fiscal 2015 (June 30 year end), MSHA had total operating revenue of $1 billion.

Outstanding Debt:

--$55,000,000 Health and Educational Facilities Board of the City of Johnson City, Tennessee hospital revenue bonds (Mountain States Health Alliance), series 2012A;

--$5,250,000 Health and Educational Facilities Board of the City of Johnson City, Tennessee hospital revenue bonds, series 2009A;
--$166,300,000 Health and Educational Facilities Board of the City of Johnson City, Tennessee hospital first mortgage revenue bonds, series 2006A;
--$18,300,000 Health and Educational Facilities Board of the City of Johnson City, Tennessee hospital first mortgage revenue bonds, series 2001A;
--$34,645,000 Health and Educational Facilities Board of the City of Johnson City, Tennessee hospital first mortgage revenue refunding bonds, series 2000A;
--$27,840,000 Health and Educational Facilities Board of the City of Johnson City, Tennessee hospital first mortgage revenue bonds, series 2000C;
--$5,245,000 Industrial Development Authority of Smyth County hospital revenue bonds, series 2009B;
--$106,205,000 Industrial Development Authority of Washington County Virginia, hospital revenue bonds, series 2009C;
--$11,995,000 Mountain States Health Alliance taxable note, series 2000D.

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Applicable Criteria
Revenue-Supported Rating Criteria (pub. 16 Jun 2014)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=750012
U.S. Nonprofit Hospitals and Health Systems Rating Criteria (pub. 09 Jun 2015)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=866807

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Exhibit 25

FTI Consulting Report

To be submitted pursuant to CID.

Exhibit 26

Organizational Chart

Structure of Proposed Transaction

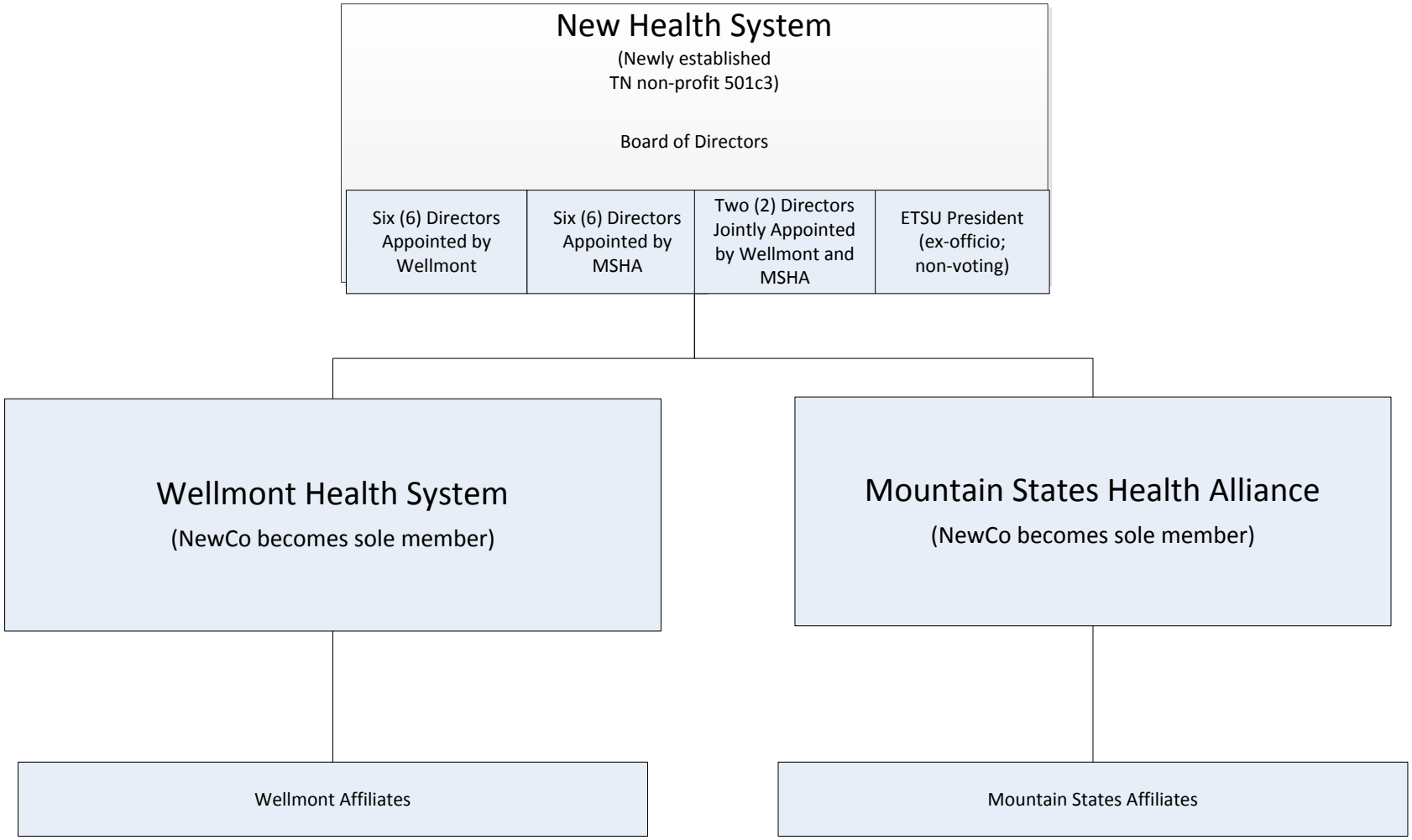


Exhibit 27

Mountain States' Q3 FY2016 Financials and Maximum Annual Debt Service Coverage Ratio



MOUNTAIN STATES HEALTH ALLIANCE

Fiscal Year 2016
Third Quarter ending March 31, 2016

Quarterly Financial Information
&
Historical Maximum Annual Debt Service Coverage Ratio

Consolidated & Unaudited

Mountain States Health Alliance
Comparative Balance Sheet

	March 31 2016	June 30 2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	72,030,451	79,713,574
Current Portion AWUIL	4,926,561	19,597,595
Accounts Receivable (Net)	167,367,087	162,255,802
Other Receivables	24,622,400	33,285,941
Due From Affiliates	527	(0)
Due From Third Party Payors	(0)	(0)
Inventories	28,889,682	26,646,561
Prepaid Expense	9,807,550	7,322,824
	307,644,257	328,822,296
ASSETS WHOSE USE IS LIMITED	40,413,113	52,470,955
OTHER INVESTMENTS	635,182,396	642,070,837
PROPERTY, PLANT AND EQUIPMENT		
Land, Buildings and Equipment	1,700,664,673	1,662,193,378
Less Allowances for Depreciation	864,005,602	815,104,790
	836,659,071	847,088,588
OTHER ASSETS		
Pledges Receivable	2,696,746	3,260,254
Long Term Compensation Investment	25,476,423	25,284,264
Investments in Unconsolidated Subsidiaries	7,633,537	5,179,805
Land / Equipment Held for Resale	4,631,959	4,631,959
Assets Held for Expansion	16,050,303	14,684,441
Investments in Subsidiaries	0	0
Goodwill	156,577,573	156,596,125
Deferred Charges and Other	23,799,887	24,754,992
	236,866,427	234,391,841
TOTAL ASSETS	2,056,765,266	2,104,844,518
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expense	85,981,790	92,133,309
Accrued Salaries, Benefits, and PTO	58,380,188	72,064,537
Claims Payable	9,262,484	8,167,693
Accrued Interest	9,221,428	18,159,055
Due to Affiliates	(0)	22
Due to Third Party Payors	9,392,866	4,781,320
Current Portion of Long Term Debt	24,223,026	40,286,349
	196,461,781	235,592,285
OTHER NON CURRENT LIABILITIES		
Long Term Compensation Payable	12,405,257	12,250,293
Long Term Debt	1,010,013,749	1,031,660,759
Estimated Fair Value of Interest Rate Swaps	2,406,251	2,540,682
Deferred Income	27,222,996	15,259,244
Professional Liability Self-Insurance and Other	20,701,865	19,635,356
	1,072,750,119	1,081,346,335
TOTAL LIABILITIES	1,269,211,900	1,316,938,620
NET ASSETS		
Restricted Net Assets	13,959,809	13,502,164
Unrestricted Net Assets	575,587,131	583,215,057
Noncontrolling Interests in Subsidiaries	198,006,425	191,188,677
	787,553,366	787,905,897
TOTAL LIABILITIES AND NET ASSETS	2,056,765,266	2,104,844,518

Mountain States Health Alliance
Statement of Revenue and Expense
As of March 31, 2016 and March 31, 2015

	FY16 Q3	FY15 Q3	FY16 YTD	FY15 YTD
Revenue, Gains and Support				
Patient service revenue, net of contractual allowances and discounts	287,153,198	292,064,611	873,720,869	840,390,491
Provision for bad debts	(34,267,588)	(41,498,739)	(105,013,659)	(100,375,420)
Net patient service revenue	252,885,610	250,565,872	768,707,210	740,015,071
Other operating revenue	8,279,397	9,054,733	26,266,620	26,926,979
TOTAL REVENUE, GAINS AND SUPPORT	261,165,007	259,620,605	794,973,830	766,942,050
Expenses:				
Salaries and wages	88,789,529	85,302,622	266,531,590	252,527,296
Physician salaries and wages	21,260,390	17,673,074	62,244,324	56,840,825
Contract Labor	1,449,654	1,453,093	4,777,566	4,252,570
Employee Benefits	19,200,042	20,296,987	56,516,782	54,797,671
Fees	30,714,896	28,814,408	94,424,150	85,093,729
Supplies	44,744,925	44,489,808	135,099,445	131,846,120
Utilities	3,836,319	3,984,507	12,205,231	12,634,273
Medical Costs	(25,147)	(165,957)	(460,945)	(377,513)
Other Expense	20,472,197	20,495,116	64,254,429	60,554,391
Depreciation	16,537,420	16,796,866	49,604,782	50,634,568
Amortization	362,002	362,218	1,113,880	1,174,794
Interest & Taxes	10,888,905	10,766,373	32,972,067	32,931,495
TOTAL EXPENSES	258,231,132	250,269,115	779,283,302	742,910,219
OPERATING INCOME	2,933,875	9,351,490	15,690,528	24,031,831
Nonoperating gains (losses):				
Interest and dividend income	1,983,485	1,751,383	9,334,975	8,696,424
Net realized gains (losses) on the sale of securities	111,912	233,899	352,552	387,543
Change in net unrealized gains on securities	2,013,412	8,950,340	(19,166,946)	(7,519,476)
Derivative related income	1,550,522	1,534,217	4,664,195	4,633,485
Loss on extinguishment of LTD / derivatives	0	0	0	0
Change in estimated fair value of derivatives	(1,833,072)	4,708,408	(124,617)	6,749,512
Gain (loss) on discontinued operations	(2,655,942)	(840,457)	(6,815,529)	(5,626,091)
Other nonoperating gains (losses)	(1,273,282)	(1,519,753)	(3,212,265)	(1,683,812)
Noncontrolling interests in subsidiaries	(2,996,534)	(5,565,027)	(6,986,224)	(8,867,717)
NET NONOPERATING GAINS	(3,099,498)	9,253,010	(21,953,859)	(3,230,133)
EXCESS OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	(165,623)	18,604,500	(6,263,330)	20,801,698
EBITDA	27,442,362	32,881,395	96,718,962	106,345,229

MOUNTAIN STATES HEALTH ALLIANCE (Consolidated)

UNAUDITED QUARTERLY DISCLOSURE - FY 2016 - Third Quarter ending March 31, 2016

Historical Maximum Annual Debt Service Coverage

Calculation:	Third Quarter ending March 31, 2016	Twelve Months ending March 31, 2016
Income available for debt service		
Excess of revenue over expenses (before extraord. items)	$ (345,964)	$ 32,371,179
Plus depreciation expense	$ 16,537,419	$ 66,180,541
Plus amortization expense	$ 362,001	$ 1,496,076
Plus interest expense	$ 10,888,905	$ 43,745,099
Subtotal	27,442,362	143,792,895
Annualized quarterly total income available for debt service	x 4	n/a
Total income available for debt service	109,769,448	143,792,895
Maximum annual debt service	67,638,000	67,638,000
Maximum annual debt service coverage	1.6	2.1

Exhibit 28

Wellmont's Third Quarter FY2016 Financial Statements

Wellmont Health System and Affiliates

Consolidated Balance Sheets as of
March 31, 2016 and June 30, 2015

Consolidated Statements of Operations and Changes in Net Assets
and Statements of Cash Flows for the Quarters and Fiscal Years to Date ended
March 31, 2016 and March 31, 2015

The following financial statements are unaudited and subject to change upon completion of the annual independent audit.

Wellmont Health System
Management Discussion and Analysis
For the Quarter and Fiscal Year to Date ended March 31, 2016

Volumes:

Quarter ended March 31, 2016 versus quarter ended March 31, 2015:

Inpatients were down 253 or 3.1% and observation patients increased by 812 or 22.6% (so total "patients in a bed" increased 559 or 4.7%) as we continue to transition to value based payments while facing the challenge of increasingly prevalent high deductible plans in our area. Emergency room visits were up 5.2%, surgeries were up 2.9%, and deliveries were down 6.9%. Physician office visits were up 15% including urgent care visits which were up 55.2%, due to Wellmont now having eight urgent care centers.

Fiscal Year to Date (Three Quarters):

Inpatients were down 1,180 or 4.7% and observation patients increased 2,377 or 22.4% (so total "patients in a bed" increased 1,197 or 3.4%) as we continue to transition to value based payments while facing the challenge of increasingly prevalent high deductible plans in our area. Emergency room visits were up 2.8%, surgeries were down 3.4%, and deliveries were down 4.8%. Physician office visits were up 10.5% including urgent care visits which were up 42.9%, due to Wellmont now having eight urgent care centers.

Statement of Operations:

Quarter ended March 31, 2016 versus quarter ended March 31, 2015:

Net patient service revenue increased $13.2 million or 6.9% from the same quarter last year due to (a) an overall 3.1% increase in gross revenue and (b) improved cash receipts. Other revenue decreased $1.4 million primarily as a result of zero Electronic Health Record Meaningful Use amounts earned during the quarter being $1.0 million below the prior year amounts of $1.0 million due to reduced payments from lower volumes and the scheduled annual decreases in the program's payments.

Salaries and benefits increased $5.7 million or 5.8% due primarily to (a) the increase in physician office visits and (b) an increase in employee health plan costs. Supplies increased $1.8 million or 4.4% primarily due to higher infusion volumes. Purchased services increased $5.1 million or 30.1% primarily due to potential merger expenses. Interest expense decreased $0.3 million or 6.7% due to scheduled reductions in debt. Depreciation was essentially unchanged. All other expenses decreased $1.3 million primarily due (a) lower professional and general liability expense from improved actuarial reports and (b) planned elimination of maintenance and pre-Epic systems.

Income from operations of $1.1 million was above the same quarter last year by $0.8 million. Net income (loss) (shown as "Revenues and gains in excess of expenses and losses

attributable to Wellmont Health System") of $(8.7 million) was below the same quarter last year by $11.0 million due primarily to realized investment losses from a portfolio rebalance.

Fiscal Year to Date (Three Quarters):

Net patient service revenue increased $16 million or 2.7% compared to the prior fiscal year to date due to (a) an overall 1.6% increase in gross revenue and (b) the successful implementation of ICD-10 and improved cash receipts. Other revenue decreased $3.0 million primarily as a result of (a) $0.1 million of Electronic Health Record Meaningful Use amounts earned being $2.5 million below the prior year amounts of $2.6 million due to reduced payments from lower volumes and the scheduled annual decreases in the program's payments, (b) blood bank revenue reductions of $0.4 million due to the loss of a significant contract.

Salaries and benefits increased $7.9 million or 2.7% due primarily to (a) the increase in physician office visits and (b) an increase in employee health plan costs. Supplies were flat. Purchased services increased $8.7 million or 15.3% primarily due to potential merger expenses. Interest expense decreased $1.6 million or 12.2% due to scheduled reductions in debt and the effect of the 2014 refinancing activities. Depreciation was essentially unchanged. All other expenses decreased $3.2 million primarily due to (a) lower professional and general liability expense from improved actuarial reports and (b) planned elimination of maintenance and pre-Epic systems.

Income from operations of $7.0 million was above the prior fiscal year to date by $1.6 million. Net income (shown as "Revenues and gains in excess of expenses and losses attributable to Wellmont Health System") of $11.3 million was below the prior fiscal year to date by $2.5 million due to realized investment losses from a portfolio rebalance.

Balance Sheet and Ratios:

The only significant changes in the balance sheet were (a) normal liquidation of fiscal year end accounts payable and accrued expenses (b) decrease in assets limited as to use resulting from unrealized losses on the investment portfolio.

The debt to capitalization ratio, debt service coverage ratio, and days cash on hand were all relatively unchanged.

Wellmont Health System and Affiliates

The following table sets forth selected historical utilization statistics for the quarters and fiscal years to date ended March 31, 2016 and March 31, 2015.

	FY16 QTR 3	FY15 QTR 3	FY16 YTD	FY15 YTD
Hospital Statistics:				
Acute Discharges	8,038	8,291	23,885	25,065
Observation Patients	4,398	3,586	12,998	10,621
Patients in Bed	12,436	11,877	36,883	35,686
Patient Days	35,452	38,164	104,013	110,918
Average Length of Stay (Days)	4.41	4.60	4.35	4.43
Daily Census including Observations	438	464	425	444
Emergency Room Visits	44,184	41,999	136,546	132,891
Deliveries	469	504	1,496	1,572
Surgical Cases:				
Inpatient	2,209	2,257	6,634	6,886
Outpatient	5,916	5,642	17,843	18,464
Total Surgical Cases	8,125	7,899	24,477	25,350
Physician Office Visits	131,434	114,255	383,951	347,588
including Urgent Care Visits	25,053	16,147	67,649	47,348

The following table shows the percentage of gross patient service revenue by payor for the fiscal year to date ended March 31, 2016 and the fiscal year ended June 30, 2015.

	FY16 YTD	FY15 All Year
Medicare	28.1%	30.0%
Medicare Managed Care	26.5%	24.2%
Medicaid	11.9%	11.7%
Managed Care/Other	28.2%	27.9%
Self	5.3%	6.2%
	100.0%	100.0%

Wellmont Health System and Affiliates
Consolidated Balance Sheets
As of March 31, 2016 and June 30, 2015
(Dollars in Thousands)(Unaudited)

	As of 3/31/16	As of 6/30/15
Assets		
Current assets:		
Cash and cash equivalents	$62,427	$ 48,866
Assets limited to use that are required for current liabilities	3,677	3,651
Patient accounts receivable	104,716	112,299
Other receivables	10,494	11,238
Inventories	17,344	19,981
Prepaid expenses & other current assets	7,776	9,979
Total current assets	206,434	206,014
Assets limited as to use, net of current portion	414,776	424,864
Land, buildings and equipment, net	463,370	484,569
Other assets:		
Long-term investments	25,490	27,964
Investments in affiliates	7,143	7,214
Deferred debt expense, net	4,005	4,217
Goodwill, net	51,546	51,583
Other	526	525
	88,710	91,503
Total assets	$ 1,173,290	$ 1,206,950
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	$18,130	$ 18,626
Accounts payable and accrued expenses	84,065	101,871
Estimated third-party payor settlements	13,119	12,987
Current portion of other long-term liabilities	5,910	7,660
Total current liabilities	121,224	141,144
Long-term debt, less current portion	465,062	480,187
Other long-term liabilities, less current portion	40,966	39,097
Total liabilities	627,252	660,428
Net assets:		
Unrestricted	534,865	535,632
Temporarily restricted	6,946	6,960
Permanently restricted	1,325	1,323
Noncontrolling interests	2,902	2,607
Total net assets	546,038	546,522
Commitments and contingencies		
Total liabilities and net assets	$ 1,173,290	$ 1,206,950

Wellmont Health System and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
The quarters and fiscal years to date ended March 31, 2016 and March 31, 2015
(Dollars in Thousands)(Unaudited)

	FY16 QTR 3	FY15 QTR 3	FY16 YTD	FY15 YTD
Revenue:				
Net patient service revenue less provision for bad debts	$ 203,749	$ 190,535	$ 601,562	$ 585,489
Other revenue	4,224	5,581	13,470	16,459
Total revenue	207,973	196,116	615,032	601,948
Expenses:				
Salaries and benefits	103,655	97,962	299,739	291,805
Medical supplies and drugs	43,226	41,418	126,626	126,701
Purchased services	22,159	17,029	65,357	56,663
Interest	3,892	4,170	11,703	13,329
Depreciation and amortization	14,237	14,179	42,865	43,141
Maintenance and utilities	8,154	9,519	27,272	29,725
Lease and rental	3,975	3,874	11,946	11,389
Other	7,603	7,646	22,552	23,856
Total expenses	206,901	195,797	608,060	596,609
Income from operations	1,072	319	6,972	5,339
Nonoperating gains (losses):				
Investment income	(9,579)	2,376	4,793	11,679
Derivative valuation adjustments	38	726	72	1,134
Loss on refinancing	-	-	-	(1,389)
Nonoperating gains (losses), net	(9,541)	3,102	4,865	11,424
Revenues and gains in excess of expenses and losses before discontinued operations and noncontrolling interests	(8,469)	3,421	11,837	16,763
Discontinued operations	-	(691)	-	(2,188)
Revenues and gains in excess of expenses and losses	(8,469)	2,730	11,837	14,575
Income attributable to noncontrolling interests	(258)	(496)	(549)	(793)
Revenues and gains in excess of expenses and losses attributable to Wellmont Health System	(8,727)	2,234	11,288	13,782
Other changes in unrestricted net assets:				
Change in net unrealized gains (losses) on investments	15,432	3,206	(16,024)	(14,395)
Net assets released from restrictions for additions to land, buildings, and equipment	737	1,187	3,969	2,328
Increase (decrease) in unrestricted net assets	7,442	6,627	(767)	1,715
Changes in temporarily restricted net assets:				
Contributions	1,481	488	4,610	2,375
Net assets released from temporary restrictions	(1,116)	(1,498)	(4,624)	(3,131)
Increase (decrease) in temporarily restricted net assets	365	(1,010)	(14)	(756)
Changes in permanently restricted net assets:				
Permanently restricted contributions and investment income	-	-	2	3
Increase (decrease) in permanently restricted net assets	-	-	2	3
Changes in noncontrolling interests:				
Income attributable to noncontrolling interests	258	496	549	793
Distributions to noncontrolling interests	(116)	(337)	(254)	(612)
Increase (decrease) in noncontrolling interests	142	159	295	181
Change in net assets	7,949	5,776	(484)	1,143
Net assets, beginning of period	538,089	546,197	546,522	550,830
Net assets, end of period	$ 546,038	$ 551,973	$ 546,038	$ 551,973

Wellmont Health System and Affiliates
Consolidated Statement of Cash Flows
The fiscal years to date ended March 31, 2016 and March 31, 2015
(Dollars in Thousands)(Unaudited)

	FY16 YTD	FY15 YTD
Cash flows from operating activities:		
Change in net assets	$ (484)	$ 1,143
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	42,865	43,141
Net realized and unrealized (gains) losses on investments	11,231	2,716
Derivative valuation adjustments	(72)	(1,134)
(Gain) loss on sale of fixed assets	(416)	(542)
Loss on refinancing	0	1,389
Increase (decrease) in cash due to changes in:		
Accounts Receivable	7,583	6,368
Inventories	2,637	(870)
Prepaid expenses and other current assets	2,577	5,157
Accounts payable and accrued expenses	(15,092)	(29,683)
Net decrease (increase) in other assets	757	16,997
Net cash provided by operating activities	51,586	44,682
Cash flows from investing activities:		
Purchases of property, plant and equipment, net	(23,965)	(31,402)
Transfer (to)/from Bond and Self-Insurance funds	1,561	(857)
Transfer (to)/from Board funds	0	0
Net cash (used) in investing activities	(22,404)	(32,259)
Cash flows from financing activities:		
Proceeds from long term debt	0	22,415
Repayment of long term debt	(15,621)	(33,789)
Net cash provided (used) in financing activities	(15,621)	(11,374)
Increase (decrease) in cash and cash equivalents	13,561	1,049
Cash and cash equivalents, beginning	48,866	30,674
Cash and cash equivalents, ending	$ 62,427	$ 31,723

Wellmont Health System and Affiliates
Ratios
(Dollars in thousands)

		3/31/16	6/30/15
Capitalization			
Current portion of long-term debt		$ 18,130	$ 18,626
Short-term notes payable		-	-
Long-term debt, less current portion	A	465,062	480,187
Total debt		483,192	498,813
Unrestricted net assets	B	534,865	535,632
Other net assets		11,173	10,890
Total net assets		546,038	546,522
Long-term debt plus Unrestricted net assets	A+B	$ 999,927	$ 1,015,819
Long-term debt to Capitalization	A/(A+B)	0.465	0.473
Debt Service Coverage			
Revenue and gains in excess of expenses and losses (12 months)		$ 12,869	$ 15,363
Add back:			
Depreciation and amortization (12 months)		58,293	58,569
Interest expense (12 months)		16,131	17,757
(Gain) loss on refinancing (12 months)		-	1,389
(Gain) loss from discontinued operations (12 months)		4,908	2,720
Total income available for debt service per Master Trust Indenture	C	92,201	95,798
Maximum annual debt service	D	$ 42,972	$ 43,009
Debt Service Coverage Ratio per Master Trust Indenture	C/D	2.15	2.23
Days Cash on Hand			
Unrestricted cash		$ 62,427	$ 48,866
Unrestricted investments:			
Capital improvements		373,396	382,902
Long-term investments		25,490	27,964
Less illiquid investments		(26,248)	(28,051)
	E	435,065	431,681
Operating expenses (12 months)		817,487	806,035
Less depreciation and amortization		(58,293)	(58,569)
Total cash expenses		759,194	747,466
Number of days in the period		366	365
Daily cash operating expenses	F	$ 2,074	$ 2,048
Days cash on hand	E/F	209.7	210.8

Exhibit 29

Details Regarding Mountain States' Severance Packages

To be submitted pursuant to CID.

Exhibit 30

Details Regarding Wellmont's Severance Packages

To be submitted pursuant to CID.

Exhibit 31

Proposed Employment Agreements with New Health System

To be submitted pursuant to CID.

Exhibit 32

Physician needs Assessment from Niswonger Children's Hospital

To be submitted pursuant to CID.

Exhibit 33

Audited Results for FY2011 to FY2015

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Operations

	2015	2014	2013	2012	2011
Revenue, gains and support:					
Net patient service revenue, net of contractual allowances and discounts	$ 1,116,954,225	$ 1,050,425,742	$ 1,045,244,653	$ 1,075,050,313	$ 1,062,122,920
Provision for bad debts	(127,519,531)	(122,641,687)	(112,497,088)	(122,917,014)	(116,248,346)
	989,434,694	927,784,055	932,747,565	952,133,299	945,874,574
Other operating revenue	73,345,726	71,043,732	64,140,484	39,406,853	24,868,175
TOTAL REVENUE, GAINS AND SUPPORT	1,062,780,420	998,827,787	996,888,049	991,540,152	970,742,749
Expenses:					
Salaries and wages	345,155,144	340,589,134	355,589,870	358,607,181	342,208,116
Physician salaries and wages	80,279,380	77,636,096	74,257,857	65,706,003	59,248,825
Contract labor	5,415,831	4,282,340	3,941,874	6,375,067	5,963,696
Employee benefits	77,306,084	69,173,499	74,589,762	69,599,641	67,138,834
Fees	120,691,188	115,606,412	105,890,846	97,958,613	85,918,931
Supplies	176,049,710	163,698,766	162,955,174	170,186,051	168,261,321
Utilities	16,775,020	17,052,090	16,857,010	17,289,136	17,300,381
Medical costs	18,382,989	10,292,244	1,039,401	-	-
Other	81,477,121	79,979,993	80,211,445	76,285,343	69,647,165
Depreciation	67,210,326	69,436,735	78,941,071	73,059,635	87,499,468
Amortization	1,556,991	1,741,757	2,259,537	2,245,327	2,559,141
Interest and taxes	43,695,597	44,391,756	43,202,890	45,902,804	44,152,737
TOTAL EXPENSES	1,033,995,381	993,880,822	999,736,737	983,214,801	949,898,615
OPERATING INCOME (LOSS)	28,785,039	4,946,965	(2,848,688)	8,325,351	20,844,134
Nonoperating gains (losses):					
Interest and dividend income	13,893,945	12,073,668	13,880,727	15,212,951	16,224,492
Net realized gains (losses) on the sale of securities	9,260,235	15,310,531	3,073,768	(2,594,831)	1,956,855
Net unrealized gains on securities	(6,137,785)	23,317,890	24,024,957	(2,884,095)	22,168,047
Derivative related income	6,171,935	5,979,869	6,661,242	7,514,566	5,072,334
Loss on early extinguishment of debt	-	(4,622,060)	-	(2,636,010)	-
Change in estimated fair value of derivatives	7,718,028	(2,761,314)	456,715	(6,197,514)	23,048,906
Other nonoperating gains (losses)	(4,590,695)	2,097,601	14,318,127	11,235,840	(2,652,743)
NET NONOPERATING GAINS (LOSSES)	26,315,663	51,396,185	62,415,536	19,650,907	65,817,891
EXCESS (DEFICIT) OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	$ 55,100,702	$ 56,343,150	$ 59,566,848	$ 27,976,258	$ 86,662,025

Exhibit 34

Exhibit 11.5 - Attachment C Wellmont EMMA - Annual Disclosures for 2011 to 2015

WELLMONT CFO TO LEAVE HEALTH SYSTEM, SERVE AS TREASURER DURING TRANSITION

KINGSPORT – Beth Ward, who has successfully guided Wellmont Health System's financial strategies as chief financial officer for the past 18 months, will be leaving that post to pursue new professional opportunities.

"Health systems across the country have recently faced significant financial challenges from changing healthcare legislation to a downturn in the national economy," said Denny DeNarvaez, president and CEO of Wellmont. "We are extremely fortunate to have had Beth's leadership and remarkable stewardship of our finances during these times."

The search for a replacement is underway. During the transitional period, Ward will continue serving as Wellmont's treasurer, with the primary responsibilities of overseeing investments, debt management and bank and bondholder relationships.

"Our organization is better because of Beth's service with us, and we look forward to her continued service in this new interim role over the coming months," DeNarvaez said. "We also wish her the very best as she pursues her next career path."

###

Wellmont Health System announces Lee Regional Medical Center closing in wake of healthcare reform; hospital to help patient, co-workers transition

Despite significant efforts by hospital administrators and the local board of directors to secure its future, Lee Regional Medical Center will join the list of hospitals across the country to close in an era of unprecedented changes to health care. Lee Regional Medical Center, located in Pennington Gap, Virginia, represents 2% of Wellmont Health System's operating revenue and this closure will not impact debt service coverage as this is excluded from the calculations under the Wellmont Health System Master Trust Indenture.

Three issues are the primary reasons that have led to this decision – reimbursement cuts associated with the Affordable Care Act, extremely low community use of the hospital and a lack of consistent physician coverage.

Lee Regional will cease all operations on Oct. 1, but patients who need a broad spectrum of care will still have seamless access to other Wellmont Health System facilities in the community and throughout the region. Wellmont Medical Associates will work with other community partners to assess what outpatient services are most needed and how those could be best served in the region.

"We had certainly hoped Lee Regional could remain open as a hospital and continue serving the community, but the difficult realities facing our facility are too much to overcome," said Fred Pelle, the hospital's interim president. "We remain committed to serving the health needs of people who live and work in Lee County and will assist them in whatever way possible in this transition."

The closure is due in part to major cuts in Medicare reimbursements by the federal government associated with the Affordable Care Act and a lack of Medicaid expansion by the commonwealth of Virginia. Another factor is the additional 2 percent cut in Medicare reimbursements enacted because of the federal sequester.

More than 60 percent of the hospital's payments comes from federal and state programs.

Through the American Hospital Association, hospitals across the country agreed to initial cuts in the reimbursements with the understanding Medicaid would be expanded to compensate for that lost revenue. But the U.S. Supreme Court's ruling on the Affordable Care Act left it to the states to decide whether Medicaid should be expanded.

Virginia has put the issue in the hands of a commission consisting of delegates and senators but reached no conclusion. In the interim, the steep cuts have profoundly impacted the financial ability of hospitals in the region and across the country to survive.

"These political decisions clearly can have dire ramifications for small communities and the hospitals that serve them," said Denny DeNarvaez, Wellmont's president and CEO. "For months, Wellmont and other health systems in the region and across the country have outlined the consequences of these cuts on community health. While our local legislators have been

understanding, there is simply not a supportive state or national climate overall to effectively resolve this matter.

“The national goal is to reduce costs and keep people out of the hospital. This is a noble initiative, but the cuts are hitting faster than struggling rural hospitals can respond.”

Another matter that has affected Lee Regional’s ability to continue as a hospital is finding physicians to take call coverage at the hospital.

Pelle said physicians who provided call coverage notified Lee Regional administrators that they would no longer provide this service as of Oct. 1.

“Hospitals rely on physicians from the community for call coverage,” Pelle said. “When that coverage is no longer available, no one can appropriately manage patient care in the hospital. We cannot create the quality or environment of care the community needs and deserves without a reservoir of physician coverage.”

Additional efforts to work with these physicians on a potential solution produced no plan that was sustainable for the hospital and the community, Pelle said.

The hospital has also experienced financial challenges due to a decrease in the number of patients in an economically distressed community obtaining care at the hospital. The hospital made several changes to respond to changing patient needs and reduced revenue, including reducing inpatient and intensive care services.

“Unfortunately, since that time, community usage of the hospital has continued to decline to an average daily census of only a handful of patients,” Pelle said. “Emergency department and outpatient volumes have also fallen during this time. Even though we made appropriate adjustments in our staffing volumes, the financial losses were expected to be $4 million or more per year in the coming years.”

Pelle said Lee Regional is focused on helping co-workers at the hospital obtain new jobs. The hospital employed about 100 people, roughly 1 percent of the county’s workforce, and these co-workers will receive severance pay. Pelle said these co-workers served Lee Regional and the patients they treated with great pride.

Wellmont Medical Associates will also work relentlessly to help patients obtain the care they need. The community assessment that will be undertaken might lead to the development of after-hours clinics, telemedicine consults, testing, imaging, chronic disease management services, and visiting specialty physician clinics.

Primary care services will continue to be available through the Wellmont Medical Associates practices of Drs. Monika Karakattu, Sidney Gilbert and Patrick Molony in Pennington Gap and Jonesville.

Plus, nearby Lonesome Pine Hospital and Holston Valley Medical Center, which serves dozens of people from Lee County every day, are equipped to treat patients from Lee County. These hospitals have also committed to begin new care management efforts for patients transitioning to home health or nursing homes in the county.

WellmontOne Air Transport and Med-Flight II, which have many of the same pieces of equipment used in Wellmont emergency departments, are also ready to assist patients in Lee County with rapid transport. Whether they reach patients via the helipad that will remain available at Lee Regional or at the scene, paramedics and flight nurses on these aircrafts will be available to deliver lifesaving care. The helicopters can reach Holston Valley in 12 minutes and Bristol Regional Medical Center in 18 minutes from Lee Regional.

In addition, Wellmont has instituted a patient navigation and information service to assist residents of the county with any questions related to accessing the services they need. Medical professionals can also be accessed at any time by calling 1-877-230-NURSE (6877) for general medical questions or assistance scheduling testing or hospital services.

“Do not hesitate to access these services and facilities because they are designed help patients and the community during this transition,” Pelle said. “We have had the honor of serving Lee County for many years with high-quality care, and that will continue to be our approach well into the future.”

WELLMONT HEALTH SYSTEM'S BOARD CHAIRMAN, CEO ISSUE STATEMENTS

KINGSPORT – Roger Leonard, chairman of Wellmont Health System's board of directors, issues the following statement:

After four years of strong leadership for our organization, Denny DeNarvaez has decided the time is right for her to leave her role as CEO of Wellmont.

We are experiencing a period of great transformation here at Wellmont as our board continues its process to explore the right and best path to ensure a future that allows us to thrive for generations to come. It is not unusual during these times of transition that there be a change in leadership.

We thank Denny for her contributions to Wellmont during the most pivotal time ever experienced in the health care industry. Under her leadership, Wellmont has accomplished many important strategic objectives, such as:

- Establishing Wellmont Medical Associates, the Wellmont CVA Heart Institute and the Wellmont Cancer Institute as market leaders
- Introducing the Wellmont LiveWell initiative to improve community health and wellness
- Expanding Wellmont's regional access through new physician offices, testing centers and urgent care centers
- Implementing the Epic electronic health record with record pace and best-practice execution
- Adopting the Healing Environment, which advances the patient- and family-centered focus of our care delivery.

She has also established a strong executive leadership team, which remains to capably assist with this transition. We wish her well in her future endeavors.

During this time of transition, the board and Wellmont's executive leadership team will work together until an interim CEO is identified.

The focus of our board continues to be the work of determining the right strategic direction for Wellmont and health care in our region, and we are encouraged by the options before us.

Denny DeNarvaez, president and CEO, issues the following statement.

I am so proud of all that we have accomplished here at Wellmont during my time as CEO. Every day, our physicians and nurses and co-workers serve tirelessly to bring comfort and healing to patients and their families across the region during the most vulnerable of times.

I thank everyone for welcoming me into the Wellmont family for the past four years, and I hope you will understand my need to transition at this time.

###

Bart Hove Named Wellmont's Interim President And CEO, Brings 37 Years of Health Care Leadership Experience

Bart Hove, who provided impressive leadership as president of Bristol Regional Medical Center for 12 years, has been selected as Wellmont Health System's interim president and CEO.

Hove will begin his service Tuesday, Sept. 16, and bring 37 years of experience in health care administration to the helm of Wellmont. He will head the executive leadership team for a diverse health system that has set a standard of excellence for the region in health care delivery. He will work with Wellmont's corporate team and divisional presidents to build on the strengths of all Wellmont hospitals together with Wellmont Medical Associates, the Wellmont Cancer Institute and the Wellmont CVA Heart Institute.

Hove succeeds Denny DeNarvaez, who recently resigned after four years as president and CEO.

"Bart is a remarkable leader who was instrumental in Wellmont's success during his earlier tenure with us," said Roger Leonard, chairman of the health system's board of directors. "He is familiar with Wellmont's operations and has worked hand in hand with our executive leadership team, so he will hit the ground running.

"We are grateful Bart has agreed to assist us during this important time in Wellmont's history and know his wisdom and experience will benefit our organization considerably as we move forward."

Wellmont's board has been engaged for a year and a half in a thorough evaluation of the health system's long-term future in light of the changing national health care landscape. The board has decided to affiliate with another organization and narrowed the list of organizations it is considering to three. The process is in a due diligence phase, with the board possibly deciding on a partner by the end of the year.

"It's an honor for the board to ask me to work with them as we examine Wellmont's options for the future," Hove said. "I have seen the organization's tremendous growth and innovation and witnessed sensational care delivered every day by our outstanding physicians, nurses and other dedicated medical professionals. This will only accelerate as Wellmont takes the next step in its development of the best health care anywhere."

During his time at Bristol Regional, the hospital elevated the quality of care through multiple initiatives. Bristol Regional was designated a Primary Stroke Center and greatly expanded its emergency department and Level II trauma center. The hospital also bolstered its oncology and interventional cardiology programs with new facilities and became the regional leader in robotics with CyberKnife Robotic Radiosurgery System and da Vinci Surgical System. While with Wellmont, Hove was selected as the 2009 recipient of the Tennessee Hospital Association's meritorious service award.

"With the help of so many people, we greatly enhanced the caliber of care through a progressive spirit across Wellmont," Hove said. "Holston Valley Medical Center, our community division hospitals and our

outpatient facilities also found additional ways to remain on the cutting edge of health care. It was a pleasure to be part of a team that was constantly looking for ways to deliver optimal health care for our region."

Prior to joining Wellmont, Hove served as CEO of Delta Regional Medical Center in Greenville, Mississippi; president and CEO of Good Samaritan Hospital in Lexington, Kentucky; CEO of Crestwood Hospital in Huntsville, Alabama; and administrator of Beaches Hospital in Jacksonville, Florida. He was a longtime fellow of the American College of Healthcare Executives.

Hove received a bachelor's degree from the Georgia Institute of Technology in Atlanta and a master's degree in hospital administration from the University of Alabama in Birmingham.

###

FOR IMMEDIATE RELEASE 1/5/10

WELLMONT CEO MIKE SNOW ACCEPTS OPPORTUNITY TO LEAD NATIONAL HOME HEALTH COMPANY

Snow will lead Wellmont through transition period; board to identify interim CEO

KINGSPORT – Mike Snow, who has served as president and CEO of Wellmont Health System since 2008, has been named chief operating officer of Amedisys Inc. (NASDAQ: AMED), a $1.5 billion, publicly traded home health nursing company based in Baton Rouge, La.

Snow will remain at Wellmont through a transition period. With Snow's assistance, the Wellmont board of directors is in the process of identifying an interim CEO and expects to make an appointment by the end of February.

"Mike came to Wellmont to help improve our financial and competitive position, while leading with integrity and vision. He has achieved that mission in spades," said Roger K. Mowen Jr., chairman of the Wellmont board of directors. "We are grateful for his successful efforts to guide Wellmont through a financial review and restatement, update Wellmont's strategic plan and implement improvements that have materially improved annual operating income. Mike has put Wellmont on stronger financial and competitive footing. We wish him the very best in this next chapter of his career."

Snow said he is proud to have worked with Wellmont's employees, physicians and leaders to realize the health system's mission to deliver superior health care with compassion.

"Wellmont is a terrific organization, and I leave knowing I have accomplished what I came here to do – to strengthen the organization operationally and financially and position it for continued success," Snow said. "I am committed to working with the board of directors and leadership team to ensure a smooth transition and will continue to play an active role in identifying an interim CEO to serve as my replacement.

"I will miss all of the talented people at Wellmont but am looking forward to working closer to my family."

Wellmont will continue to operate as usual during this leadership transition. Despite a challenging economy, the health system is performing well and continues to improve.

For the first quarter of the 2010 fiscal year (which ended Sept. 30), income from operations was $9.3 million, or more than 50 percent (or $3.2 million) ahead of the budget of $6.1 million. During the period, surgeries, ER visits and observation volumes were up slightly compared to the prior year's first quarter, while acute discharges decreased slightly.

In August, Standard & Poor's upgraded its outlook on Wellmont to stable, citing the system's "improving financial metrics" and "better-than-expected operating performance." In addition, S&P affirmed Wellmont's BBB+ credit rating.

As previously announced, Beth Ward, a certified public accountant with more than 25 years experience in healthcare finance, will join Wellmont's executive leadership team as chief financial officer this month. Ward will provide assistance with the selection of a new CEO.

"We are fully committed to appointing a CEO of the highest quality to replace Mike," Mowen said. "Our patients, employees, physicians and volunteers deserve an equally qualified and visionary leader."

About Wellmont Health System: Wellmont Health System is a premier provider of healthcare services for Northeast Tennessee and Southwest Virginia, delivering top-quality, comprehensive healthcare and wellness services across the region. Wellmont hospitals offer a broad scope of services ranging from community-based acute care to highly specialized tertiary services including two trauma centers.

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FOR IMMEDIATE RELEASE 2/1/10

WELLMONT NAMES BOB BURGIN INTERIM CEO

KINGSPORT – Bob Burgin, a retired healthcare executive who served for more than two decades as president and CEO of Mission Hospitals in Asheville, N.C., will provide interim leadership for Wellmont Health System as the organization conducts a national search for its next chief executive.

Burgin has been as a member of the Wellmont board of directors since July 2009. He assumes his responsibilities as interim CEO today, working closely with outgoing President and CEO Mike Snow, who will leave the system later this month to become chief operating officer of Amedisys Inc.

"Bob's exemplary record at Mission speaks for itself, and he has demonstrated a keen understanding of the opportunities and challenges facing our hospitals during his tenure on the Wellmont board," said Roger K. Mowen Jr., board chairman. "His experience as a Wellmont board member enables him to hit the ground running, which is a tremendous benefit to our organization and the patients we serve.

"Bob is an experienced leader who will provide strong, steady leadership for our health system during this time of transition."

Burgin served as Mission's president and CEO for nearly 24 years before his retirement in 2004. The organization was repeatedly recognized for its quality of care and efficient operations under his leadership. Following his retirement, he was named Mission's president emeritus. He also worked with Mission's foundation for three years after retirement.

Burgin previously served as chief operating officer of UNC Hospitals' North Carolina Memorial Hospital in Chapel Hill. He was also a captain in the Army Medical Service Corps.

He is a graduate of Miami University in Ohio, where he received a bachelor's degree in history and economics, and the University of Michigan, where he earned a master's degree in health services administration. Burgin has also completed executive programs in health policy and management at Harvard University.

Since his retirement, Burgin has served as a consultant with KPMG in Atlanta and has done extensive consulting for law firms. He has also provided management assistance to an anesthesia management company.

He and his wife have two grown children.

With Burgin's selection as interim CEO, Mowen said, the Wellmont board of directors will now turn its attention to a national search for a permanent president and CEO. The board will work with an executive search firm to identify and select a top candidate, a process expected to be complete within six months.

"As stewards of our communities' hospitals, our board members take this responsibility seriously," Mowen said. "We are committed to a thorough, deliberate search process to identify a leader with both the character and competence to lead our organization in support of our mission to deliver superior health care with compassion."

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FOR IMMEDIATE RELEASE **6/4/10**
CONTACT: Amy Stevens
(423) 230-8235

WELLMONT NAMES ACCOMPLISHED EXECUTIVE MARGARET 'DENNY' DENARVAEZ PRESIDENT AND CEO

KINGSPORT – Margaret "Denny" DeNarvaez, who has provided executive leadership for one of the country's largest faith-based health systems and led a hospital nationally recognized for excellence in cardiac care, has been named president and CEO of Wellmont Health System.

DeNarvaez will assume her new responsibilities Aug. 1, succeeding interim CEO Bob Burgin. She was the unanimous selection of the Wellmont board of directors following a national search process.

"Our search for the right CEO was a thorough, deliberate exercise involving board members, physicians, employees and community leaders," said Roger K. Mowen Jr., chairman of the Wellmont board. "After meeting Denny and seeing firsthand her commitment to excellence and passion for service, every participant in the search process came away with the same strong conviction – this is the right person at the right time for Wellmont Health System, our hospitals and the communities we serve.

"There's a lot of uncertainty in health care these days surrounding healthcare reform, but there's one thing of which I am absolutely certain. With Denny's leadership, our hospitals will build upon our already strong record of clinical and operational excellence. And we'll remain squarely focused on our mission to deliver superior health care with compassion."

DeNarvaez, 54, has more than 27 years' experience in healthcare leadership. She presently serves as CEO of St. John's Mercy Health Care, which includes hospitals in both St. Louis and Washington, Mo. DeNarvaez also provides leadership for Mercy's extensive Missouri and Oklahoma operations, which encompass more than 2,200 licensed beds, nearly 15,000 employees and nearly 3,000 physicians.

As president and CEO of St. John's Mercy Health Care, she oversees the fiscal, strategic

(MORE)

and operational initiatives of multiple facilities, including the 979-bed St. John's Mercy Medical Center. This fully accredited teaching hospital operates St. Louis County's only Level I trauma Center and Level III neonatal intensive care unit.

During her five-year tenure with the Mercy system, DeNarvaez has refocused the organization on its mission, vision and values, led a multimillion-dollar financial turnaround, established a dedicated heart hospital and developed a physician clinical council to leverage the experience and judgment of physicians in operations and planning. Under her leadership, St. John's Mercy has been recognized as a "best place to work" by both the *St. Louis Business Journal* and *Modern Healthcare* magazine.

DeNarvaez previously served as president of Abbott Northwestern Hospital in Minneapolis, part of Allina Hospitals and Clinics. Abbott Northwestern, the largest hospital in Minnesota's Twin Cities, is nationally recognized for clinical expertise in cardiac care through its renowned Minneapolis Heart Institute.

She has also served as CEO and chief financial officer of Florida Medical Center in Fort Lauderdale, Fla.

"It's not often in a person's career you have the opportunity to marry a great job with a great location," DeNarvaez said. "To lead Wellmont Health System, a premier healthcare system, while living in an area we have visited for the past 30 years is a blessing.

"My parents – now both in their 80s – will be within commuting distance. Equally appealing, however, is the opportunity to leverage the great work that has been done to date to make Wellmont a preferred healthcare provider. I feel privileged to have been selected to lead during this chapter in Wellmont's history."

DeNarvaez is a graduate of Drake University in Fort Lauderdale, where she earned a bachelor's degree of business administration in accounting. She is a certified public accountant and holds leadership certifications from the University of Michigan Business School in Ann Arbor and the University of St. Thomas in St. Paul, Minn.

She was the 2009 recipient of the Visionary Leadership Award from the Missouri Hospital Association and in 2007 was named one of the Top 25 most influential businesswomen by the *St. Louis Business Journal*.

About Wellmont Health System: Wellmont Health System is a premier provider of

healthcare services for Northeast Tennessee and Southwest Virginia, delivering top-quality, comprehensive healthcare and wellness services across the region. Wellmont hospitals offer a broad scope of services ranging from community-based acute care to highly specialized tertiary services including two trauma centers.

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Wellmont Health System

Denny DeNarvaez



Margaret “Denny” DeNarvaez will become president and CEO of Wellmont Health System Aug. 1. An accomplished executive with nearly 30 years of healthcare experience, DeNarvaez presently serves as CEO of St. John’s Mercy Health Care, which includes hospitals in both St. Louis and Washington, Mo. DeNarvaez also provides leadership for Mercy’s extensive operations in Missouri and Oklahoma, encompassing more than 2,200 licensed beds, nearly 15,000 employees and nearly 3,000 physicians.

During her five-year tenure with the Mercy system, DeNarvaez has refocused the organization on its mission, vision and values, led a multimillion-dollar financial turnaround, established a dedicated heart hospital and developed a physician clinical council to leverage the experience and judgment of physicians in operations and planning. Under her leadership, St. John’s Mercy has been recognized as a “best place to work” by both the St. Louis Business Journal and Modern Healthcare magazine.

DeNarvaez previously served as president of Abbott Northwestern Hospital in Minneapolis, part of Allina Hospitals and Clinics. Abbott Northwestern, the largest hospital in Minnesota’s Twin Cities, is nationally recognized for clinical expertise in cardiac care through its renowned Minneapolis Heart Institute. She has also served as CEO and chief financial officer of Florida Medical Center in Fort Lauderdale, Fla.

DeNarvaez is a graduate of Drake University in Fort Lauderdale, where she earned a bachelor’s degree of business administration in accounting. She is a certified public accountant and holds leadership certifications from the University of Michigan Business School in Ann Arbor and the University of St. Thomas in St. Paul, Minn.

She was the 2009 recipient of the Visionary Leadership Award from the Missouri Hospital Association and in 2007 was named one of the Top 25 most influential businesswomen by the St. Louis Business Journal.

$200,000,000
The Health, Educational and Housing Facilities Board of the County of Sullivan, Tennessee
Hospital Revenue Bonds
(Wellmont Health System Project), Series 2006C

CUSIP Numbers: (Base: 865293)
AC8, AD6, AE4, AF1

$55,000,000
Virginia Small Business Financing Authority
Hospital Revenue Bonds
(Wellmont Health System Project), Series 2007A

CUSIP Numbers: (Base: 928101)
AA2, AB0, AC8

MATERIAL EVENT NOTICE

The Health, Educational and Housing Facilities Board of the County of Sullivan, Tennessee (the "TN Issuer") issued the Hospital Revenue Bonds (Wellmont Health System Project), Series 2006C (the "Series 2006C Bonds"), on November 2, 2006 and the Virginia Small Business Financing Authority issued the Hospital Revenue Bonds (Wellmont Health System Project), Series 2007A (the "Series 2007A Bonds") on July 31, 2007, both for the benefit of Wellmont Health System (the "Borrower").

In connection with the issuance of the Series 2006C Bonds and the Series 2007A Bonds, the Borrower undertook to provide each nationally recognized municipal securities information repository certain notice and information regarding certain material events pursuant to Rule 15c2-12 of the Securities Exchange Commission.

In connection with the expected issuance of a revenue and refunding bond by the TN Issuer for the benefit of the Borrower, on September 24, 2014 the Borrower expects to execute and deliver (i) a Master Trust Indenture (the "Amended and Restated Master Indenture") among the Borrower, Wellmont Hawkins County Memorial Hospital, Inc., Wellmont, Inc. and Wellmont Foundation (the "Obligated Group") and U.S. Bank National Association, as master trustee (the "Master Trustee"), to amend and restate the existing Master Trust Indenture dated as of May 1, 1991 (the "Original Master Indenture"), among the Obligated Group and the Master Trustee and (ii) certain amendments (the "Deed of Trust Amendments") to the existing deeds of trust (the "Original Deeds of Trust" and together with the Deed of Trust Amendments, the "Deeds of Trust") securing obligations secured under the Original Master Indenture.

In connection with the issuance of both the Series 2006C Bonds and the Series 2007 Bonds, the Borrower executed and delivered its promissory note for the benefit of the respective bondholders (each a "Note"). Each Note was issued as an "obligation" under the Original Master Indenture.

The Amended and Restated Master Indenture and the Deed of Trust Amendments will (i) modify the rights of holders of all obligations secured under the Original Master Indenture,

including the holders of the Series 2006C Bonds and the Series 2007 Bonds, and (ii) result in a release of certain real property currently subject to the Original Deeds of Trust.

A current draft of the Amended and Restated Master Indenture is on file with the Master Trustee. For a copy please contact Wally Jones, 615.251.0733 or wally.jones@usbank.com.

The Borrower's real and personal property with respect to Wellmont Bristol Regional Medical Center and Wellmont Holston Valley Regional Medical Center will continue to be subject to the Deeds of Trust; however, the Borrower's headquarters building, certain medical office buildings and non-hospital facilities, certain undeveloped land and the two hospitals located in Virginia will no longer be subject to the Deeds of Trust.

Simultaneously with the distribution of this Material Event Notice, the Borrower has caused the distribution of a notice of refunding with respect to the refunding of a portion of the outstanding principal amount of the Hospital Revenue Bonds (Wellmont Health System Project), Series 2006C.

WELLMONT HEALTH SYSTEM

Dated: August 21, 2014

FOR IMMEDIATE RELEASE 8/2/12

ALICE POPE, AN ACCOMPLISHED WELLMONT SENIOR LEADER, NAMED CHIEF FINANCIAL OFFICER

KINGSPORT – Alice Pope, a respected healthcare finance executive and a senior leader at Wellmont Health System for the last three years, has been promoted to chief financial officer.

Pope has most recently served as senior vice president of finance, managed care and revenue cycle. A certified public accountant, she has been entrusted with increasing responsibilities during her 12-year career with Wellmont.

"After a national search, it is very gratifying to find the best candidate within Wellmont to guide our financial operations," said Denny DeNarvaez, president and CEO. "Alice has a proven track record of outstanding financial stewardship, which has benefited Wellmont and the region greatly."

In her service as senior vice president, Pope has been instrumental in enhancing corporate treasury operations and in realizing significant improvements in the system's revenue cycle functions, including managed care contracting and system case management.

Pope has played an essential role in recent physician practice integrations, which have resulted in Wellmont having the largest collective number of pulmonologists, sleep specialists, oncologists and cardiovascular physicians in Northeast Tennessee and Southwest Virginia.

She was also a key figure in the development of the region's first focused network with Cigna, an insurance provider that covers more than 40,000 local lives. Cigna provides health insurance plans for several major employers, including Eastman Chemical Co., and the focused network blended high-quality healthcare services and physicians with reduced costs for employers and employees.

During her tenure in the executive leadership team, Wellmont has consistently improved many of its financial metrics and achieved important benchmarks.

An early highlight in Pope's Wellmont career was her service from 2003-08 as vice president and chief financial officer of Holston Valley Medical Center, Wellmont's largest hospital. She was intimately involved in the development and implementation of Project Platinum, Holston Valley's $114 million expansion and renovation project completed in 2010.

"Alice understands the values of our organization, is committed to its success and possesses the expertise and leadership skills that will ensure Wellmont is fiscally strong well into

the future," DeNarvaez said. "Her integrity and impressive leadership will also serve as excellent models as we further develop successful methods to protect and grow our financial resources."

Pope said she is grateful for the opportunity to take the next step to grow professionally and continue to build Wellmont's reputation in the region.

"Wellmont is well positioned for success amid the changing dynamics of health care," she said. "Although there are many challenges on the horizon, we will use them as steppingstones to achieve an enhanced care model for the communities we are privileged to serve. We have a great team that has helped us remain the region's highest-quality, lowest-cost healthcare provider."

To continue leading the way, Pope said co-workers in Wellmont's financial operations – and everyone else who works for the system – will need to be innovative.

"Our future success depends on our ability to be disciplined, agile and adaptable to thrive in some tough financial realities," she said. "I'm excited to accept this opportunity for an organization I value so much."

Before Pope joined Wellmont, she served as chief financial officer of Baptist Memorial Health Care Corp.'s Mississippi market and as an audit manager with Arthur Andersen.

Pope earned a bachelor's degree in commerce, with a concentration in accounting, from the University of Virginia and a master's in business administration from East Tennessee State University. She is a member of the Healthcare Financial Managers Association, the Tennessee Society of Certified Public Accountants and the Tennessee Hospital Association.

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FOR IMMEDIATE RELEASE 1/9/14

WELLMONT HEALTH SYSTEM LAUNCHES PROCESS TO ASSESS STRATEGIC OPTIONS FOR FUTURE

KINGSPORT—Wellmont Health System officials have launched a process to evaluate strategic options for the organization's future, including the possibility of aligning with another health system.

The Wellmont board of directors and leadership team will spend this year engaged in an exploratory process with healthcare experts to evaluate how Wellmont needs to evolve to thrive in the future.

"Because of the mandate of our vision – to deliver the best healthcare anywhere – we strongly believe we must act now to ensure Wellmont evolves with the rapidly changing healthcare industry and continues to provide outstanding care for generations to come," said Buddy Scott, chairman of Wellmont's board. "While this is just the beginning of a process and we do not have many specifics today, it is important to be as transparent as possible with all the people who matter to this organization."

The current climate of the healthcare industry has resulted in a complex set of challenges for hospitals and health systems nationwide.

These organizations must be prepared for increasing levels of information management and technological innovations, quality mandates, a growing demand for primary care services and population health management to advance the wellness of large groups of patients and reduce their need for inpatient hospital care. Providers are also struggling with low patient volumes, reimbursement cuts and possible performance penalties under the Patient Protection and Affordable Care Act.

The challenges are multiplied in Northeast Tennessee and Southwest Virginia because of extremely low Medicare payment rates and the high volume of Medicaid and uninsured populations. Add to this the recent decisions in Virginia and Tennessee not to expand Medicaid coverage. For Wellmont, all of these factors have made it necessary to improve its financial position by millions of dollars during the next several years. In fiscal 2012, Wellmont had a community benefit of $94 million, which included $77 million in uncompensated care, as well as free programs and services provided to the community, and cash and in-kind donations to community groups.

Due to these challenges, it is becoming increasingly difficult for healthcare organizations to continue to operate as they have in the past without adapting to the new healthcare landscape. As a result, Wellmont is not alone in pursuing a process such as this. Forward-looking health systems nationally are seeking to fully understand their options. In fact, a recent national survey of healthcare leaders found 75 percent of health systems were already pursuing or were considering aligning their organization with another (*HealthLeaders Media*).

"As stewards of a valued community resource, our Board of Directors and leadership team know it is our responsibility to preserve and advance healthcare in our region," said Denny DeNarvaez, CEO of Wellmont Health System. "Unlike many health systems, Wellmont is fortunate to be in a position of clinical strength and relative financial stability thanks to the great work of our physicians, co-workers and leadership. The Board and the administration are committed to continue pursuing all internal options to

ensure the financial stability of our health system for the future. However, by proactively embarking on this process, we are taking our future into our own hands and creating a stronger health system for the communities we serve."

In consultation with national experts, a special committee of the Board has begun a process to assess strategic options for the organization's future. The guiding principles that will govern this assessment are:

- A strong commitment to Wellmont's mission, vision, values and operating philosophy
- Significant financial strength to advance medical, technological and organizational innovation and to develop new care models for the good of the patients and communities it serves
- A contribution to long-term economic development, the advancement of healthcare services and employment opportunities in our region
- A strong vision for the importance of philanthropy, good stewardship of donated funds and community benefit
- Optimization of information and medical technology systems
- A robust physician network and physician recruitment capacity and commitment to physician leadership
- An extensive knowledge and resource base to optimize operational, financial, clinical and purchasing systems

"As we explore potential paths, we have the best interest of our hospitals, physicians, patients and the communities we serve in mind, and we will continue to share information as it becomes available," DeNarvaez said.

"Wellmont is committed to serving patients across Northeast Tennessee and Southwest Virginia and we are motivated by our mission to deliver superior health care with compassion. This will not change with any future direction we consider," Scott said.

About Wellmont Health System

Wellmont Health System is a leading provider of healthcare services for Northeast Tennessee and Southwest Virginia, delivering top-quality, comprehensive healthcare and wellness services across the region. Wellmont facilities include Holston Valley Medical Center in Kingsport, Tenn.; Bristol Regional Medical Center in Bristol, Tenn.; Mountain View Regional Medical Center in Norton, Va.; Lonesome Pine Hospital in Big Stone Gap, Va.; Hawkins County Memorial Hospital in Rogersville, Tenn.; and Hancock County Hospital in Sneedville, Tenn. Wellmont is an operating partner with Adventist Health System at Takoma Regional Hospital in Greeneville, Tenn. For more information about Wellmont, please visit www.wellmont.org.

Media advisory: Denny DeNarvaez and Buddy Scott will be available for interviews at 1:30 p.m. EST at Wellmont Corporate offices at 1905 American Way, Kingsport. For those unable to join in person, you may dial 1-800-617-4268 and key pin code 55500382.

###

FOR IMMEDIATE RELEASE:

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WELLMONT HEALTH SYSTEM, MOUNTAIN STATES HEALTH ALLIANCE ANNOUNCE PLANS TO PURSUE AN INTEGRATED HEALTH SYSTEM

New organization would make health care more affordable, redirect resources toward improving health of region

KINGSPORT and JOHNSON CITY, Tenn. – (April 2, 2015) – Wellmont Health System and Mountain States Health Alliance have agreed to exclusively explore the creation of a new, integrated and locally governed health system designed to address the serious health issues affecting the region and to be among the best in the nation in terms of quality, affordability and patient satisfaction.

In a term sheet signed Wednesday, the boards of directors of both organizations agree to explore combining the assets and operations of Wellmont and Mountain States into a new health system. This decision follows more than a year of merger discussions, internal analysis within each system, thoughtful conversations in the community and unanimous votes by both boards to examine this option.

"We are excited about this proposed combination that will bring together the capabilities of both Wellmont and Mountain States, combined with a partnership in academics and with our states, to serve the region and result in unprecedented quality and value," said Roger Leonard, chair of Wellmont's board. "We are grateful to the thousands of community and business leaders, physicians, employees and patients who have shared their thoughts throughout this process. It was deliberative and methodical, which led us unanimously to the right conclusion."

"Our board is enthusiastic about this potential partnership," said Barbara Allen, chair of the board for Mountain States. "We and the leadership of Wellmont all care deeply about the region we serve. We share a passion for improving our region's health and our region's economy. We look forward to working closely with the state of Tennessee and the Commonwealth of Virginia, as well as with our payors, to focus on the real drivers of cost reduction and quality-enhancement."

A new board will be created, which will have equal representation from Wellmont and Mountain States, as well as two new independent, jointly appointed members. The board will also include a lead independent director who will be a Wellmont board appointee who will work with the board in coordination with the executive chairman. This is a best practice model frequently used by companies who have an executive chairman.

The president of East Tennessee State University will serve as an ex-officio nonvoting member of the board. The involvement of ETSU will focus on expanding opportunities to compete for research investment in our region, as well as enhancing physician and allied health training for the future.

This new board would direct the proposed health system, which would also have a new name. One leadership team, composed of current executives from both organizations, would lead the combined system. The CEOs of both organizations would share leadership responsibilities.

"Northeast Tennessee and Southwest Virginia disproportionately suffer from serious health issues – cardiovascular disease, diabetes, addiction and access to mental health services, to name a few – and they must be addressed," said Alan Levine, president and CEO of Mountain States, who would become executive chairman and president of the combined system. "The cost of this poor health is not sustainable. By integrating, we can refocus our efforts from being measured based on how many patients we can admit to the hospital and how many ways we can duplicate these efforts, to how we measurably improve the health of our region while eliminating unnecessary costs and making health care more affordable. The people of this region deserve nothing less. We intend to demonstrate the merger's substantial specific potential in these areas."

An integration council with executive and physician leaders from both systems will be formed to further develop plans for a combined system during the next several months. Those plans will be in the best interest of clinical quality and the patients served, will demonstrate shared values and will honor commitments to employees and physicians.

"Together, we'll work alongside our employed and independent physicians to shape the future of health care by modeling effective clinical collaboration, building new community health solutions and becoming a national model for rural health care delivery," said Bart Hove, president and CEO of Wellmont, who would be CEO of the new system. "As one system, our physicians would share best practices, collaborate to benchmark our outcomes against the nation's best and develop new high-level services closer to home."

The systems now enter a due diligence period and will work toward developing a definitive agreement. The definitive agreement will be followed by a process to obtain, among other regulatory requirements, Tennessee and Virginia approvals of the merger, which will likely take through the end of 2015.

In Tennessee, the organizations will pursue approval under the state's COPA (Certificate of Public Advantage) statute. A COPA authorizes the parties to merge and directs the state to actively supervise the new health system to ensure that it continues to benefit the community by providing health care that is affordable, accessible, cost-efficient and high in quality. In Virginia, the health systems will

pursue a process similar to a COPA that is defined by a proposed statute that has been passed by the legislature and awaits the governor's signature.

During the next phases of due diligence, integration analysis, planning for potential integration and government approval, both Mountain States and Wellmont will continue "business as usual" as two separate and independent organizations.

For more information, please visit www.becomingbettertogether.org.

A bondholder conference call will be scheduled in the near future and a notice of this call will be posted on EMMA.

About Wellmont Health System

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About Mountain States Health Alliance

Since 1998, Mountain States Health Alliance has been bringing the nation's best health care close to home to serve the residents of Northeast Tennessee, Southwest Virginia, Southeastern Kentucky and Western North Carolina. This not-for-profit health care organization based in Johnson City, Tenn., operates family of 13 hospitals serving a 29-county region. Mountain States offers a large tertiary hospital with level 1 trauma center, a dedicated children's hospital, several community hospitals, two critical access hospitals, a behavioral health hospital, two long-term care facilities, home care and hospice services, retail pharmacies, a comprehensive medical management corporation, and the region's only provider-owned health insurance company. The team members, physicians and volunteers who make up Mountain States Health Alliance are committed to caring for you and earning your trust. For more information, visit www.mountainstateshealth.com.

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Wellmont Health System and Affiliates

Quarters and Fiscal Years Ended
June 30, 2010 and June 30, 2009

The following financial statements are unaudited and are subject to change upon completion of the annual independent audit.

Wellmont Health System

Management discussion and analysis for the quarter and fiscal year ended June 30, 2010:

The health system's income from operations was $1.6 million for the quarter vs. $9.4 million for the prior year's quarter and $22.8 million for the fiscal year vs. $7.0 million for the prior fiscal year. Excluding unusual items such as real estate gains/losses on sale, write off of disputed contract amounts, and the fiscal 2008 and prior year financial statement restatement costs in fiscal 2009, the normalized amounts would be $2.3 million for the quarter vs. $12.7 million for the prior year's quarter and $26.1 million for the fiscal year vs. $15.7 million for the prior fiscal year.

The annual improvement is a direct result of the operations improvement effort that started in late fiscal 2009. The decrease for the quarter is primarily related to the items discussed in expenses below. Highlights of the quarter and fiscal year operating performance include:

- A large regional cardiology group was acquired in May 2010 and added $6 million of revenue and expenses for the quarter and fiscal year. The following amounts exclude the impact of this acquisition and the unusual items noted above.
- Total revenue increased 0.1% for the quarter and 1.9% for the fiscal year.
- Inpatient volumes were up slightly from prior year, but surgeries were down, especially the higher margin elective surgeries, which is attributable to the general economic conditions in the area.
- Emergency room visits were down from the prior year, which is partly attributable to the economic conditions but also to significant winter weather transportation problems this year.
- Total expenses increased 6.0% for the quarter and 0.6% for the fiscal year. The increase for the quarter is primarily the result of favorable audit adjustments posted in the last quarter of last year, the depreciation and interest on the main portion of Project Platinum which went into service in January 2010, and increased bad debt expense as a result of economic conditions. The slight increase for the fiscal year is primarily the depreciation and interest on Project Platinum and increased bad debt expense, mostly offset by reduced salaries and benefits from improved labor productivity.
- Hospital labor productivity improved 5.5% for the fiscal year and was flat for the quarter.

The health system's balance sheet and bond covenants highlights include:

- Days cash on hand increased from 133 days at June 30, 2009 to 172 days at March 31, 2010 but decreased slightly to 170 days at June 30, 2010. The small quarterly decrease was driven by $19 million of EBITDA being exceeded by $10 million of decreased investment portfolio performance/value, $6 million of interest, and $8 million of non-bond capital expenditures. The fiscal year increase was driven by $87 million of EBITDA and $23 million of improved investment portfolio performance/value, offset by $20 million of interest and $14 million of non-bond capital expenditures. The 170 days is well above the requirement of 100 days.
- Unrestricted net assets decreased by $14.4 million for the quarter and increased by $38.6 million for the fiscal year. The quarterly decrease was primarily driven by $10.4 million of decreased investment portfolio performance/value, $3.4 million of swap valuation adjustments and $1.9 million of pension plan adjustments, partially offset by $1.6 million of income from operations. The fiscal year increase was driven by $22.8 million income from operations and $23.3 million of improved investment portfolio performance/value, partially offset by $2.7 million of swap valuation adjustments and $3.5 million of pension adjustments.
- Debt service coverage increased from 1.56 at June 30, 2009 to 2.64 at March 31, 2010 but decreased to 2.08 at June 30, 2010. The quarterly decrease was primarily due to a decrease in EBITDA of $7.0 million, an increase in investment losses of $5.3 million (due to an impairment of equity investments of $8.2 million), and a negative $3.4 million swap valuation adjustment vs. a positive $6.6 million in the prior year. The fiscal year increase was primarily due to an increase in EBITDA of $20.6 million less the net negative $0.9 million change in investment income, swap valuation adjustments, and discontinued operations. The 2.08 is well above the requirements of 1.10 and 1.25.

In June 2010, the health system entered into a definitive agreement to sell its Medical Mall Pharmacy retail pharmacy operations. The losses for Medical Mall Pharmacy and Jenkins Community Hospital (sold in April 2009) are now included in discontinued operations for all periods presented.

Wellmont Health System

The following table shows a comparison of the total volumes for acute discharges, observation patients, surgeries and emergency room visits for the quarters and fiscal years ended June 30, 2010 and June 30, 2009. Note that Jenkins Community Hospital was acquired as of July 16, 2007, but closed and sold as of April 30, 2009, so its volumes are not included.

	FY10 QTR 4	FY09 QTR 4	FY10 YTD	FY09 YTD
Hospitals	7	7	7	7
Acute Discharges	10,347	10,270	41,380	42,558
Observation Patients	2,407	2,286	9,530	8,092
Total In/Observation Patients	12,754	12,556	50,910	50,650
Surgeries	6,143	6,394	23,938	25,128
Emergency Room Visits	54,413	56,415	218,007	222,560

Wellmont Health System and Affiliates
Consolidated Balance Sheets
As of June 30, 2010 and June 30, 2009
(Dollars in Thousands)(Unaudited)

	6/30/10	6/30/09
Assets		
Current assets:		
Cash and cash equivalents	$ 35,711	$ 62,791
Assets limited to use that are required for current liabilities	0	2,201
Patient accounts receivable	94,057	98,071
Other receivables	10,919	11,173
Inventories	18,294	17,169
Prepaid expenses & other current assets	7,002	6,040
Total current assets	165,983	197,445
Assets limited as to use, net of current portion	301,807	245,601
Land, buildings and equipment, net	450,205	442,611
Other assets:		
Long-term investments	32,391	30,072
Investments in affiliates	32,019	31,977
Deferred debt expense, net	4,644	4,824
Goodwill, net	9,501	9,508
Other	731	797
	79,286	77,178
Total assets	$ 997,281	$ 962,835
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	10,143	13,198
Lines of credit / notes payable	14,000	15,811
Accounts payable and accrued expenses	74,679	77,139
Estimated third-party payor settlements	11,672	12,441
Current portion of other long-term liabilities	7,251	6,352
Total current liabilities	117,745	124,941
Long-term debt, less current portion	467,833	474,608
Other long-term liabilities, less current portion	47,364	38,422
Total liabilities	632,942	637,971
Net assets:		
Unrestricted	358,620	320,030
Temporarily restricted	4,551	3,589
Permanently restricted	1,168	1,245
Total net assets	364,339	324,864
Total liabilities and net assets	$ 997,281	$ 962,835

Wellmont Health System and Affiliates
Consolidated Statement of Operations and Change in Net Assets
The quarters and fiscal years ended June 30, 2010 and June 30, 2009
(Dollars in Thousands)(Unaudited)

	FY10 QTR 4	FY09 QTR 4	FY10 YTD	FY09 YTD
Revenue:				
Net patient revenue	183,178	178,393	715,057	699,303
Other revenue	8,028	7,478	31,472	27,842
Total revenue	191,206	185,871	746,529	727,145
Expenses:				
Salaries and benefits	82,497	77,827	310,667	323,801
Medical supplies and drugs	38,197	35,347	150,143	141,044
Purchased services	20,225	21,005	74,922	81,031
Interest	5,675	4,548	20,110	16,013
Provision for bad debts	13,167	12,126	57,431	52,649
Depreciation and amortization	11,512	11,783	43,711	42,957
Other	18,335	13,819	66,735	62,603
Total expenses	189,608	176,455	723,719	720,098
Income from operations	$1,598	$9,416	$22,810	$7,047
Nonoperating gains (losses):				
Investment income	(8,907)	(3,557)	(1,827)	4,181
Derivative valuation adjustments	(3,402)	6,562	(2,693)	(5,747)
Other, net	(1,060)	(247)	(1,870)	(625)
Nonoperating (losses) gains, net	(13,369)	2,758	(6,390)	(2,191)
Revenues and gains in excess of expenses and losses before discontinued operations	($11,771)	$12,174	$16,420	$4,856
Discontinued operations	(1)	(2,317)	(1,109)	(4,456)
Revenues and gains in excess of expenses and losses	($11,772)	$9,857	$15,311	$400
Other changes in unrestricted net assets:				
Change in net unrealized gains (losses) on investments	(1,452)	26,136	25,151	(60,663)
Net assets released from restrictions for additions to land, buildings, and equipment	750	1,102	1,556	2,758
Transfer to/from permanently restricted net assets	0	0	79	0
Change in the funded status of benefit plans and other	(1,912)	(13,068)	(3,507)	(13,568)
Increase (decrease) in unrestricted net assets	(14,386)	24,027	38,590	(71,073)
Changes in temporarily restricted net assets:				
Contributions	1,189	(1)	2,934	1,944
Net assets released from temporary restrictions	(1,337)	(1,209)	(1,972)	(3,154)
Increase (decrease) in temporarily restricted net assets	(148)	(1,210)	962	(1,210)
Changes in permanently restricted net assets:				
Transfer to/from unrestricted net assets	0	0	(79)	0
Permanently restricted contributions and investment income	0	0	2	645
Increase (decrease) in permanently restricted net assets	0	0	(77)	645
Change in net assets	(14,534)	22,817	39,475	(71,638)
Net assets, beginning of period	378,873	302,048	324,864	396,501
Net assets, end of period	364,339	324,864	364,339	324,863

Wellmont Health System and Affiliates
Consolidated Statement of Cash Flows
The fiscal years ended June 30, 2010 and June 30, 2009
(Dollars in Thousands)(Unaudited)

	FY10 YTD	FY09 YTD
Cash flows from operating activities:		
Change in net assets	$ 39,475	$ (71,638)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	43,711	42,988
Net realized and unrealized (gains) losses on investments	(25,151)	60,663
Unrealized (gain) loss on swaps	2,693	(5,747)
(Gain) loss on sale of fixed assets	1,282	660
Increase (decrease) in cash due to changes in:		
Accounts receivable	4,014	11,444
Inventories	(1,125)	(353)
Prepaid expenses and other current assets	(708)	1,508
Accounts payable and accrued expenses	11,831	41,056
Net (increase) decrease in other assets	(76,244)	(907)
Net cash provided by operating activities	(222)	79,674
Cash flows from investing activities:		
Purchases of property, plant and equipment, net	(52,588)	(80,043)
Transfer to/from bond funds	38,575	55,207
Net cash used in investing activities	(14,013)	(24,836)
Cash flows from financing activities:		
Proceeds from note payable	14,000	0
Repayment of line of credit	(14,000)	0
Repayment of long term debt	(12,845)	(7,736)
Net cash used in financing activities	(12,845)	(7,736)
Increase (decrease) in cash and cash equivalents	(27,080)	47,102
Cash and cash equivalents, beginning	62,791	15,689
Cash and cash equivalents, ending	$ 35,711	$ 62,791

Wellmont Health System and Affiliates

Consolidated Balance Sheets as of
June 30, 2011 and June 30, 2010

Consolidated Statements of Operations and Changes in Net Assets and Statements of Cash Flows for the Quarters and Fiscal Years ended
June 30, 2011 and June 30, 2010

The following financial statements are unaudited and are subject to change upon completion of the annual independent audit.

Wellmont Health System
Management Discussion and Analysis
For the Quarter and Fiscal Year ended June 30, 2011

Volumes:

Volumes were generally up from the same quarter last year. Inpatient and observation volumes grew by 865 patients or 6.8% over the same quarter last year, with inpatients up 1.0% and observation patients up more than 30%, primarily due to a change in post-surgical patient classification and partially due to continued managed care payor changes. Emergency room visits were 0.7% over the same quarter last year. Other outpatient volume was 5.7% over the same quarter last year. Surgical volumes were down 3.7% from the same quarter last year in both the inpatient and outpatient settings. Deliveries were down 12.1% due to obstetrician turnover at Holston Valley Medical Center and Lonesome Pine Hospital. Our physician office visits were up 9.3% primarily due to the acquisitions of a large cardiology practice in May 2010 and a pulmonology practice in January 2011.

Comparing the last fiscal year to the current fiscal year, we experienced a positive 3.9% growth in our inpatient and observation volumes. Our emergency room visits are lagging last year by 1.9% primarily due to utilization trends. Other outpatient volumes were 3.0% over last year. We had surgical growth of 2.3% entirely due to outpatient volumes. Deliveries were down 8.1% due to obstetrician turnover at Holston Valley Medical Center and Lonesome Pine Hospital. Physician office visits were up 20.4% primarily due to the acquisitions noted above.

Length of stay for the quarter and year-to-date is trending slightly higher as a result of moving the shorter length of stay cases to the outpatient arena. Our case mix indices are trending slightly lower than last year as a result of the mix between medical and surgical cases.

Statement of Operations:

The changes that follow exclude the impact of the acquisitions of the cardiology practice in May 2010 and the pulmonology practice in January 2011, and the TennCare fee assessment which was new for fiscal 2011. In total, these items added $9.8 million of net patient revenue, $0.8 million of other revenue, and $11.1 million of expenses for the quarter over the prior year and $51.3 million of net patient revenue, $4.2 million of other revenue, and $58.5 million of expenses for the fiscal year over the prior year.

Quarter ended June 30, 2011 versus quarter ended June 30, 2010:

Net patient revenue has grown $10.1 million and bad debt expense increased $3.7 million over the same quarter last year, so the net change of these two lines is an increase of $6.4 million or 3.9% (the classification of bad debt and charity was refined considerably in the last quarter of fiscal 2011). Other revenue decreased as a result of lower performance related to the Takoma and imaging joint ventures.

Salaries and benefits have increased by $0.7 million or 0.9% driven primarily by the higher volumes. Supplies have increased by $0.7 million or 1.8% driven by the higher volumes and higher drug costs, particularly in oncology. Interest decreased $0.9 million due to the reduction

in notes payable and letter of credit fees. Other expenses decreased $1.0 million as the prior year included acquisition and other one time expenses.

Fiscal 2011 versus fiscal 2010:

Net patient revenue has grown $23.2 million and bad debt expense increased $1.8 million over the prior fiscal year, so the net change of these two lines is an increase of $21.4 million or 3.3%. Other revenue decreased as a result of lower performance related to the Takoma, imaging and lab joint ventures.

Salaries and benefits has increased by $6.2 million or 2.0% driven by the higher volumes, an increase in FTEs for patient care as well as to support computerized order entry and electronic health record system build and implementation. Supplies have increased by $8.3 million or 5.5% driven by the higher volumes and higher drug costs, particularly in oncology. Purchased services increased by $3.5 million as a result of physician fees at the hospitals, a new urgent care operation, and physician practice management and system implementation costs. Interest and depreciation increases are related to the completion of Project Platinum.

For the fiscal year, growth in expenses has out-stripped the growth in revenues resulting in a 2.2% operating margin versus 3.2% for the prior fiscal year. However, the strong volume in the last quarter produced an operating margin of 3.4% which was more than the prior year's last quarter of 0.9%.

Investments are performing well with the rebound in the market while the mark-to-market on our derivatives is not as volatile as last year, both for the quarter and fiscal year.

Balance Sheet:

In May 2011, the Series 2006A bonds (par $76,595,000) were refunded with the Series 2011 bonds (par $76,165,000). The total return swap associated with the Series 2006A bonds was terminated and a new total return swap associated with the Series 2011 bonds was initiated with a different counterparty. Also in May 2011, the letter of credit provider on the Series 2005 bonds was replaced with a different letter of credit provider. In November 2010, a $30 million bank qualified loan was issued with a cumulative drawdown of $15 million at June 30, 2011. This partially offset the use of $13 million in the first quarter to pay off the taxable bond issue. $7 million of the short term note payable was repaid in January 2011 and the remaining $7 million was repaid in June 2011. The purchase of the pulmonary practice that operated a free standing ambulatory surgery center and two sleep laboratories resulted in the increase in goodwill. Net patient receivables grew as a result of our physician practice acquisitions and billing system conversion. Our debt to capitalization position and debt service coverage have both improved for the quarter and fiscal year. Days cash on hand has increased for the quarter and decreased slightly for the fiscal year due to the acquisitions and debt changes.

Wellmont Health System and Affiliates

The following table sets forth selected historical utilization statistics of the inpatient and specialty care facilities owned and operated by Wellmont for the quarters and twelve months ended June 30, 2011 and June 30, 2010.

	FY11 QTR 4	FY10 QTR 4	FY11 YTD	FY10 YTD
Hospital Statistics:				
Beds in Service	781	781	781	781
Acute Discharges	10,450	10,347	42,070	41,380
Observation Patients	3,169	2,407	10,841	9,530
Patients in Bed	13,619	12,754	52,911	50,910
Patient Days	45,260	43,505	183,934	177,715
Average Length of Stay (Days)	4.33	4.20	4.37	4.29
Daily Census including Observations	532	505	534	513
Percent Occupancy	68.14%	64.60%	68.33%	65.69%
Emergency Room Visits	53,144	52,761	208,252	212,383
Outpatient Registrations excluding ER	58,227	55,111	225,035	218,400
Deliveries	494	562	2,056	2,238
Surgical Cases:				
Inpatient	2,431	2,579	10,054	10,372
Outpatient	6,436	6,631	26,284	25,160
Physician Office Visits:	79,313	72,585	310,896	258,263

The following table shows the percentage of gross patient service revenue by payor for the fiscal years ended June 30, 2011 and June 30, 2010

	FY11 YTD	FY10 YTD
Medicare	32.7%	32.5%
Medicare Managed Care	19.8%	18.4%
Medicaid	12.8%	13.5%
Managed Care	25.1%	25.0%
Self	6.5%	6.5%
Other	3.1%	4.1%
	100.0%	100.0%

Wellmont Health System and Affiliates
Consolidated Balance Sheets
As of June 30, 2011 and June 30, 2010
(Dollars in Thousands)(Unaudited)

	As of 6/30/11	As of 6/30/10
Assets		
Current assets:		
Cash and cash equivalents	$ 36,558	$ 35,711
Assets limited to use that are required for current liabilities	1,903	1,815
Patient accounts receivable	108,565	94,057
Other receivables	9,904	10,919
Inventories	17,830	18,294
Prepaid expenses & other current assets	7,162	7,003
Total current assets	181,922	167,799
Assets limited as to use, net of current portion	319,387	301,807
Land, buildings and equipment, net	447,634	450,205
Other assets:		
Long-term investments	36,437	32,391
Investments in affiliates	31,177	32,019
Deferred debt expense, net	5,847	4,644
Goodwill, net	16,721	9,501
Other	1,875	730
	92,057	79,285
Total assets	$ 1,041,000	$ 999,096
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	9,262	11,958
Short term notes payable	0	14,000
Accounts payable and accrued expenses	68,952	74,679
Estimated third-party payor settlements	16,533	11,672
Current portion of other long-term liabilities	8,527	7,251
Total current liabilities	103,274	119,560
Long-term debt, less current portion	453,958	467,833
Other long-term liabilities, less current portion (1)	42,006	44,977
Total liabilities	599,238	632,370
Net assets:		
Unrestricted	434,662	358,620
Temporarily restricted	3,570	4,551
Permanently restricted	1,174	1,168
Noncontrolling interests (1)	2,356	2,387
Total net assets	441,762	366,726
Commitments and contingencies		
Total liabilities and net assets	$ 1,041,000	$ 999,096

(1) Reflects change from "minority interests" to "noncontrolling interests" from the adoption of authoritative guidance.

Wellmont Health System and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
The quarters and fiscal years ended June 30, 2011 and June 30, 2010
(Dollars in Thousands)(Unaudited)

	FY11 QTR 4	FY10 QTR 4	FY11 YTD	FY10 YTD
Revenue:				
Net patient revenue	$197,557	$177,644	$767,450	$692,920
Other revenue	7,002	7,423	29,799	29,237
Total revenue	204,559	185,067	797,249	722,157
Expenses:				
Salaries and benefits	88,283	82,498	347,185	310,667
Medical supplies and drugs	39,289	38,197	160,565	150,143
Purchased services	20,547	20,226	80,348	74,922
Interest	4,805	5,674	20,750	20,110
Provision for bad debts	11,372	7,632	37,858	35,293
Depreciation and amortization	11,392	11,512	46,059	43,711
Other	21,946	17,730	87,319	64,499
Total expenses	197,634	183,469	780,084	699,345
Income from operations	6,925	1,598	17,165	22,812
Nonoperating gains (losses)(1):				
Investment income	2,059	(6,068)	10,383	1,012
Derivative valuation adjustments	(1,595)	(3,401)	1,355	(2,693)
Gain on bond dissolution	1,041	0	1,041	0
Other, net	0	(809)	(610)	(805)
Nonoperating (losses) gains, net	1,505	(10,278)	12,169	(2,486)
Revenues and gains in excess of expenses and losses before discontinued operations and noncontrolling interests	8,430	(8,680)	29,334	20,326
Discontinued operations	82	(1)	44	(1,109)
Revenues and gains in excess of expenses and losses	$8,512	($8,681)	$29,378	$19,217
Income attributable to noncontrolling interests (1)	(225)	(271)	(1,238)	(1,065)
Revenues and gains in excess of expenses and losses attributable to Wellmont Health System	8,287	(8,952)	28,140	18,152
Other changes in unrestricted net assets (1):				
Change in net unrealized gains (losses) on investments	2,214	(4,291)	42,186	22,312
Net assets released from restrictions for additions to land, building and equipment	1,563	750	2,852	1,555
Transfer to/from Temporarily restricted net assets	(18)	0	(18)	0
Transfer to/from permanently restricted net assets	0	0	0	79
Change in the funded status of benefit plans and other	2,777	(1,914)	2,882	(3,508)
Increase (decrease) in unrestricted net assets	14,823	(14,407)	76,042	38,590
Changes in temporarily restricted net assets:				
Contributions	419	1,189	2,549	2,934
Transfer to/from unrestricted net assets	18	0	18	0
Net assets released from temporary restrictions	(1,684)	(1,337)	(3,548)	(1,972)
Increase (decrease) in temporarily restricted net assets	(1,247)	(148)	(981)	962
Changes in permanently restricted net assets:				
Transfer to/from unrestricted net assets	0	0	0	(79)
Permanently restricted contributions and investment income	4	0	6	2
Increase (decrease) in permanently restricted net assets	4	0	6	(77)
Changes in noncontrolling interests (1):				
Income attributable to noncontrolling interests	225	271	1,238	1,065
Distributions to noncontrolling interests	(154)	0	(1,178)	(711)
Changes in noncontrolling percentages	0	0	(91)	(21)
Increase (decrease) in noncontrolling interests	71	271	(31)	333
Change in net assets (1)	13,651	(14,284)	75,036	39,808
Net assets, beginning of period (1)	428,111	381,010	366,726	326,918
Net assets, end of period (1)	$441,762	$366,726	$441,762	$366,726

(1) Reflects change from "minority interests" to "noncontrolling interests" from the adoption of authoritative guidance.

Certain 2010 amounts have been reclassified to conform to the 2011 presentation.

Wellmont Health System and Affiliates
Consolidated Statement of Cash Flows
The fiscal years ended June 30, 2011 and June 30, 2010
(Dollars in Thousands)(Unaudited)

	FY11	FY10
Cash flows from operating activities:		
Change in net assets (1)	$ 75,036	$ 39,808
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	46,059	43,711
Net realized and unrealized (gains) losses on investments	(52,569)	(23,324)
Derivative valuation adjustments	(1,355)	2,693
Gain on bond dissolution	(1,041)	0
(Gain) loss on sale of fixed assets	(162)	1,282
Increase (decrease) in cash due to changes in:		
Accounts Receivable	(14,508)	4,014
Inventories	464	(1,125)
Prepaid expenses and other current assets	854	(708)
Accounts payable and accrued expenses	(1,774)	11,831
Net decrease (increase) in other assets (1)	(4,990)	(2,531)
Net cash provided by operating activities	46,014	75,651
Cash flows from investing activities:		
Purchases of property, plant and equipment, net	(43,326)	(51,327)
Transfer to/from Bond Funds	8,332	38,575
Transfer to/from Board Designated Funds	26,884	(71,773)
Acquisitions	(7,056)	(2,421)
Net cash used in investing activities	(15,166)	(86,946)
Cash flows from financing activities:		
Proceeds from long term debt	91,133	0
Proceeds from note payable	0	14,000
Repayment of line of credit	0	(15,800)
Repayment of note payable	(14,000)	0
Repayment of long term debt	(107,135)	(12,083)
Net cash used in financing activities	(30,002)	(13,883)
Increase (decrease) in cash and cash equivalents	846	(25,178)
Cash and cash equivalents, beginning	35,711	60,889
Cash and cash equivalents, ending	$ 36,558	$ 35,711

(1) Reflects change from "minority interests" to "noncontrolling interests" from the adoption of authoritative guidance.

Wellmont Health System and Affiliates
Ratios
(Dollars in thousands)

		6/30/11	6/30/10
Capitalization			
Current portion of long-term debt		$ 9,262	$ 11,958
Short-term notes payable		-	14,000
Long-term debt, less current portion	A	453,958	467,833
Total debt		463,220	493,791
Unrestricted net assets	B	434,662	358,620
Other net assets		7,100	8,106
Total net assets		441,762	366,726
Long-term debt plus Unrestricted net assets	A+B	$888,620	$826,453
Long-term debt to Capitalization	A/(A+B)	0.511	0.566
Debt Service Coverage			
Revenue and gains in excess of expenses and losses (12 months)		$ 29,378	$ 19,217
Add back:			
Depreciation and amortization (12 months)		46,059	43,711
Interest expense (12 months)		20,750	20,110
(Gain) Loss from discontinued operations (12 months)		(44)	1,109
Total income available for debt service per Master Trust Indenture	C	96,143	84,147
Maximum annual debt service	D	$ 35,157	$ 38,050
Debt Service Coverage Ratio per Master Trust Indenture	C/D	2.73	2.21
Days Cash on Hand			
Unrestricted cash		$ 36,558	$ 35,711
Unrestricted investments:			
Capital improvements		273,886	247,674
Long-term investments		36,437	32,391
Less illiquid investments		(38,349)	(35,003)
	E	308,532	280,773
Operating expenses (12 months)		780,084	699,345
Less depreciation and amortization		(46,059)	(43,711)
Total cash expenses		734,025	655,634
Number of days in the period		365	365
Daily cash operating expenses	F	$ 2,011	$ 1,796
Days cash on hand	E/F	153.42	156.31

Wellmont Health System and Affiliates

Consolidated Balance Sheets as of
June 30, 2012 and June 30, 2011

Consolidated Statements of Operations and Changes in Net Assets
for the Quarters and Fiscal Years ended
June 30, 2012 and June 30, 2011

The following financial statements are unaudited but agree to
the annual independent audit.

Wellmont Health System
Management Discussion and Analysis
For the Quarter and Fiscal Year ended June 30, 2012

Volumes:

Volumes were mixed compared to the same quarter last year. Inpatients were down 6.3% and observation patients were up 5.5%, due to continued managed care payor changes. Emergency room visits were down 3.6% and other outpatient volume was up 2.3%. Surgical volumes were up 4.2% and deliveries were up 6.7%. Our physician office visits were up 20.1% primarily due to the acquisitions of a cardiology practice in October 2011 and a multispecialty practice in January 2012.

Volumes were also mixed compared to the prior fiscal year. Inpatients were down 4.6% and observation patients were up 26.1%, due to a change in post-surgical patient classification and to continued managed care payor changes. Emergency room visits were the same as last year and other hospital outpatient volumes were up 5.1%. Surgical volumes were the same as last year and deliveries were down 1.7%. Physician office visits were up 15.9% primarily due to the acquisitions noted above.

Length of stay for the quarter and year-to-date is trending slightly lower due to a focus on case management. The case mix indices are the same as last year.

Statement of Operations:

We adopted Accounting Standards Update 2011-07 regarding the presentation of patient service revenue and bad debts this fiscal year on a retroactive basis. There is no impact on income from operations and simply moves the provision for bad debts from expenses to revenue.

Quarter ended June 30, 2012 versus quarter ended June 30, 2011:

Net patient service revenue increased $2.3 million or 1.2% from the same quarter last year. Other revenue increased $14.4 million primarily as a result of $12.8 million of Electronic Health Record Meaningful Use amounts earned during the quarter by Wellmont Health System hospitals and physician practices and $1.4 million earned by Takoma Regional Hospital (of which Wellmont Health System owns 60% so recorded $0.8 million)(also see the fiscal year discussion below).

Salaries and benefits increased $8.3 million or 9.5%, driven by the physician practice growth and acquisitions. Hospital productivity improved, as hours per adjusted discharge decreased 1.7%. Supplies increased $1.7 million or 4.4% primarily due to growth in infusion volumes, particularly in oncology.

Income from operations of $11.6 million exceeded the $6.9 million for the same quarter last year, primarily due to the Meaningful Use amounts.

Fiscal 2012 versus fiscal 2011:

Net patient revenue increased $12.2 million or 1.7% over the prior fiscal year. Other revenue increased $18.1 million primarily as a result of the Electronic Health Record Meaningful Use amounts earned during the year, with $13.1 million earned by Wellmont Health System hospitals and physician practices and $3.2 million earned by Takoma Regional Hospital (of which Wellmont Health System owns 60% so recorded $1.9 million). However, significant costs have been incurred to purchase and implement the systems necessary to achieve Meaningful Use. This includes approximately $13 million of capital costs which resulted in approximately $5 million of annual depreciation and maintenance costs plus $4.6 million of staff costs to implement the systems.

Salaries and benefits increased $21.6 million or 6.2% primarily due to the physician practice acquisitions ($9.5 million) and the $4.6 million to implement the systems. Hospital productivity improved, as hours per adjusted discharge decreased 6.7%. Supplies increased $3.8 million or 2.4% primarily due to growth in infusion volumes, particularly in oncology.

Income from operations of $22.3 million exceeded the prior fiscal year of $17.2 million. Net income (shown as “Revenues and gains in excess of expenses and losses attributable to Wellmont Health System”) of $32.9 million exceeded the prior fiscal year of $28.2 million.

Balance Sheet:

Days cash on hand increased as a result of the strong operating performance and investment returns. Net patient accounts receivable increased primarily as a result of the physician practice acquisitions. Other receivables increased due to the accrual of the Meaningful Use amounts earned at June 30, 2012. Accounts payable and accrued expenses increased primarily due to having a pay period end on June 30, 2012. Net assets was negatively impacted by an increase in pension liabilities as a result of the continued low interest rate environment. Debt to capitalization and debt service coverage ratios both improved as a result of the strong operating performance.

Wellmont Health System and Affiliates

The following table sets forth selected historical utilization statistics of the inpatient and specialty care facilities owned and operated by Wellmont for the quarters and fiscal years ended June 30, 2012 and June 30, 2011.

	FY12 QTR 4	FY11 QTR 4	FY12 YTD	FY11 YTD
Hospital Statistics:				
Acute Discharges	9,790	10,450	40,121	42,070
Observation Patients	3,344	3,169	13,669	10,841
Patients in Bed	13,134	13,619	53,790	52,911
Patient Days	41,495	45,260	173,533	183,934
Average Length of Stay (Days)	4.24	4.33	4.33	4.37
Daily Census including Observations	493	532	511	532
Emergency Room Visits	51,216	53,144	208,013	208,252
Outpatient Registrations excluding ER	59,575	58,227	236,437	225,035
Deliveries	527	494	2,021	2,056
Surgical Cases:				
Inpatient	2,401	2,431	9,418	10,054
Outpatient	6,840	6,436	26,839	26,284
Total Surgical Cases	9,241	8,867	36,257	36,338
Physician Office Visits	95,271	79,313	359,942	310,578

The following table shows the percentage of gross patient service revenue by payor for the fiscal year ended June 30, 2012 and the fiscal year ended June 30, 2011.

	FY12 All Year	FY11 All Year
Medicare	32.1%	32.7%
Medicare Managed Care	20.8%	19.8%
Medicaid	11.4%	12.7%
Managed Care	25.3%	25.2%
Self	7.7%	6.5%
Other	2.7%	3.1%
	100.0%	100.0%

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Wellmont Health System and Affiliates
Consolidated Balance Sheets
As of June 30, 2012 and June 30, 2011
(Dollars in Thousands)(Unaudited)

	As of 6/30/12	As of 6/30/11
Assets		
Current assets:		
Cash and cash equivalents	$ 44,930	$ 36,558
Assets limited to use that are required for current liabilities	4,372	1,902
Patient accounts receivable	108,265	101,565
Other receivables	23,805	9,904
Inventories	17,862	17,830
Prepaid expenses & other current assets	7,462	7,163
Total current assets	206,696	174,922
Assets limited as to use, net of current portion	339,030	319,387
Land, buildings and equipment, net	458,048	454,937
Other assets:		
Long-term investments	36,633	36,437
Investments in affiliates	32,646	31,177
Deferred debt expense, net	5,419	5,847
Goodwill, net	17,090	16,721
Other	651	1,875
	92,439	92,057
Total assets	$ 1,096,213	$ 1,041,303
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	$ 11,913	$ 9,273
Accounts payable and accrued expenses	81,243	70,943
Estimated third-party payor settlements	15,535	9,533
Current portion of other long-term liabilities	5,782	8,527
Total current liabilities	114,473	98,276
Long-term debt, less current portion	459,654	458,882
Other long-term liabilities, less current portion	54,060	42,384
Total liabilities	628,187	599,542
Net assets:		
Unrestricted	458,218	434,661
Temporarily restricted	5,739	3,570
Permanently restricted	1,304	1,174
Noncontrolling interests	2,765	2,356
Total net assets	468,026	441,761
Commitments and contingencies		
Total liabilities and net assets	$ 1,096,213	$ 1,041,303

Certain FY2011 amounts have been reclassified to conform to the FY2012 presentation.

Wellmont Health System and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
The quarters and fiscal years ended June 30, 2012 and June 30, 2011
(Dollars in Thousands)(Unaudited)

	FY12 QTR 4	FY11 QTR 4	FY12 YTD	FY11 YTD
Revenue:				
Patient service revenue (net of contractual allowances and discounts)	$209,950	$197,557	$813,229	767,450
Provision for bad debts	(21,462)	(11,372)	(71,407)	(37,858)
Net patient service revenue less provision for bad debts	188,488	186,185	741,822	729,592
Other revenue	21,352	7,002	47,904	29,799
Total revenue	209,840	193,187	789,726	759,391
Expenses:				
Salaries and benefits	96,632	88,283	368,772	347,185
Medical supplies and drugs	41,017	39,289	164,397	160,565
Purchased services	21,128	20,547	79,509	80,348
Interest	5,428	4,805	21,677	20,750
Depreciation and amortization	12,290	11,392	46,403	46,059
Other	21,777	21,946	86,645	87,319
Total expenses	198,272	186,262	767,403	742,226
Income from operations	11,568	6,925	22,323	17,165
Nonoperating gains (losses):				
Investment income	6,631	2,058	17,272	10,383
Derivative valuation adjustments	5,305	(1,594)	1,807	1,355
Gain on bond dissolution	0	1,042	0	1,042
Other, net	0	0	0	(519)
Nonoperating gains (losses), net	11,936	1,506	19,079	12,261
Revenues and gains in excess of expenses and losses before discontinued operations and noncontrolling interests	23,504	8,431	41,402	29,426
Discontinued operations	92	82	88	44
Revenues and gains in excess of expenses and losses	23,596	8,513	41,490	29,470
Income attributable to noncontrolling interests	(504)	(225)	(1,670)	(1,238)
Revenues and gains in excess of expenses and losses attributable to Wellmont Health System	23,092	8,288	39,820	28,232
Other changes in unrestricted net assets:				
Change in net unrealized gains (losses) on investments	(9,042)	2,214	(9,534)	42,186
Net assets released from restrictions for additions to land, buildings, and equipment	2,801	1,563	3,766	2,852
Transfer to/from Temporarily restricted net assets	0	(18)	0	(18)
Change in the funded status of benefit plans and other	(10,495)	2,776	(10,495)	2,789
Increase (decrease) in unrestricted net assets	6,356	14,823	23,557	76,041
Changes in temporarily restricted net assets:				
Contributions	431	419	6,661	2,548
Transfer to/from unrestricted net assets	0	18	0	18
Net assets released from temporary restrictions	(2,988)	(1,684)	(4,492)	(3,547)
Increase (decrease) in temporarily restricted net assets	(2,557)	(1,247)	2,169	(981)
Changes in permanently restricted net assets:				
Permanently restricted contributions and investment income	128	4	130	6
Increase (decrease) in permanently restricted net assets	128	4	130	6
Changes in noncontrolling interests:				
Income attributable to noncontrolling interests	504	225	1,670	1,238
Distributions to noncontrolling interests	(369)	(155)	(1,261)	(1,178)
Changes in noncontrolling percentages				(92)
Increase (decrease) in noncontrolling interests	135	70	409	(32)
Change in net assets	4,062	13,650	26,265	75,034
Net assets, beginning of period	463,964	428,111	441,761	366,727
Net assets, end of period	$468,026	$441,761	$468,026	$441,761

Certain FY2011 amounts have been reclassified to conform to the FY2012 presentation.

Wellmont Health System and Affiliates
Ratios
(Dollars in thousands)

		6/30/12	6/30/11
Capitalization			
Current portion of long-term debt		$ 11,913	$ 9,273
Short-term notes payable			-
Long-term debt, less current portion	A	459,654	459,260
Total debt		471,567	468,533
Unrestricted net assets	B	458,218	434,661
Other net assets		9,808	7,100
Total net assets		468,026	441,761
Long-term debt plus Unrestricted net assets	A+B	$917,872	$ 893,921
Long-term debt to Capitalization	A/(A+B)	0.501	0.514
Debt Service Coverage			
Revenue and gains in excess of expenses and losses (12 months)		$ 39,820	$ 28,232
Add back:			
Depreciation and amortization (12 months)		46,403	46,059
Interest expense (12 months)		21,677	20,750
(Gain) loss from discontinued operations (12 months)		(88)	(44)
Total income available for debt service per Master Trust Indenture	C	107,812	94,997
Maximum annual debt service	D	$ 35,157	$ 35,157
Debt Service Coverage Ratio per Master Trust Indenture	C/D	3.07	2.70
Days Cash on Hand			
Unrestricted cash		$ 44,930	$ 36,558
Unrestricted investments:			
Capital improvements		297,981	273,886
Long-term investments		36,633	36,437
Less illiquid investments		(38,885)	(38,349)
	E	340,659	308,532
Operating expenses (12 months)		767,403	742,226
Less depreciation and amortization		(46,403)	(46,059)
Total cash expenses		721,000	696,167
Number of days in the period		366	365
Daily cash operating expenses	F	$ 1,970	$ 1,907
Days cash on hand	E/F	172.9	161.8

Certain FY2011 amounts have been reclassified to conform to the FY2012 presentation.

Wellmont Health System and Affiliates

Consolidated Balance Sheets as of
June 30, 2013 and June 30, 2012

Consolidated Statements of Operations and Changes in Net Assets and Statements of Cash Flows for the Quarters and Fiscal Years ended
June 30, 2013 and June 30, 2012

The following financial statements are unaudited but agree to the annual independent audit.

Wellmont Health System
Management Discussion and Analysis
For the Quarter and Fiscal Year ended June 30, 2013

Volumes:

Quarter:

Volumes were mixed compared to the same quarter last year. Inpatients were down 948 or 9.7% and observation patients were up 638 or 19.1% (so total "patients in a bed" was down 310 or 2.4%) primarily due to reduced inpatient utilization from the implementation of the accountable care organizations in our area. Emergency room visits were down 10.8% due to Wellmont now having three urgent care centers as a more cost effective and patient friendly alternative, other outpatient volume was up 1.2%, and surgeries were down 3.5%. Deliveries were up 6.3% as a result of new physicians and physician office visits were up 14.0% primarily due to the urgent care centers.

Fiscal Year:

Volumes were also mixed compared to the prior fiscal year to date. Inpatients were down 2,323 or 5.8% and observation patients were up 72 or 0.5% (so total "patients in a bed" was down 2,251 or 4.2%) primarily due to reduced inpatient utilization from the implementation of the accountable care organizations in our area. Emergency room visits were down 6.7% due to Wellmont now having three urgent care centers as a more cost effective and patient friendly alternative, other outpatient volume was up 0.5%, and surgeries were down 2.6%. Deliveries were up 14.3% as a result of new physicians and physician office visits were up 17.2% primarily due to the urgent care centers and the acquisitions of a cardiology practice in October 2011 and a multispecialty practice in January 2012.

Statement of Operations:

Quarter ended June 30, 2013 versus quarter ended June 30, 2012:

Net patient service revenue increased $2.5 million or 1.3% from the same quarter last year. Other revenue decreased $11.4 million primarily as a result of $2.8 million of Electronic Health Record Meaningful Use amounts earned during the quarter being $10.0 million below prior year amounts of $12.8 million due to the timing of each facility's implementation.

Salaries and benefits increased $0.4 million or 0.4%. Hospital productivity remained flat as compared to the same quarter last year. Supplies increased $2.2 million or 5.4% due to a higher volume of orthopedic/spinal implant surgeries and robotic surgeries. Purchased services decreased $1.1 million or 5.2% due to changes in physician agreements. Interest expense decreased $0.3 million or 6.0%. Depreciation increased $0.5 million or 4.1%.

Income from operations of $1.9 million was below the same quarter last year by $9.6 million due to the $10.0 million decrease in Meaningful Use amounts earned during each quarter. Net income (shown as "Revenues and gains in excess of expenses and losses attributable to Wellmont Health System") of $3.2 million was below the same quarter last year by $19.9 million

due to the $9.6 million decrease in income from operations, a $3.8 million decrease in investment income, a $4.4 million decrease in derivative valuation adjustments, and a $2.4 million increase in the loss from discontinued operations (due to the closure of certain sleep lab operations in this quarter).

Fiscal Year:

Net patient service revenue increased $14.0 million or 1.9% from the prior fiscal year. Other revenue decreased $4.2 million primarily as a result of lower volumes in subsidiaries providing services to hospitals such as laundry and blood services ($1.5 million) and lower earnings in an imaging joint venture ($1.3 million). Note that there was $13.7 million of Electronic Health Record Meaningful Use amounts earned this year which is essentially the same as the prior year amounts of $13.2 million.

Salaries and benefits increased $12.9 million or 3.5%, primarily driven by the physician practice growth and acquisitions and an increase in healthcare benefit costs due to increasing enrollment. Hospital productivity remained flat as compared to the prior fiscal year. Supplies decreased $0.4 million or 0.3%. Purchased services increased $1.4 million or 1.8% from several factors, the largest of which are from changes in the hospital physician services such as anesthesia (which was then decreased in the last quarter) and emergency medicine. Interest expense was essentially unchanged. Depreciation increased $5.0 million or 10.7% primarily for systems necessary to achieve Meaningful Use.

Income from operations of $12.9 million was below the prior fiscal year by $9.5 million. Net income (shown as “Revenues and gains in excess of expenses and losses attributable to Wellmont Health System”) of $31.4 million was below the prior fiscal year by $8.4 million due to the $9.5 million decrease in income from operations and a $2.1 million increase in the loss from discontinued operations (due to the closure of certain sleep lab operations), offset by a $2.2 million increase in investment income and a $0.5 million increase in derivative valuation adjustments.

Balance Sheet:

Days cash on hand increased primarily as a result of strong investment valuations, receipt of Meaningful Use funds, and net borrowings. The net borrowings consist of (a) $12.5 million taxable bank loan for the Epic implementation (fully drawn), (b) $42.5 million of tax exempt lease for the Epic implementation ($16.2 million drawn thus far), (c) $10 million lease line of credit ($5.2 million drawn thus far), less (d) regular debt and capital lease payments of $14.5 million. Other receivables decreased due to the receipt of the Meaningful Use amounts earned and accrued at June 30, 2012. The debt to capitalization ratio improved slightly due to the increase in net assets outweighing the impact of the net borrowings. The debt service coverage ratio dropped slightly due to the net borrowings.

Wellmont Health System and Affiliates

The following table sets forth selected historical utilization statistics of the inpatient and other entities owned and operated by Wellmont for the quarters and fiscal years ended June 30, 2013 and June 30, 2012.

	FY13 QTR 4	FY12 QTR 4	FY13 YTD	FY12 YTD
Hospital Statistics:				
Acute Discharges	8,842	9,790	37,798	40,121
Observation Patients	3,982	3,344	13,741	13,669
Patients in Bed	12,824	13,134	51,539	53,790
Patient Days	36,499	41,495	162,459	173,533
Average Length of Stay (Days)	4.13	4.24	4.30	4.33
Daily Census including Observations	445	493	483	511
Emergency Room Visits	43,091	48,297	183,378	196,521
Outpatient Registrations excluding Observations, ER and Surgeries	53,379	52,761	210,044	209,024
Deliveries	560	527	2,309	2,021
Surgical Cases:				
Inpatient	2,309	2,346	9,101	9,176
Outpatient	6,326	6,606	25,118	25,957
Total Surgical Cases	8,635	8,952	34,219	35,133
Physician Office Visits	108,585	95,229	310,077	264,671

The following table shows the percentage of gross patient service revenue by payor for the fiscal years ended June 30, 2013 and June 30, 2012.

	FY13 All Year	FY12 All Year
Medicare	30.9%	32.1%
Medicare Managed Care	22.3%	20.8%
Medicaid	11.5%	11.4%
Managed Care	24.8%	25.3%
Self	7.6%	7.7%
Other	2.9%	2.7%
	100.0%	100.0%

Wellmont Health System and Affiliates
Consolidated Balance Sheets
As of June 30, 2013 and June 30, 2012
(Dollars in Thousands)(Unaudited)

	As of 6/30/13	As of 6/30/12
Assets		
Current assets:		
Cash and cash equivalents	$ 55,958	$ 44,930
Assets limited to use that are required for current liabilities	5,061	4,372
Patient accounts receivable	107,029	108,265
Other receivables	17,995	23,805
Inventories	18,361	17,862
Prepaid expenses & other current assets	8,949	7,462
Total current assets	213,353	206,696
Assets limited as to use, net of current portion	375,709	339,030
Land, buildings and equipment, net	474,730	458,048
Other assets:		
Long-term investments	28,628	36,633
Investments in affiliates	31,874	32,646
Deferred debt expense, net	5,178	5,419
Goodwill, net	15,096	17,090
Other	547	651
	81,323	92,439
Total assets	$ 1,145,115	$ 1,096,213
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	$ 15,002	$ 11,913
Accounts payable and accrued expenses	84,300	81,243
Estimated third-party payor settlements	7,157	15,535
Current portion of other long-term liabilities	6,198	5,782
Total current liabilities	112,657	114,473
Long-term debt, less current portion	475,946	459,654
Other long-term liabilities, less current portion	41,567	54,060
Total liabilities	630,170	628,187
Net assets:		
Unrestricted	503,934	458,218
Temporarily restricted	6,927	5,739
Permanently restricted	1,311	1,304
Noncontrolling interests	2,773	2,765
Total net assets	514,945	468,026
Commitments and contingencies		
Total liabilities and net assets	$ 1,145,115	$ 1,096,213

Wellmont Health System and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
The quarters and fiscal years ended June 30, 2013 and June 30, 2012
(Dollars in Thousands)(Unaudited)

	FY13 QTR 4	FY12 QTR 4	FY13 FYTD	FY12 FYTD
Revenue:				
Patient service revenue (net of contractual allowances and discounts)	206,684	209,538	809,517	811,882
Provision for bad debts	(16,158)	(21,464)	(55,029)	(71,407)
Net patient service revenue less provision for bad debts	190,526	188,074	754,488	740,475
Other revenue	9,960	21,352	43,735	47,904
Total revenue	200,486	209,426	798,223	788,379
Expenses:				
Salaries and benefits	96,866	96,505	381,210	368,288
Medical supplies and drugs	43,207	41,004	163,922	164,350
Purchased services	19,836	20,914	80,179	78,731
Interest	5,105	5,428	21,833	21,677
Depreciation and amortization	12,790	12,281	51,319	46,369
Other	20,749	21,741	86,816	86,501
Total expenses	198,553	197,873	785,279	765,916
Income from operations	1,933	11,553	12,944	22,463
Nonoperating gains (losses):				
Investment income	2,881	6,631	19,467	17,272
Derivative valuation adjustments	865	5,304	2,356	1,807
Nonoperating (losses), net	3,746	11,935	21,823	19,079
Revenues and gains in excess of expenses and losses before discontinued operations and noncontrolling interests	5,679	23,488	34,767	41,542
Discontinued operations	(2,253)	107	(2,167)	(52)
Revenues and gains in excess of expenses and losses	3,426	23,595	32,600	41,490
Income attributable to noncontrolling interests	(233)	(505)	(1,228)	(1,670)
Revenues and gains in excess of expenses and losses attributable to Wellmont Health System	3,193	23,090	31,372	39,820
Other changes in unrestricted net assets:				
Change in net unrealized gains (losses) on investments	(9,523)	(9,041)	6,157	(9,534)
Net assets released from restrictions for additions to land, buildings, and equipment	34	2,776	828	3,766
Change in the funded status of benefit plans and other	7,359	(10,495)	7,359	(10,495)
Increase (decrease) in unrestricted net assets	1,063	6,330	45,716	23,557
Changes in temporarily restricted net assets:				
Contributions	119	431	2,977	6,661
Net assets released from temporary restrictions	(239)	(2,963)	(1,789)	(4,492)
Increase in temporarily restricted net assets	(120)	(2,532)	1,188	2,169
Changes in permanently restricted net assets:				
Permanently restricted contributions and investment income	1	128	7	130
Increase (decrease) in permanently restricted net assets	1	128	7	130
Changes in noncontrolling interests:				
Income attributable to noncontrolling interests	199	505	1,228	1,670
Distributions to noncontrolling interests	(20)	(369)	(1,220)	(1,261)
Increase (decrease) in noncontrolling interests	179	136	8	409
Change in net assets	1,123	4,062	46,919	26,265
Net assets, beginning of period	513,822	463,964	468,026	441,761
Net assets, end of period	$514,945	$468,026	$514,945	$468,026

Certain amounts have been reclassified to conform to the current presentation.

Wellmont Health System and Affiliates
Consolidated Statement of Cash Flows
The fiscal years ended June 30, 2013 and June 30, 2012
(Dollars in Thousands)(Unaudited)

	FY13 FYTD	FY12 FYTD
Cash flows from operating activities:		
Change in net assets	$ 46,919	$ 26,265
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	51,319	46,369
Net realized and unrealized (gains) losses on investments	(25,624)	(7,738)
Derivative valuation adjustments	(2,356)	(1,807)
(Gain) loss on sale of fixed assets	209	(458)
Increase (decrease) in cash due to changes in:		
Accounts Receivable	1,235	(6,700)
Inventories	(499)	(32)
Prepaid expenses and other current assets	3,634	(299)
Accounts payable and accrued expenses	3,056	10,300
Net decrease (increase) in other assets	(6,267)	(11,588)
Net cash provided by operating activities	71,626	54,312
Cash flows from investing activities:		
Purchases of property, plant and equipment, net	(68,209)	(44,305)
Transfer (to)/from Bond and Self-Insurance funds	8,230	1,122
Transfer (to)/from Board funds	(20,000)	(2,173)
Acquisitions	0	(813)
Net cash (used) in investing activities	(79,979)	(46,169)
Cash flows from financing activities:		
Proceeds from long term debt	33,855	11,368
Repayment of long term debt	(14,474)	(11,139)
Net cash provided (used) in financing activities	19,381	229
Increase (decrease) in cash and cash equivalents	11,028	8,372
Cash and cash equivalents, beginning	44,930	36,558
Cash and cash equivalents, ending	$ 55,958	$ 44,930

Wellmont Health System and Affiliates
Ratios
(Dollars in thousands)

		6/30/13	6/30/12
Capitalization			
Current portion of long-term debt		$ 15,002	$ 11,913
Short-term notes payable			
Long-term debt, less current portion	A	475,946	459,654
Total debt		490,948	471,567
Unrestricted net assets	B	503,934	458,218
Other net assets		11,011	9,808
Total net assets		514,945	468,026
Long-term debt plus Unrestricted net assets	A+B	$979,880	$ 917,872
Long-term debt to Capitalization	A/(A+B)	0.486	0.501
Debt Service Coverage			
Revenue and gains in excess of expenses and losses (12 months)		$ 31,372	$ 39,820
Add back:			
Depreciation and amortization (12 months)		51,319	46,369
Interest expense (12 months)		21,833	21,677
(Gain) loss from discontinued operations (12 months)		2,167	52
Total income available for debt service per Master Trust Indenture	C	106,691	107,918
Maximum annual debt service	D	$ 41,310	$ 35,157
Debt Service Coverage Ratio per Master Trust Indenture	C/D	2.58	3.07
Days Cash on Hand			
Unrestricted cash		$ 55,958	$ 44,930
Unrestricted investments:			
Capital improvements		341,596	297,981
Long-term investments		28,628	36,633
Less illiquid investments		(27,528)	(38,621)
	E	398,654	340,923
Operating expenses (12 months)		785,279	765,916
Less depreciation and amortization		(51,319)	(46,369)
Total cash expenses		733,960	719,547
Number of days in the period		365	366
Daily cash operating expenses	F	$ 2,011	$ 1,966
Days cash on hand	E/F	198.3	173.4

Wellmont Health System and Affiliates

Consolidated Balance Sheets as of
June 30, 2014 and June 30, 2013

Consolidated Statements of Operations and Changes in Net Assets and Statements of Cash Flows for the Quarters and Fiscal Years ended
June 30, 2014 and June 30, 2013

The following financial statements are unaudited but agree to the annual independent audit.

Wellmont Health System
Management Discussion and Analysis
For the Quarter and Fiscal Year ended June 30, 2014

Note that the closure of Lee Regional Medical Center on October 1, 2013 has been reflected as a discontinued operation for all periods presented.

Volumes:

Quarter ended June 30, 2014 versus quarter ended June 30, 2013:

Volumes were generally down compared to the same quarter last year. Inpatients were down 271 or 3.2% and observation patients were down 368 or 9.7% (so total "patients in a bed" were down 639 or 5.2%) primarily due to reduced utilization from the implementation of the accountable care organizations and high deductible plans in our area. Emergency room visits were up 3.1% and surgeries were down 4.1%, with all of the surgery decrease coming from the ambulatory surgery centers which is attributed to the increase in high deductible plans in our area. Deliveries were down 69 or 12.3% but this appears to be a random fluctuation. Physician office visits were flat overall, despite an increase of 27.3% in urgent care visits due to Wellmont now having four urgent care centers.

Fiscal Year:

Volumes were mixed compared to the prior fiscal year. Inpatients were down 2,066 or 5.7% and observation patients were up 1,192 or 9.2% (so total "patients in a bed" were down 874 or 1.8%) primarily due to reduced utilization from the implementation of the accountable care organizations and high deductible plans in our area. Emergency room visits were down 4.7% due to Wellmont now having four urgent care centers and surgeries were down 2.2%, with all of the surgery decrease coming from the ambulatory surgery centers which is attributed to the increase in high deductible plans in our area. Deliveries were down 99 or 4.3%. Physician office visits were up 2.6%, including urgent care visits which were up 30.5% due to Wellmont now having four urgent care centers.

Statement of Operations:

Quarter ended June 30, 2014 versus quarter ended June 30, 2013:

Net patient service revenue increased $1.7 million or 0.9% from the same quarter last year (bad debt is down but there is an offsetting increase in charity care in the line above). The acquisition of Wexford House and consolidation of Holston Valley Imaging Center added $6.4 million of net revenue, while the same store net revenue decreased $4.7 million due to Medicare reimbursement reductions and volume decreases.

Other revenue decreased $2.7 million primarily as a result of (a) $1.8 million of Electronic Health Record Meaningful Use amounts earned during the quarter being $0.6 million below the prior year amounts of $2.4 million due to the scheduled annual decreases in the program's payments, (b) blood bank revenue reductions of $0.9 million due to the loss of a significant contract, and (c) $0.4 million from lower performance of the managed care, home care and Takoma joint ventures.

Salaries and benefits increased slightly by $0.4 million or 0.4%. Supplies decreased $3.0 million or 7.0% primarily due to the lower volumes and increased savings from chemotherapy drugs. Purchased services increased slightly by $0.3 million or 1.6%. Interest expense decreased slightly by $0.3 million or 5.9% due to the capitalization of interest for the Epic electronic health record project and scheduled decreases in outstanding principal. Depreciation increased by $2.0 million or 16.1% due to the Epic system going live at the beginning of April. Lease and rental decreased by $0.7 million or 15.7% due to the conversion of some operating leases to capital leases. Other expenses increased by $4.4 million or 84% primarily due to an increase in the professional and general liability actuarial expense of $3.3 million and to the change in allocation of support services costs as a result of the closure of Lee Regional Medical Center.

The loss from operations of ($1.3 million) was worse than the same quarter last year by $3.8 million. Net income (shown as "Revenues and gains in excess of expenses and losses attributable to Wellmont Health System") of $3.6 million was above the same quarter last year by $0.5 million due primarily to a $4.7 million increase in investment income and a $1.8 million decrease in the loss from discontinued operations, offset by a $0.7 million decrease in derivative valuation adjustments, a $1.1 million loss on refinancing, and the $3.8 million decrease in income from operations.

Fiscal Year:

Net patient service revenue increased $5.3 million or 0.7% compared to the prior fiscal year (bad debt is down but there is an offsetting increase in charity care in the line above). The acquisition of Wexford House and consolidation of Holston Valley Imaging Center added $11.3 million of net revenue, while the same store net revenue decreased $6.0 million due to Medicare reimbursement reductions and volume decreases.

Other revenue decreased $12.7 million primarily as a result of (a) $7.2 million of Electronic Health Record Meaningful Use amounts earned being $5.1 million below the prior year amounts of $12.3 million due to the scheduled annual decreases in the program's payments, (b) blood bank revenue reductions of $3.4 million due to the loss of a significant contract, and (c) $1.9 million from lower performance of the managed care, home care and Takoma joint ventures.

Salaries and benefits increased slightly by $1.2 million or 0.3%. Supplies increased $4.1 million or 2.5% primarily in chemotherapy drug volume and cost. Purchased services decreased $4.0 million or 5.2% due to changes in physician agreements. Interest expense decreased by $1.9 million or 9.6% due to the capitalization of interest for the Epic electronic health record project and scheduled decreases in outstanding principal. Depreciation increased by $0.6 million or 1.2%. Lease and rental decreased by $2.4 million or 13.3% due to the conversion of some operating leases to capital leases. Other expenses increased $5.6 million or 20.8% primarily

due to an increase in the professional and general liability expense of $3.5 million and to the change in allocation of support services costs as a result of the closure of Lee Regional Medical Center.

Income from operations of $4.8 million was below the prior fiscal year to date by $10.6 million. Net income (shown as “Revenues and gains in excess of expenses and losses attributable to Wellmont Health System”) of $6.3 million was below the prior fiscal year by $25.0 million due to the impairment of Lee Regional Medical Center of $22.5 million included in the $26.6 million loss on discontinued operations, the $10.6 million decrease in income from operations, a $4.6 million decrease in investment income, a $1.1 million loss on refinancing, and a $1.0 million decrease in derivative valuation adjustments, offset by the $14.7 million gain on conversion from the equity method to consolidation of Holston Valley Imaging Center on March 31, 2014.

Balance Sheet and Ratios:

The significant changes in the balance sheet were (a) expenditures for the Epic electronic health record project of $60.2 million and draws on the financing thereof of $26.7 million, (b) the acquisition of Wexford House of $13.5 million ($5.8 million land, buildings and equipment and $7.7 million goodwill), (c) the acquisition of the remaining 25% of Holston Valley Imaging Center of $7.9 million (all goodwill), (d) the associated conversion of Holston Valley Imaging Center from the equity method to consolidation which resulted in an increase in goodwill of $21.5 million, (e) the impairment of Lee Regional Medical Center of $22.5 million ($21.7 million buildings and equipment and $0.8 million goodwill) and (f) the sale of Wellmont Health System’s 60% interest in Takoma Regional Hospital of $11.7 million as of July 1, 2014 (the cash was received on June 30, 2014 and is in other current liabilities). In addition, the 2003, 2005 and 2010 series of debt were refinanced in June with new direct placement tax-exempt debt.

Days cash on hand increased as a result of the above activity and appreciation of the investment portfolio. The debt to capitalization ratio improved slightly. The debt service coverage ratio decreased due to income available for debt service being $17.8 million lower and MADS being $1.5 million higher.

Wellmont Health System and Affiliates

The following table sets forth selected historical utilization statistics for the quarters and fiscal ye ended June 30, 2014 and June 30, 2013 (restated to remove Lee Regional as it is now a discontinued operation).

	FY14 QTR 4	FY13 QTR 4	FY14 All Year	FY13 All Year
Hospital Statistics:				
Acute Discharges	8,300	8,571	34,365	36,431
Observation Patients	3,430	3,798	14,205	13,013
Patients in Bed	11,730	12,369	48,570	49,444
Patient Days	35,882	35,606	145,845	157,541
Average Length of Stay (Days)	4.32	4.15	4.24	4.32
Daily Census including Observations	432	433	438	467
Emergency Room Visits	43,463	42,140	170,331	178,691
Deliveries	491	560	2,210	2,309
Surgical Cases:				
Inpatient	2,391	2,341	9,430	9,279
Outpatient	6,103	6,517	24,896	25,804
Total Surgical Cases	8,494	8,858	34,326	35,083
Physician Office Visits	108,976	108,847	429,656	418,924
including Urgent Care Visits	12,424	9,763	44,344	33,993

The following table shows the percentage of gross patient service revenue by payor for the fiscal years ended June 30, 2014 and June 30, 2013.

	FY14 All Year	FY13 All Year
Medicare	30.7%	31.0%
Medicare Managed Care	23.6%	23.5%
Medicaid	11.1%	10.9%
Managed Care/Other	27.7%	27.9%
Self	6.9%	6.7%
	100.0%	100.0%

Wellmont Health System and Affiliates
Consolidated Balance Sheets
As of June 30, 2014 and June 30, 2013
(Dollars in Thousands)(Unaudited)

	As of 6/30/14	As of 6/30/13
Assets		
Current assets:		
Cash and cash equivalents	$ 30,674	$ 55,958
Assets limited to use that are required for current liabilities	3,233	5,061
Patient accounts receivable	117,265	107,029
Other receivables	14,685	17,995
Inventories	18,684	18,361
Prepaid expenses & other current assets	10,337	8,949
Total current assets	194,878	213,353
Assets limited as to use, net of current portion	425,740	375,709
Land, buildings and equipment, net	492,581	474,730
Other assets:		
Long-term investments	32,521	28,628
Investments in affiliates	18,221	31,874
Deferred debt expense, net	4,226	5,178
Goodwill, net	51,649	15,096
Other	520	547
	107,137	81,323
Total assets	$ 1,220,336	$ 1,145,115
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	$ 18,015	$ 15,002
Accounts payable and accrued expenses	90,547	84,300
Estimated third-party payor settlements	8,425	7,157
Current portion of other long-term liabilities	6,510	6,198
Other current liabilities	11,700	0
Total current liabilities	135,197	112,657
Long-term debt, less current portion	490,443	475,946
Other long-term liabilities, less current portion	43,866	41,567
Total liabilities	669,506	630,170
Net assets:		
Unrestricted	538,607	503,934
Temporarily restricted	8,214	6,927
Permanently restricted	1,319	1,311
Noncontrolling interests	2,690	2,773
Total net assets	550,830	514,945
Commitments and contingencies		
Total liabilities and net assets	$ 1,220,336	$ 1,145,115

Wellmont Health System and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
The quarters and fiscal years ended June 30, 2014 and June 30, 2013
(Dollars in Thousands)(Unaudited)

	FY14 QTR 4	FY13 QTR 4	FY14 All Year	FY13 All Year
Revenue:				
Patient service revenue (net of contractual allowances and discounts)	$193,547	$201,740	788,910	791,230
Provision for bad debts	(5,396)	(15,323)	(45,644)	(53,251)
Net patient service revenue less provision for bad debts	188,151	186,417	743,266	737,979
Other revenue	6,841	9,507	29,441	42,127
Total revenue	194,992	195,924	772,707	780,106
Expenses:				
Salaries and benefits	95,323	94,963	374,309	373,150
Medical supplies and drugs	39,850	42,850	166,676	162,604
Purchased services	19,537	19,231	73,674	77,716
Interest	4,441	4,720	18,350	20,292
Depreciation and amortization	14,310	12,330	50,058	49,465
Maintenance and utilities	9,303	9,497	36,978	36,830
Lease and rental	3,840	4,554	15,506	17,892
Other	9,722	5,284	32,312	26,745
Total expenses	196,326	193,429	767,863	764,694
Income (loss) from operations	(1,334)	2,495	4,844	15,412
Nonoperating gains (losses):				
Investment income	7,531	2,879	14,749	19,316
Derivative valuation adjustments	189	865	1,307	2,356
Loss on refinancing	(1,133)	-	(1,133)	-
Gain on revaluation of equity method investment	-	-	14,744	-
Nonoperating gains (losses), net	6,587	3,744	29,667	21,672
Revenues and gains in excess of expenses and losses before discontinued operations and noncontrolling interests	5,253	6,239	34,511	37,084
Discontinued operations	(1,128)	(2,943)	(26,639)	(4,484)
Revenues and gains in excess of expenses and losses	4,125	3,296	7,872	32,600
Income attributable to noncontrolling interests	(571)	(234)	(1,540)	(1,228)
Revenues and gains in excess of expenses and losses attributable to Wellmont Health System	3,554	3,062	6,332	31,372
Other changes in unrestricted net assets:				
Change in net unrealized gains (losses) on investments	7,968	(9,426)	28,333	6,157
Net assets released from restrictions for additions to land, buildings, and equipment	(192)	34	901	828
Change in funded status of benefit plans and other	(893)	7,359	(893)	7,359
Increase (decrease) in unrestricted net assets	10,437	1,029	34,673	45,716
Changes in temporarily restricted net assets:				
Contributions	454	217	2,707	2,977
Net assets released from temporary restrictions	99	(337)	(1,420)	(1,789)
Increase (decrease) in temporarily restricted net assets	553	(120)	1,287	1,188
Changes in permanently restricted net assets:				
Permanently restricted contributions and investment income	5	1	8	7
Increase in permanently restricted net assets	5	1	8	7
Changes in noncontrolling interests:				
Income attributable to noncontrolling interests	571	234	1,540	1,228
Distributions to noncontrolling interests	(307)	(21)	(1,623)	(1,220)
Increase (decrease) in noncontrolling interests	264	213	(83)	8
Change in net assets	11,259	1,123	35,885	46,919
Net assets, beginning of period	539,571	513,822	514,945	468,026
Net assets, end of period	$550,830	$514,945	$550,830	$514,945

Certain amounts have been reclassified to conform to the current presentation.

Wellmont Health System and Affiliates
Consolidated Statement of Cash Flows
The fiscal years ended June 30, 2014 and June 30, 2013
(Dollars in Thousands)(Unaudited)

	FY14 All Year	FY13 All Year
Cash flows from operating activities:		
Change in net assets	$ 35,885	$ 46,919
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	50,058	49,465
Net realized and unrealized (gains) losses on investments	(43,082)	(25,473)
Derivative valuation adjustments	(1,307)	(2,356)
(Gain) loss on sale of fixed assets	(78)	209
Loss on refinancing	1,133	0
(Gain) on revaluation of equity method investment	(14,744)	0
Impairment of assets	22,456	0
Increase (decrease) in cash due to changes in:		
Accounts Receivable	(10,236)	1,235
Inventories	(323)	(499)
Prepaid expenses and other current assets	3,750	3,634
Accounts payable and accrued expenses	7,498	3,056
Net decrease (increase) in other assets	3,723	(4,564)
Net cash provided by operating activities	54,733	71,626
Cash flows from investing activities:		
Purchases of property, plant and equipment, net	(69,074)	(68,209)
Transfer (to)/from Bond and Self-Insurance funds	(5,837)	8,230
Transfer (to)/from Board funds	0	(20,000)
Acquisitions	(22,637)	0
Net cash (used) in investing activities	(97,548)	(79,979)
Cash flows from financing activities:		
Proceeds from long term debt	128,623	33,855
Repayment of long term debt	(111,092)	(14,474)
Net cash provided (used) in financing activities	17,531	19,381
Increase (decrease) in cash and cash equivalents	(25,284)	11,028
Cash and cash equivalents, beginning	55,958	44,930
Cash and cash equivalents, ending	$ 30,674	$ 55,958

Certain amounts have been reclassified to conform to the current presentation.

Wellmont Health System and Affiliates
Ratios
(Dollars in thousands)

		6/30/14	6/30/13
Capitalization			
Current portion of long-term debt		$ 18,015	$ 15,002
Short-term notes payable			
Long-term debt, less current portion	A	490,443	475,946
Total debt		508,458	490,948
Unrestricted net assets	B	538,607	503,934
Other net assets		12,223	11,011
Total net assets		550,830	514,945
Long-term debt plus Unrestricted net assets	A+B	$ 1,029,050	$ 979,880
Long-term debt to Capitalization	A/(A+B)	0.477	0.486
Debt Service Coverage			
Revenue and gains in excess of expenses and losses (12 months)		$ 6,332	$ 31,372
Add back:			
Depreciation and amortization		50,058	49,465
Interest expense		18,350	20,292
Loss on refinancing		1,133	-
(Gain) on revaluation of equity method investment		(14,744)	-
Loss from discontinued operations		26,639	4,484
Total income available for debt service per Master Trust Indenture	C	87,768	105,613
Maximum annual debt service	D	$ 42,797	$ 41,310
Debt Service Coverage Ratio per Master Trust Indenture	C/D	2.05	2.56
Days Cash on Hand			
Unrestricted cash		$ 30,674	$ 55,958
Unrestricted investments:			
Capital improvements		383,962	341,596
Long-term investments		32,521	28,628
Less illiquid investments		(28,364)	(27,528)
	E	418,793	398,654
Operating expenses (12 months)		767,863	764,694
Less depreciation and amortization		(50,058)	(49,465)
Total cash expenses		717,805	715,229
Number of days in the period		365	365
Daily cash operating expenses	F	$ 1,967	$ 1,960
Days cash on hand	E/F	213.0	203.4

Certain amounts have been reclassified to conform to the current presentation.

Wellmont Health System and Affiliates

Consolidated Balance Sheets as of
June 30, 2015 and June 30, 2014

Consolidated Statements of Operations and Changes in Net Assets and Statements of Cash Flows for the Quarters and Fiscal Years ended
June 30, 2015 and June 30, 2014

The following financial statements are unaudited but agree to the annual independent audit.

Wellmont Health System
Management Discussion and Analysis
For the Quarter and Fiscal Year ended June 30, 2015

Note that the closure of Lee Regional Medical Center on October 1, 2013 has been reflected as a discontinued operation for all periods presented.

Overview:

Wellmont Health System had income from operations of $6.7 million and net income of $15.4 million for the fiscal year ended June 30, 2015. Net patient service revenue increased 6.4%. Adjusting to the trend of more care delivered in outpatient facilities, Wellmont has opened additional urgent care centers, which have provided a way for patients to receive assistance for pressing health needs that can be addressed without an expensive trip to the emergency department. This also reflects the health system's goal to increase health care access points in the area and reshape the way the region receives care in lower cost outpatient settings. That has resulted in a 56% increase in urgent care patient volumes during fiscal 2015, when a new center opened in Lebanon, Virginia, and the Bristol and Kingsport, Tennessee centers operated for their first full years. The health system also operates urgent care centers in Johnson City, Tennessee; Abingdon, Virginia; and Norton, Virginia. The opening of another facility for cancer patients, this one in Bristol, Virginia, further extended Wellmont's community outreach. Open since January, this facility features services such as oncology, hematology, genetic counseling, high-risk cancer clinic, clinical trials, nutrition services and social work. This is the fifth office for the Wellmont Cancer Institute. During fiscal 2015, the number of infusion patient visits across the system increased by 64%. The following volume and financial details provide additional information on Wellmont's growing strength in service to the community.

Volumes:

Total patients in a bed were up 1.2% for the year as we continue the transition to value based payments while facing the challenge of increasingly prevalent high deductible health plans in our area. While emergency room visits were up 4.7%, surgeries were down 2.3% and deliveries were up 1.6%. Outpatient volumes were up, especially due to the expansion of infusion centers (visits up 64%) and urgent care centers (visits up 56% for year) as we continue to expand the portals of entry into our health system.

Statement of Operations:

Quarter ended June 30, 2015 versus quarter ended June 30, 2014:

Net patient service revenue increased $17.3 million or 9.2% from the same quarter last year due primarily to a 13.2% increase in outpatient revenue. Other revenue decreased $1.5 million primarily as a result of (a) $0.6 million of Electronic Health Record Meaningful Use amounts earned during the quarter being $1.2 million below the prior year amounts of $1.8 million due to reduced payments from lower volumes and the scheduled annual decreases in the program's payments and (b) blood bank revenue reductions of $0.3 million due to the loss of a significant contract.

Salaries and benefits increased $12.8 million or 13.5% as a result of (a) one-time five year physician retention compensation earned and (b) an increase in employee health costs for the last quarter due to higher utilization. Supplies increased 5.3% primarily due to higher infusion volumes. Purchased services decreased 2.3%. Interest expense decreased 0.3%. Depreciation increased 7.8% due to the Epic system going live in April 2014. All other expenses decreased 10.9% due primarily to a significantly lower professional and general liability expense from the preliminary actuarial report.

Income from operations of $1.4 million was above the same quarter last year by $2.7 million. Net income (shown as "Revenues and gains in excess of expenses and losses attributable to Wellmont Health System") of $1.6 million was below the same quarter last year by $2.0 million.

Fiscal Year:

Net patient service revenue increased $47.7 million or 6.4% compared to the prior fiscal year due to (a) the Wexford House acquisition in December 2013 and the HVIC acquisition at the end of March 2014 and (b) the increase in outpatient revenue. Other revenue decreased $7.7 million primarily as a result of (a) $3.2 million of Electronic Health Record Meaningful Use amounts earned being $4.0 million below the prior year amounts of $7.2 million due to reduced payments from lower volumes and the scheduled annual decreases in the program's payments, (b) blood bank revenue reductions of $1.7 million due to the loss of a significant contract, and (c) $3.0 million decrease from the prior investment in HVIC now being consolidated in each line of the statement of operations.

Salaries and benefits increased $25.6 million or 6.9% as a result of (a) the acquisitions noted above and (b) one-time five year physician retention compensation earned. Supplies were up 1.2%. Purchased services increased 2.8%. Interest expense decreased 3.2%. Depreciation increased $8.5 million or 17.0% due to the Epic system going live in April 2014. All other expenses increased 0.6%.

Income from operations of $6.7 million was above the prior fiscal year by $1.9 million. Net income (shown as "Revenues and gains in excess of expenses and losses attributable to Wellmont Health System") of $15.4 million was above the prior fiscal year by $9.0 million. The prior fiscal year was impacted by (a) the impairment of Lee Regional Medical Center of $22.5 million included in the $26.6 million of discontinued operations, offset somewhat by (b) the $14.7 million gain on conversion from equity to consolidation for the HVIC acquisition.

Balance Sheet and Ratios:

The only significant changes in the balance sheet were the sale of Wellmont Health System's 60% interest in Takoma Regional Hospital of $11.7 million as of July 1, 2014 (the cash was received on June 30, 2014 and was in other current liabilities). In addition, a portion of the Series 2006C debt was advance refunded in September 2014 with new direct placement tax-exempt debt. Cash on hand decreased by 2 days and the debt to capitalization ratio and debt service coverage ratio both improved slightly.

Wellmont Health System and Affiliates

The following table sets forth selected historical utilization statistics for the quarters and fiscal years ended June 30, 2015 and June 30, 2014.

	FY15 QTR 4	FY14 QTR 4	FY15 All Year	FY14 All Year
Hospital Statistics:				
Acute Discharges	7,980	8,300	33,045	34,356
Observation Patients	4,570	3,430	16,693	14,779
Patients in Bed	12,550	11,730	49,738	49,135
Patient Days	33,661	35,882	144,579	145,845
Average Length of Stay (Days)	4.22	4.32	4.38	4.25
Daily Census including Observations	420	432	442	440
Emergency Room Visits	45,433	43,463	178,324	170,331
Deliveries	448	491	2,246	2,210
Surgical Cases:				
Inpatient	2,239	2,391	9,125	9,430
Outpatient	5,932	6,103	24,396	24,896
Total Surgical Cases	8,171	8,494	33,521	34,326
Physician Office Visits	123,390	108,976	474,762	429,656
including Urgent Care Visits	16,902	12,424	69,421	44,344

The following table shows the percentage of gross patient service revenue by payor for the fiscal years ended June 30, 2015 and June 30, 2014.

	FY15 All Year	FY14 All Year
Medicare	30.6%	30.7%
Medicare Managed Care	23.4%	23.6%
Medicaid	11.3%	11.1%
Managed Care/Other	27.9%	27.7%
Self	6.8%	6.9%
	100.0%	100.0%

Wellmont Health System and Affiliates
Consolidated Balance Sheets
As of June 30, 2015 and June 30, 2014
(Dollars in Thousands)(Unaudited)

	As of 6/30/15	As of 6/30/14
Assets		
Current assets:		
Cash and cash equivalents	$ 48,866	$ 30,674
Assets limited to use that are required for current liabilities	3,651	4,066
Patient accounts receivable	112,299	117,265
Other receivables	11,238	14,685
Inventories	19,981	18,684
Prepaid expenses & other current assets	9,979	10,337
Total current assets	206,014	195,711
Assets limited as to use, net of current portion	424,864	424,907
Land, buildings and equipment, net	484,569	492,581
Other assets:		
Long-term investments	27,964	32,521
Investments in affiliates	7,214	18,221
Deferred debt expense, net	4,217	4,226
Goodwill, net	51,583	51,649
Other	525	520
	91,503	107,137
Total assets	$ 1,206,950	$ 1,220,336
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	$ 18,626	$ 18,015
Accounts payable and accrued expenses	101,871	90,547
Estimated third-party payor settlements	12,987	8,425
Current portion of other long-term liabilities	7,660	6,510
Other current liabilities	0	11,700
Total current liabilities	141,144	135,197
Long-term debt, less current portion	480,187	490,443
Other long-term liabilities, less current portion	39,097	43,866
Total liabilities	660,428	669,506
Net assets:		
Unrestricted	535,632	538,607
Temporarily restricted	6,960	8,214
Permanently restricted	1,323	1,319
Noncontrolling interests	2,607	2,690
Total net assets	546,522	550,830
Commitments and contingencies		
Total liabilities and net assets	$ 1,206,950	$ 1,220,336

Certain amounts have been reclassified to conform to the current presentation.

Wellmont Health System and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
The quarters and fiscal years ended June 30, 2015 and June 30, 2014
(Dollars in Thousands)(Unaudited)

	FY15 QTR 4	FY14 QTR 4	FY15 All Year	FY14 All Year
Revenue:				
Net patient service revenue less provision for bad debts	$ 205,481	$ 188,151	$ 790,970	$ 743,266
Other revenue	5,300	6,841	21,759	29,441
Total revenue	210,781	194,992	812,729	772,707
Expenses:				
Salaries and benefits	108,150	95,323	399,955	374,309
Medical supplies and drugs	41,977	39,850	168,678	166,676
Purchased services	19,086	19,537	75,749	73,674
Interest	4,428	4,441	17,757	18,350
Depreciation and amortization	15,428	14,310	58,569	50,058
Maintenance and utilities	10,039	9,303	39,764	36,978
Lease and rental	4,046	3,840	15,435	15,506
Other	6,272	9,722	30,128	32,312
Total expenses	209,426	196,326	806,035	767,863
Income from operations	1,355	(1,334)	6,694	4,844
Nonoperating gains (losses):				
Investment income	2,528	7,531	14,207	14,749
Derivative valuation adjustments	(1,697)	189	(563)	1,307
Gain on revaluation of equity method investment	-	-	-	14,744
Loss on refinancing	-	(1,133)	(1,389)	(1,133)
Nonoperating gains (losses), net	831	6,587	12,255	29,667
Revenues and gains in excess of expenses and losses before discontinued operations and noncontrolling interests	2,186	5,253	18,949	34,511
Discontinued operations	(532)	(1,128)	(2,720)	(26,639)
Revenues and gains in excess of expenses and losses	1,654	4,125	16,229	7,872
Income attributable to noncontrolling interests	(73)	(571)	(866)	(1,540)
Revenues and gains in excess of expenses and losses attributable to Wellmont Health System	1,581	3,554	15,363	6,332
Other changes in unrestricted net assets:				
Change in net unrealized gains (losses) on investments	(4,160)	7,968	(18,555)	28,333
Net assets released from restrictions for additions to land, buildings, and equipment	384	(192)	2,712	901
Change in funded status of benefit plans and other	(2,495)	(893)	(2,495)	(893)
Increase (decrease) in unrestricted net assets	(4,690)	10,437	(2,975)	34,673
Changes in temporarily restricted net assets:				
Contributions	170	454	2,545	2,707
Net assets released from temporary restrictions	(668)	99	(3,799)	(1,420)
Increase (decrease) in temporarily restricted net assets	(498)	553	(1,254)	1,287
Changes in permanently restricted net assets:				
Permanently restricted contributions and investment income	1	5	4	8
Increase (decrease) in permanently restricted net assets	1	5	4	8
Changes in noncontrolling interests:				
Income attributable to noncontrolling interests	73	571	866	1,540
Distributions to noncontrolling interests	(337)	(307)	(949)	(1,623)
Increase (decrease) in noncontrolling interests	(264)	264	(83)	(83)
Change in net assets	(5,451)	11,259	(4,308)	35,885
Net assets, beginning of period	551,973	539,571	550,830	514,945
Net assets, end of period	$ 546,522	$ 550,830	$ 546,522	$ 550,830

Certain amounts have been reclassified to conform to the current presentation.

Wellmont Health System and Affiliates
Consolidated Statement of Cash Flows
The fiscal years ended June 30, 2015 and June 30, 2014
(Dollars in Thousands)(Unaudited)

	FY15 All Year	FY14 All Year
Cash flows from operating activities:		
Change in net assets	$ (4,308)	$ 35,885
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	58,569	50,058
Net realized and unrealized (gains) losses on investments	4,348	(43,082)
Derivative valuation adjustments	563	(1,307)
(Gain) loss on sale of fixed assets	(569)	(78)
(Gain) on conversion from equity to consolidation	0	(14,744)
Loss on refinancing	1,389	1,133
Impairment of assets	0	22,456
Increase (decrease) in cash due to changes in:		
Accounts Receivable	4,966	(10,236)
Inventories	(1,297)	(323)
Prepaid expenses and other current assets	3,731	3,750
Accounts payable and accrued expenses	(375)	7,498
Net decrease (increase) in other assets	11,476	3,723
Net cash provided by operating activities	78,493	54,733
Cash flows from investing activities:		
Purchases of property, plant and equipment, net	(50,054)	(69,074)
Transfer (to)/from Bond and Self-Insurance funds	(602)	(5,837)
Transfer (to)/from Board funds	0	0
Acquisitions	0	(22,637)
Net cash (used) in investing activities	(50,656)	(97,548)
Cash flows from financing activities:		
Proceeds from long term debt	26,064	128,623
Repayment of long term debt	(35,709)	(111,092)
Net cash provided (used) in financing activities	(9,645)	17,531
Increase (decrease) in cash and cash equivalents	18,192	(25,284)
Cash and cash equivalents, beginning	30,674	55,958
Cash and cash equivalents, ending	$ 48,866	$ 30,674

Certain amounts have been reclassified to conform to the current presentation.

Wellmont Health System and Affiliates
Ratios
(Dollars in thousands)

		6/30/15	6/30/14
Capitalization			
Current portion of long-term debt		$ 18,626	$ 18,015
Short-term notes payable			
Long-term debt, less current portion	A	480,187	490,443
Total debt		498,813	508,458
Unrestricted net assets	B	535,632	538,607
Other net assets		10,890	12,223
Total net assets		546,522	550,830
Long-term debt plus Unrestricted net assets	A+B	$ 1,015,819	$ 1,029,050
Long-term debt to Capitalization	A/(A+B)	0.473	0.477
Debt Service Coverage			
Revenue and gains in excess of expenses and losses (12 months)		$ 15,363	$ 6,332
Add back:			
Depreciation and amortization (12 months)		58,569	50,058
Interest expense (12 months)		17,757	18,350
(Gain) loss on refinancing		1,389	1,133
(Gain) on revaluation of equity method investment		-	(14,744)
(Gain) loss from discontinued operations (12 months)		2,720	26,639
Total income available for debt service per Master Trust Indenture	C	95,798	87,768
Maximum annual debt service	D	$ 43,009	$ 42,797
Debt Service Coverage Ratio per Master Trust Indenture	C/D	2.23	2.05
Days Cash on Hand			
Unrestricted cash		$ 48,866	$ 30,674
Unrestricted investments:			
Capital improvements		382,902	383,962
Long-term investments		27,964	32,521
Less illiquid investments		(28,051)	(28,364)
	E	431,681	418,793
Operating expenses (12 months)		806,035	767,863
Less depreciation and amortization		(58,569)	(50,058)
Total cash expenses		747,466	717,805
Number of days in the period		365	365
Daily cash operating expenses	F	$ 2,048	$ 1,967
Days cash on hand	E/F	210.8	213.0

Exhibit 35

Updated Financial Model

Income Statement - NewCo Baseline	Actuals			Forecasted				
$'000s	FYE 6/13	FYE 6/14	FYE 6/15	Year 1	Year 2	Year 3	Year 4	Year 5
Net patient service revenue ("NPSR")	**$ 1,670,727**	**$ 1,671,050**	**$ 1,813,472**	**$ 1,812,747**	**$ 1,886,737**	**$ 1,924,471**	**$ 1,962,961**	**$ 2,002,220**
Other revenues:								
Other revenues	120,585	102,581	90,756	90,756	90,756	90,756	90,756	90,756
Total other revenues	**120,585**	**102,581**	**90,756**	**90,756**	**90,756**	**90,756**	**90,756**	**90,756**
Total revenue, gains, & support	**1,791,312**	**1,773,631**	**1,904,228**	**1,903,502**	**1,977,492**	**2,015,227**	**2,053,716**	**2,092,976**
Expenses:								
Salaries, wages, & benefits	881,530	865,989	925,061	936,615	948,313	960,157	972,150	984,292
Medical supplies & drugs	325,559	330,375	344,718	346,269	362,169	371,224	380,504	390,017
Purchased services	183,607	189,280	196,037	201,918	207,975	214,215	220,641	227,260
Interest & taxes	63,495	62,742	61,453	59,338	57,756	56,216	54,717	53,258
Depreciation & amortization	130,666	121,237	127,336	126,507	126,364	126,828	127,872	129,471
Maintenance & utilities	53,687	54,030	56,561	58,258	60,006	61,806	63,660	65,570
Lease & rental	17,892	15,506	15,435	15,821	16,216	16,622	17,037	17,463
Other	107,995	122,584	143,924	149,681	155,668	161,895	168,371	175,105
Total expenses & losses	**1,764,431**	**1,761,743**	**1,870,524**	**1,894,407**	**1,934,468**	**1,968,962**	**2,004,952**	**2,042,436**
Income from operations	**26,881**	**11,888**	**33,704**	**9,095**	**43,024**	**46,265**	**48,765**	**50,540**
Non-operating gains:								
Investment income	60,296	65,452	4,883	23,099	23,561	24,032	24,512	25,003
Derivative valuation adjustments	9,474	4,526	19,093	-	-	-	-	-
Loss on refinancing	-	(5,755)	(1,389)	-	-	-	-	-
Gain on revaluation of equity method investment	-	14,744	-	-	-	-	-	-
Non-operating gains, net	**69,770**	**78,967**	**22,587**	**23,099**	**23,561**	**24,032**	**24,512**	**25,003**
Revenues & gains in excess of expenses & losses	**96,651**	**90,855**	**56,291**	**32,194**	**66,585**	**70,296**	**73,277**	**75,542**
Other non-operating items:								
Discontinued operations	(4,484)	(26,639)	(2,720)	-	-	-	-	-
Income attributable to non-controlling interest	(7,728)	(9,826)	(15,046)	(14,483)	(14,999)	(15,054)	(15,099)	(15,133)
Total other non-operating operations	**(12,212)**	**(36,465)**	**(17,765)**	**(14,483)**	**(14,999)**	**(15,054)**	**(15,099)**	**(15,133)**
Revenues & gains in excess of expenses & losses attributable to	**$ 84,439**	**$ 54,390**	**$ 38,526**	**$ 17,711**	**$ 51,586**	**$ 55,242**	**$ 58,178**	**$ 60,409**

Balance Sheet - NewCo Baseline	Actuals			Forecasted				
$'000s	6/30/13	6/30/14	6/30/15	Year 1	Year 2	Year 3	Year 4	Year 5
Current assets:								
Cash & cash equivalents	$ 130,860	$ 89,859	$ 128,580	$ 99,994	$ 90,690	$ 85,045	$ 76,870	$ 65,621
Current portion of investments	25,447	28,262	22,904	22,904	22,904	22,904	22,904	22,904
Patient accounts receivable, net	271,216	278,583	274,678	273,154	284,303	289,989	295,789	301,704
Other receivables, net	51,463	60,187	41,588	43,667	45,851	48,143	50,551	53,078
Inventories & prepaid expenses	58,383	59,859	63,930	61,664	64,496	66,108	67,761	69,455
Total current assets	**537,370**	**516,750**	**531,680**	**501,384**	**508,243**	**512,190**	**513,875**	**512,762**
Other non-current assets:								
Long-term investments	1,037,563	1,124,957	1,154,927	1,178,026	1,201,586	1,225,618	1,250,131	1,275,133
Property, plant, & equipment, net	1,359,023	1,374,010	1,331,657	1,330,150	1,335,035	1,346,020	1,362,851	1,385,318
Goodwill	169,487	208,262	208,179	208,179	208,179	208,179	208,179	208,179
Net deferred financing, acquisition costs & other charges	33,658	30,067	28,972	27,523	26,147	24,840	23,598	22,418
Other assets	47,091	48,870	53,567	55,174	56,830	58,534	60,290	62,099
Total other non-current assets	**2,646,822**	**2,786,166**	**2,777,303**	**2,799,052**	**2,827,778**	**2,863,191**	**2,905,049**	**2,953,148**
Total assets	**3,184,192**	**3,302,916**	**3,308,983**	**3,300,436**	**3,336,021**	**3,375,381**	**3,418,924**	**3,465,910**
Current liabilities:								
Current portion of debt & liabilities	75,323	73,791	84,731	84,731	84,731	84,731	84,731	84,731
Accounts payable & accrued expenses	242,267	261,554	270,782	268,682	275,199	280,683	286,301	292,056
Estimated third-party payor settlements	33,932	18,888	18,471	18,841	19,217	19,602	19,994	20,394
Total current liabilities	**351,523**	**354,233**	**373,985**	**372,254**	**379,148**	**385,017**	**391,027**	**397,181**
Non-current liabilities:								
Long-term debt & liabilities	1,566,294	1,565,512	1,524,098	1,483,455	1,443,897	1,405,393	1,367,915	1,331,438
Retention bonus liability	-	-	-	-	-	-	-	-
Other long-term liabilities	78,447	99,400	81,633	83,265	84,931	86,629	88,362	90,129
Total non-current liabilities	**1,644,740**	**1,664,912**	**1,605,731**	**1,566,721**	**1,528,827**	**1,492,022**	**1,456,277**	**1,421,567**
Total liabilities	**1,996,263**	**2,019,145**	**1,979,715**	**1,938,975**	**1,907,975**	**1,877,038**	**1,847,304**	**1,818,748**
Net assets:								
Unrestricted	994,348	1,080,586	1,112,232	1,129,943	1,181,529	1,236,771	1,294,949	1,355,358
Temporarily restricted	19,703	20,418	20,508	20,508	20,508	20,508	20,508	20,508
Permanently restricted	1,438	1,446	1,450	1,450	1,450	1,450	1,450	1,450
Noncontrolling interests	172,439	181,321	195,078	209,560	224,559	239,614	254,713	269,846
Total net assets	**1,187,929**	**1,283,771**	**1,329,268**	**1,361,462**	**1,428,046**	**1,498,343**	**1,571,620**	**1,647,162**
Total liabilities and net assets	**$ 3,184,192**	**$ 3,302,916**	**$ 3,308,983**	**$ 3,300,436**	**$ 3,336,021**	**$ 3,375,381**	**$ 3,418,924**	**$ 3,465,910**

Statement of Cash Flows - NewCo Baseline		Forecasted				
$'000s	Scenario	Year 1	Year 2	Year 3	Year 4	Year 5
Cash flows from operating activities:						
Income from operations		$ 9,095	$ 43,024	$ 46,265	$ 48,765	$ 50,540
Adjustments to reconcile change in net assets to net cash provided by operating activities:						
Depreciation and amortization		126,507	126,364	126,828	127,872	129,471
Loss on extinguishment of debt		-	-	-	-	-
Change in estimated fair value of derivatives		-	-	-	-	-
Equity in net income of JVs, net		-	-	-	-	-
Loss/(Gain) on disposal of assets		-	-	-	-	-
Capital Appreciation Bond accretion and other		-	-	-	-	-
Restricted contributions		-	-	-	-	-
Pension and other defined benefit plan adjustments		-	-	-	-	-
Increase/(Decrease) in cash due to change in:						
Patient accounts receivable, net		1,524	(11,149)	(5,686)	(5,800)	(5,916)
Other receivables, net		(2,079)	(2,183)	(2,293)	(2,407)	(2,528)
Inventories & prepaid expenses		2,266	(2,832)	(1,612)	(1,653)	(1,694)
Net deferred financing, acquisition costs & other charges		1,449	1,376	1,307	1,242	1,180
Other assets		(1,607)	(1,655)	(1,705)	(1,756)	(1,809)
Current portion of debt & liabilities		-	-	-	-	-
Accounts payable & accrued expenses		(2,100)	6,517	5,485	5,618	5,755
Estimated third-party payor settlements		369	377	384	392	400
Other long-term liabilities		1,633	1,665	1,699	1,733	1,767
Total adjustments		**127,962**	**118,480**	**124,407**	**125,241**	**126,627**
Net cash provided by operating activities		**137,057**	**161,504**	**170,672**	**174,005**	**177,166**
Cash flows from investing activities:						
Purchases of property, plant, and equipment		(125,000)	(131,250)	(137,813)	(144,703)	(151,938)
Acquisitions, net of cash acquired		-	-	-	-	-
Non-operating gains, net		23,099	23,561	24,032	24,512	25,003
Purchases of held-to-maturity securities		(23,099)	(23,561)	(24,032)	(24,512)	(25,003)
Net distribution from JV's and unconsolidated affiliates		-	-	-	-	-
Proceeds from sale of plant, property, and equipment		-	-	-	-	-
Net cash used in investing activities		**(125,000)**	**(131,250)**	**(137,813)**	**(144,703)**	**(151,938)**
Cash flows from financing activities:						
Payments on LT debt and liabilities, including escrow deposits		(40,643)	(39,559)	(38,504)	(37,477)	(36,478)
Payment of acquisition and financing costs		-	-	-	-	-
Proceeds from issuance of LT debt & other financings		-	-	-	-	-
Net amounts received on interest rate swaps		-	-	-	-	-
Restricted contributions received		-	-	-	-	-
Net cash used by financing activities		**(40,643)**	**(39,559)**	**(38,504)**	**(37,477)**	**(36,478)**
Net increase/(decrease) in cash and cash equivalents		(28,585)	(9,305)	(5,644)	(8,175)	(11,250)
Cash and cash equivalents at beginning of year		128,580	99,994	90,690	85,045	76,870
Cash and cash equivalents at end of year		**$ 99,994**	**$ 90,690**	**$ 85,045**	**$ 76,870**	**$ 65,621**

Income Statement - NewCo with Preliminary Efficiency Estimates	Actuals			Forecasted				
$'000s	FYE 6/13	FYE 6/14	FYE 6/15	Year 1	Year 2	Year 3	Year 4	Year 5
Net patient service revenue ("NPSR")	**$ 1,670,727**	**$ 1,671,050**	**$ 1,813,472**	**$ 1,812,747**	**$ 1,886,737**	**$ 1,924,471**	**$ 1,962,961**	**$ 2,002,220**
Other revenues:								
Other revenues	120,585	102,581	90,756	90,756	90,756	90,756	90,756	90,756
Total other revenues	**120,585**	**102,581**	**90,756**	**90,756**	**90,756**	**90,756**	**90,756**	**90,756**
Total revenue, gains, & support	**1,791,312**	**1,773,631**	**1,904,228**	**1,903,502**	**1,977,492**	**2,015,227**	**2,053,716**	**2,092,976**
Expenses:								
Salaries, wages, & benefits	881,530	865,989	925,061	936,615	938,313	941,691	935,264	946,416
Medical supplies & drugs	325,559	330,375	344,718	346,269	337,871	340,229	341,842	344,601
Purchased services	183,607	189,280	196,037	201,918	201,785	205,929	209,434	214,233
Interest & taxes	63,495	62,742	61,453	59,338	57,756	55,972	53,882	52,353
Depreciation & amortization	130,666	121,237	127,336	126,507	130,650	142,843	157,111	165,204
Maintenance & utilities	53,687	54,030	56,561	58,258	58,898	60,236	61,363	62,917
Lease & rental	17,892	15,506	15,435	15,821	16,216	16,558	16,820	17,228
Other	107,995	122,584	143,924	149,681	141,334	143,766	146,245	148,940
Total expenses & losses	**1,764,431**	**1,761,743**	**1,870,524**	**1,894,407**	**1,882,824**	**1,907,224**	**1,921,961**	**1,951,892**
Income from operations	**26,881**	**11,888**	**33,704**	**9,095**	**94,669**	**108,003**	**131,755**	**141,083**
Non-operating gains:								
Investment income	60,296	65,452	4,883	23,099	23,561	24,032	24,512	25,003
Derivative valuation adjustments	9,474	4,526	19,093	-	-	-	-	-
Loss on refinancing	-	(5,755)	(1,389)	-	-	-	-	-
Gain on revaluation of equity method investment	-	14,744	-	-	-	-	-	-
Non-operating gains, net	**69,770**	**78,967**	**22,587**	**23,099**	**23,561**	**24,032**	**24,512**	**25,003**
Revenues & gains in excess of expenses & losses	**96,651**	**90,855**	**56,291**	**32,194**	**118,229**	**132,035**	**156,267**	**166,086**
Other non-operating items:								
Discontinued operations	(4,484)	(26,639)	(2,720)	-	-	-	-	-
Income attributable to non-controlling interest	(7,728)	(9,826)	(15,046)	(14,483)	(14,999)	(15,054)	(15,099)	(15,133)
Total other non-operating operations	**(12,212)**	**(36,465)**	**(17,765)**	**(14,483)**	**(14,999)**	**(15,054)**	**(15,099)**	**(15,133)**
Revenues & gains in excess of expenses & losses attributable to	**$ 84,439**	**$ 54,390**	**$ 38,526**	**$ 17,711**	**$ 103,230**	**$ 116,980**	**$ 141,168**	**$ 150,953**
Uses expense related to COPA, excluding D&A expense	-	-	-	-	(10,750)	(27,250)	(43,500)	(49,000)
Net income, including COPA uses attributable to NewCo.	**$ 84,439**	**$ 54,390**	**$ 38,526**	**$ 17,711**	**$ 92,480**	**$ 89,730**	**$ 97,668**	**$ 101,953**

Balance Sheet - NewCo with Preliminary Efficiency Estimates	Actuals			Forecasted				
$'000s	6/30/13	6/30/14	6/30/15	Year 1	Year 2	Year 3	Year 4	Year 5
Current assets:								
Cash & cash equivalents	$ 130,860	$ 89,859	$ 128,580	$ 99,994	$ 115,197	$ 91,247	$ 93,168	$ 135,397
Current portion of investments	25,447	28,262	22,904	22,904	22,904	22,904	22,904	22,904
Patient accounts receivable, net	271,216	278,583	274,678	273,154	284,303	289,989	295,789	301,704
Other receivables, net	51,463	60,187	41,588	43,667	45,851	48,143	50,551	53,078
Inventories & prepaid expenses	58,383	59,859	63,930	61,664	60,169	60,589	60,876	61,367
Total current assets	**537,370**	**516,750**	**531,680**	**501,384**	**528,424**	**512,873**	**523,287**	**574,452**
Other non-current assets:								
Long-term investments	1,037,563	1,124,957	1,154,927	1,178,026	1,201,586	1,225,618	1,250,131	1,275,133
Property, plant, & equipment, net	1,359,023	1,374,010	1,331,657	1,330,150	1,360,750	1,420,720	1,468,311	1,480,046
Goodwill	169,487	208,262	208,179	208,179	208,179	208,179	208,179	208,179
Net deferred financing, acquisition costs & other charges	33,658	30,067	28,972	27,523	26,147	24,840	23,598	22,418
Other assets	47,091	48,870	53,567	55,174	56,830	58,534	60,290	62,099
Total other non-current assets	**2,646,822**	**2,786,166**	**2,777,303**	**2,799,052**	**2,853,492**	**2,937,891**	**3,010,509**	**3,047,875**
Total assets	**3,184,192**	**3,302,916**	**3,308,983**	**3,300,436**	**3,381,916**	**3,450,764**	**3,533,796**	**3,622,327**
Current liabilities:								
Current portion of debt & liabilities	75,323	73,791	84,731	84,731	84,731	84,731	84,731	84,731
Accounts payable & accrued expenses	242,267	261,554	270,782	268,682	275,199	280,683	286,301	292,056
Estimated third-party payor settlements	33,932	18,888	18,471	18,841	19,217	19,602	19,994	20,394
Total current liabilities	**351,523**	**354,233**	**373,985**	**372,254**	**379,148**	**385,017**	**391,027**	**397,181**
Non-current liabilities:								
Long-term debt & liabilities	1,566,294	1,565,512	1,524,098	1,483,455	1,443,897	1,405,393	1,367,915	1,331,438
Retention bonus liability	-	-	-	-	5,000	-	-	-
Other long-term liabilities	78,447	99,400	81,633	83,265	84,931	86,629	88,362	90,129
Total non-current liabilities	**1,644,740**	**1,664,912**	**1,605,731**	**1,566,721**	**1,533,827**	**1,492,022**	**1,456,277**	**1,421,567**
Total liabilities	**1,996,263**	**2,019,145**	**1,979,715**	**1,938,975**	**1,912,975**	**1,877,038**	**1,847,304**	**1,818,748**
Net assets:								
Unrestricted	994,348	1,080,586	1,112,232	1,129,943	1,222,424	1,312,154	1,409,822	1,511,775
Temporarily restricted	19,703	20,418	20,508	20,508	20,508	20,508	20,508	20,508
Permanently restricted	1,438	1,446	1,450	1,450	1,450	1,450	1,450	1,450
Noncontrolling interests	172,439	181,321	195,078	209,560	224,559	239,614	254,713	269,846
Total net assets	**1,187,929**	**1,283,771**	**1,329,268**	**1,361,462**	**1,468,941**	**1,573,725**	**1,686,493**	**1,803,579**
Total liabilities and net assets	**$3,184,192**	**$3,302,916**	**$3,308,983**	**$ 3,300,436**	**$ 3,381,916**	**$ 3,450,764**	**$ 3,533,796**	**$ 3,622,327**

Statement of Cash Flows - NewCo with Preliminary Estimated Efficiencies						
		Forecasted				
$'000s	Scenario	Year 1	Year 2	Year 3	Year 4	Year 5
Cash flows from operating activities:						
Income from operations		$ 9,095	$ 94,669	$ 108,003	$ 131,755	$ 141,083
Uses expense related to COPA, excluding D&A expense		-	(10,750)	(27,250)	(43,500)	(49,000)
		9,095	**83,919**	**80,753**	**88,255**	**92,083**
Adjustments to reconcile change in net assets to net cash provided by operating activities:						
Depreciation and amortization		126,507	130,650	142,843	157,111	165,204
Loss on extinguishment of debt		-	-	-	-	-
Change in estimated fair value of derivatives		-	-	-	-	-
Equity in net income of JVs, net		-	-	-	-	-
Loss/(Gain) on disposal of assets		-	-	-	-	-
Capital Appreciation Bond accretion and other		-	-	-	-	-
Restricted contributions		-	-	-	-	-
Pension and other defined benefit plan adjustments		-	-	-	-	-
Increase/(Decrease) in cash due to change in:						
Patient accounts receivable, net		1,524	(11,149)	(5,686)	(5,800)	(5,916)
Other receivables, net		(2,079)	(2,183)	(2,293)	(2,407)	(2,528)
Inventories & prepaid expenses		2,266	1,496	(420)	(287)	(491)
Net deferred financing, acquisition costs & other charges		1,449	1,376	1,307	1,242	1,180
Other assets		(1,607)	(1,655)	(1,705)	(1,756)	(1,809)
Current portion of debt & liabilities		-	-	-	-	-
Accounts payable & accrued expenses		(2,100)	6,517	5,485	5,618	5,755
Estimated third-party payor settlements		369	377	384	392	400
Retention bonus liability		-	5,000	(5,000)	-	-
Other long-term liabilities		1,633	1,665	1,699	1,733	1,767
Total adjustments		**127,962**	**132,093**	**136,614**	**155,846**	**163,562**
Net cash provided by operating activities		**137,057**	**216,011**	**217,367**	**244,101**	**255,646**
Cash flows from investing activities:						
Purchases of property, plant, and equipment		(125,000)	(161,250)	(202,813)	(204,703)	(176,938)
Acquisitions, net of cash acquired		-	-	-	-	-
Non-operating gains, net		23,099	23,561	24,032	24,512	25,003
Purchases of held-to-maturity securities		(23,099)	(23,561)	(24,032)	(24,512)	(25,003)
Net distribution from JV's and unconsolidated affiliates		-	-	-	-	-
Proceeds from sale of plant, property, and equipment		-	-	-	-	-
Net cash used in investing activities		**(125,000)**	**(161,250)**	**(202,813)**	**(204,703)**	**(176,938)**
Cash flows from financing activities:						
Payments on LT debt and liabilities, including escrow deposits		(40,643)	(39,559)	(38,504)	(37,477)	(36,478)
Payment of acquisition and financing costs		-	-	-	-	-
Proceeds from issuance of LT debt & other financings		-	-	-	-	-
Income attributable to non-controlling interest		-	-	-	-	-
Net amounts received on interest rate swaps		-	-	-	-	-
Restricted contributions received		-	-	-	-	-
Net cash used by financing activities		**(40,643)**	**(39,559)**	**(38,504)**	**(37,477)**	**(36,478)**
Net increase/(decrease) in cash and cash equivalents		(28,585)	15,202	(23,949)	1,920	42,230
Cash and cash equivalents at beginning of year		128,580	99,994	115,197	91,247	93,168
Cash and cash equivalents at end of year		**$ 99,994**	**$ 115,197**	**$ 91,247**	**$ 93,168**	**$ 135,397**

SUPPLEMENT TO RESPONSES TO QUESTIONS

SUBMITTED APRIL 22, 2016

BY

TENNESSEE DEPARTMENT OF HEALTH

IN CONNECTION WITH

APPLICATION FOR A CERTIFICATE OF PUBLIC ADVANTAGE

Submitted by:	Mountain States Health Alliance Wellmont Health System
Date:	July 25, 2016

Additional Request from the Department of Health
Submitted April 22, 2016

Mountain States Health Alliance and Wellmont Health System Response

I. INCOMPLETE (1)

a. Services Offered by Other Providers
Tenn. Comp. R. & Regs. 1200-38-01-. 02(2)(a)8

Revise the lists of services and products in Application Section 11, Exhibit 6, and Addendum #1 Section 3 to reflect the following changes:

iii. **Provide information on the structure of physician practices to calculate the appropriate market share.**[1]

RESPONSE: Information on the structure of physician practices is attached as Exhibit 3. The Parties have attempted to identify physicians by employment status (employed versus independent), and to aggregate physicians into their relevant practice groups. The Parties reiterate the difficulty calculating data for independent physicians:

- There is little publicly reported, and therefore available, data for outpatient services. Inpatient volumes are reported to the Tennessee Hospital Association for purposes of market share calculation, but the calculation of comparable market share measures for physician practice volumes is not possible because those volumes are not uniformly reported to an independent resource.
- The geographic scope of service for many physician specialties goes well beyond counties and prescribed geographic areas. For example, some advanced specialties may serve very broad service areas, and patients may travel out of the area to see specialists for services that could be obtained in locations near the Parties' three tertiary facilities. As a result, shares at the county level, or even at the service area level, may overstate concentration and competitive concerns.

As a result, share data in Exhibit 3 are provided based on counts of physicians, and allocating physicians to independent groups, which account for a large proportion of physicians in the Geographic Service Area. The Parties have made their best efforts to calculate independent physician services based on the limited publicly available data and their general industry knowledge of the region's health care providers.

Since the time the Application was submitted in February to today, a number of Wellmont employed and MSHA employed and affiliated physicians have been

[1] The market power of a single physician is not equal to the bargaining power of a physician group. Therefore, in Exhibit 6.1-E, the number of physician groups and their size (i.e. number of doctors) by specialty and county is required.

hired, have left employment, and have retired. The information included in Exhibit 3 reflects the most current information available to the Parties. To reflect the changes in employment and affiliation that have occurred since February, the Parties have included in this Response an updated Exhibit 6.1E to the original Application for reference.

INDEX OF DOCUMENTS:

- Exhibit 3 - Information on the Structure of Physician Practices

REPLACEMENT OF EXHIBIT 6.1 (SECTION E) TO ORIGINAL APPLICATION DATED FEBRUARY 16, 2016

The Parties submit attached **Application Exhibit 6.1 (Section E)** as a replacement for **Application Exhibit 6.1 (Section E)** submitted with the original Application on February 16, 2016. The updates reflect the changes in employment and affiliation of physicians with Wellmont and Mountain States since February 2016 and the Parties' ongoing efforts to calculate physician data as accurately as possible.

INDEX OF DOCUMENTS:

- Updated Exhibit 6.1E to the Original COPA Application Dated February 16, 2016

Exhibit 3

Information on the Structure of Physician Practices

Exhibit 3A. Number of Providers by Practice Group for Wellmont and Mountain States

Group	WHS Employed	MSHA Employed	MSHA Affiliated*	MSHA Total	County or Counties
WELLMONT MEDICAL ASSOCIATES	269				Hawkins, Sullivan and Washington in Tennessee and Bristol, Lee, Norton City, Russell, Washington, and Wise in Virginia
WELLMONT CARDIOLOGY SERVICES	71				Carter, Greene, Hawkins, Sullivan and Washington in Tennessee and Russell, Washington, and Wythe in Virginia
MOUNTAIN STATES MEDICAL GROUP		296	58	354	Carter, Johnson, Sullivan, Unicoi, Washington in Tennessee and Russell, Smythe, Washington, Wise, and Wythe in Virginia
ABINGDON PHYSICIAN PARTNERS		2	20	22	Washington in Virginia
NORTON COMMUNITY PHYSICIAN SERVICES		1	20	21	Dickenson and Wise in Virginia

*Mountain States Affiliated physicians are those physicians who are not employed by Mountain States but who do provide services to Mountain States through a contractual arrangement. To be conservative, these physicians are counted along with the Mountain States employed physicians in assessing the "overlap" between Mountain States and Wellmont.

Exhibit 3B. Number of Providers by Practice Group for Independent Groups

Group Name	Number of Physicians	County or Counties*
ETSU PHYSICIANS & ASSOCIATES	100 or more	Carter, Hancock, Sullivan, and Washington in Tennessee
HOLSTON MEDICAL GROUP	100 or more	Hawkins and Sullivan in Tennessee and Scott and Washington in Virginia
APPALACHIAN EMERGENCY PHYSICIANS	100 or more	Carter and Washington in Tennessee
STATE OF FRANKLIN HEALTHCARE ASSOCIATES	50-99	Carter and Washington in Tennessee
INPATIENT CONSULTANTS OF TENNESSEE	50-99	Knox and Washington in Tennessee and Washington in Virginia
MEDICAL CARE PLLC	26-49	Carter and Washington in Tennessee
VALLEY EMERGENCY PHYSICIANS	26-49	Smyth and Washington in Virginia
NORTHEAST TN EMERGENCY PHYSICIANS	26-49	Hancock, Hawkins, and Sullivan in Tennessee and Norton City and Wise in Virginia
BLUE RIDGE RADIOLOGY	26-49	Sullivan in Tennessee
HEALTHSTAR PHYSICIANS	26-49	Cocke, Hamblen, Jefferson, and Knox in Tennessee
APPALACHIAN ORTHOPEDICS ASSOCIATES PC	10-25	Washington in Tennessee
APPALACHIAN ORTHOPEDICS OF KINGSPORT	10-25	Sullivan in Tennessee
MOUNTAIN EMPIRE RADIOLOGY PC	10-25	Washington in Tennessee
WATAUGA ORTHOPEDICS PLC	10-25	Sullivan and Washington in Tennessee
CLINCH VALLEY PHYSICIANS INC	10-25	Tazewell in Virginia
EAST TENNESSEE BRAIN AND SPINE CENTER	10-25	Sullivan and Washington in Tennessee
GASTROENTEROLOGY ASSOCIATES	10-25	Sullivan in Tennessee and Washington and Wise in Virginia
MOUNTAIN REGION FAMILY MEDICINE	10-25	Sullivan in Tennessee and Scott in Virginia
DERMATOLOGY ASSOCIATES	10-25	Sullivan and Washington in Tennessee
MORRISTOWN-HAMBLEN HEALTH SYSTEM	10-25	Hamblen in Tennessee
BRISTOL ANESTHESIA SERVICES	10-25	Sullivan in Tennessee
CLINCH VALLEY MEDICAL CENTER	10-25	Tazewell in Virginia
ANESTHESIA AND PAIN CONSULTANTS	10-25	Washington in Tennessee
CLINCH VALLEY PHYSICIANS	10-25	Tazewell in Virginia
WATAUGA PATHOLOGY ASSOCIATES	10-25	Washington in Tennessee

Group Name	Number of Physicians	County or Counties*
WYTHE COUNTY COMMUNITY HOSPITAL	10-25	Wythe in Virginia
HIGHLANDS PATHOLOGY	10-25	Sullivan in Tennessee
52 INDEPENDENT GROUPS	5-9	Multiple Counties
416 INDEPENDENT GROUPS	1-4	Multiple Counties
185 PHYSICIANS WITH UNKNOWN AFFILIATION	1	Multiple Counties

Note: A large number of physicians had no known practice group affiliation; these are shown as one entry with "UNKNOWN GROUP."

* Counties are based on the locations identified by each practice's website. In some cases, these counties may only reflect the office address or billing address of the practice which does not account for outreach and/or facility credentialing. This is particularly true for hospital-based practices.

Updated Exhibit 6.1E

Physician Status by Specialty/Employment as of July 1, 2016

Data were developed by specialty to identify physicians employed by Wellmont, employed by Mountain States (or affiliated with Mountain States) and independent physicians. Data on independent physicians were developed using names and specialties for physicians with admitting privileges at Wellmont and/or Mountain States hospitals. The Overlap Flag identifies specialties in which both systems employed physicians.

Specialty*	Overlap Flag	Total	Independent	Wellmont	Mountain States	Mountain States Affiliated**
Grand Total (Overlap/Non-Overlap)		**2,913**	**74.7%**	**11.7%**	**10.3%**	**3.4%**
ORTHOPEDICS	X	135	85.9%	1.5%	11.1%	1.5%
OTHER SPECIALTIES	X	269	85.1%	6.7%	6.7%	1.5%
PEDIATRICS & NEONATOLOGY	X	177	84.7%	3.4%	4.0%	7.9%
OBSTETRICS & GYNECOLOGY	X	116	80.2%	5.2%	11.2%	3.4%
PRIMARY CARE	X	794	77.3%	15.9%	4.4%	2.4%
NEUROSCIENCES	X	73	76.7%	6.8%	12.3%	4.1%
GENERAL SURGERY	X	115	70.4%	3.5%	12.2%	13.9%
ENDOCRINOLOGY, DIABETES & METABOLISM	X	13	69.2%	23.1%	7.7%	0.0%
PSYCHIATRY, PSYCHOLOGY & SOCIAL SERVICES	X	80	66.3%	8.7%	22.5%	2.5%
HOSPITALIST	X	275	53.1%	17.1%	25.5%	4.4%
ONCOLOGY & HEMATOLOGY	X	76	51.3%	27.6%	10.5%	10.5%
PULMONOLOGY	X	44	43.2%	38.6%	11.4%	6.8%
URGENT CARE	X	104	36.5%	6.7%	49.0%	7.7%
CARDIOVASCULAR	X	146	34.2%	47.3%	17.8%	0.7%
RADIOLOGY		74	100.0%	0.0%	0.0%	0.0%
RHEUMATOLOGY		16	100.0%	0.0%	0.0%	0.0%
PATHOLOGY & LABORATORY MEDICINE		31	100.0%	0.0%	0.0%	0.0%
EMERGENCY MEDICINE		236	98.3%	0.0%	0.8%	0.8%
ENT		25	96.0%	4.0%	0.0%	0.0%
GASTROENTEROLOGY		55	94.5%	0.0%	5.5%	0.0%
NEPHROLOGY		16	93.8%	0.0%	6.3%	0.0%
PHYSICAL MEDICINE & REHABILITATION		14	92.9%	7.1%	0.0%	0.0%
UROLOGY		29	89.7%	0.0%	10.3%	0.0%

* The Specialty categories included in this table may differ slightly from those included in the original COPA application. The information available to the parties on employed, affiliated and independent physicians in the area utilize different categories of specialties (e.g. Family Medicine may be a specialty category in one list and Primary Care may be a specialty category in another list). The individual categories were aggregated to ensure specialties from various data sources could be combined to provide shares.

**Mountain States Affiliated physicians are those physicians who are not employed by Mountain States but who do provide services to Mountain States through a contractual arrangement. To be conservative, these physicians are counted along with the Mountain States employed physicians in assessing the "overlap" between Mountain States and Wellmont.

First Amendment to

Master Affiliation Agreement

and

Plan of Integration

By and Between

Wellmont Health System

and

Mountain States Health Alliance

Dated as of September 8, 2016

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First Amendment to Master Affiliation Agreement and Plan of Integration

- First Amendment to Master Affiliation Agreement and Plan of Integration

Exhibit 11.4

- Financial Summary for Mountain States

Exhibit 11.4 - Attachment A

- Mountain States Bonds Official Statement for 2011 Bonds

Exhibit 11.4 - Attachment B

- Mountain States Bonds Official Statement for 2012 Bonds

Exhibit 11.4 - Attachment C

- Mountain States Bonds Official Statement for 2013 Bonds

Exhibit 11.4 - Attachment D

- Mountain States Covenant Compliance Certificates

Exhibit 11.4 - Attachment E

- Mountain States Officer's Certificates

Exhibit 11.4 - Attachment F

- Mountain States Audited Financial Statements for 2009 to 2014 and Audited Financial Statement on MSHA as of June 30, 2015

Exhibit 11.4 - Attachment G

- Mountain States EMMA - Annual Disclosures for 2010 to 2015 and Material Event Disclosures

Exhibit 11.4 - Attachment H

- Mountain States - Rating Agencies Reports

Exhibit 11.5

- Financial Summary for Wellmont

Exhibit 11.5 - Attachment A

- Wellmont 2011 Bonds Official Statement for 2011 Bonds

Exhibit 11.5 - Attachment B

- Wellmont Audits - External Audited Financial Statements for 2011 to 2015

Exhibit 11.5 - Attachment C

- Wellmont EMMA - Annual Disclosures from 2011 to 2015

Exhibit 11.5 - Attachment D

- Wellmont External Auditor Management Letters

Exhibit 11.5 - Attachment E

- Wellmont - Rating Agencies Reports

Exhibit 11.6

- Current Annual Budgets for Mountain States

Exhibit 11.7

- Current Annual Budgets for Wellmont

Exhibit 11.8

- Five Year Projected Budget for New Health System and Updated Financial Model

Exhibit 11.9

- Mountain States Insurance Contracts and Payer Agreements

Exhibit 11.10

- Wellmont Insurance Contracts and Payer Agreements

Exhibit 11.11

- Existing and Future Business Plans of Mountain States

Exhibit 11.12

- Existing and Future Business Plans of Wellmont

Exhibit 11.13

- New Health System Alignment Policy

Exhibit 11.14

- Institute of Medicine Vital Signs Core Measures

EXECUTION COPY

First Amendment to
Master Affiliation Agreement
and
Plan of Integration

By and Between

Wellmont Health System

and

Mountain States Health Alliance

Dated as of September 8, 2016

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EXECUTION COPY

THIS FIRST AMENDMENT TO MASTER AFFILIATION AGREEMENT AND PLAN OF INTEGRATION (this "First Amendment") is dated as of September 8, 2016, by and between Wellmont Health System, a Tennessee nonprofit public benefit corporation with a principal place of business in Kingsport, Tennessee ("Wellmont") and Mountain States Health Alliance, a Tennessee nonprofit public benefit corporation with a principal place of business in Johnson City, Tennessee ("MSHA"). Wellmont and MSHA are each a "Party" and collectively the "Parties."

WHEREAS, the Parties have entered into the Master Affiliation Agreement and Plan of Integration dated as of February 15, 2016 (the "Agreement"); and

WHEREAS, the Parties have agreed to amend certain provisions of the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the representations, warranties, premises and the mutual covenants and agreements hereinafter contained, each of the parties hereto, intending to be legally bound, hereby agree as follows:

Article I. Amendments.

Section 1.01 Exhibits C-2 and F. Exhibit C-2 (Interim Officers) and Exhibit F (Integration Council) are deleted in their entirety and replaced with the correspondingly labeled Exhibits attached hereto.

Section 1.02 Cooperative Agreement. Section 5.06(a) of the Agreement is amended to read in its entirety as follows:

> (a) The Parties deem this Agreement to be their "cooperative agreement" as defined in the Tennessee Hospital Cooperation Act of 1993, as amended (the "Tennessee COPA Act") and § 15.2-5369 of the Code of Virginia (the "Virginia COPA Act" and together with Tennessee COPA Act, the "COPA Acts"). Pursuant to the Tennessee and Virginia regulations promulgated under the authority of the Tennessee COPA Act and the Virginia COPA Act, the Parties hereby agree upon and incorporate the terms contained in Exhibit H as part of this "cooperative agreement."

Section 1.03 Exhibit H. The Agreement is amended by adding a new Exhibit H as labeled and attached hereto.

Section 1.04 Amendment, No Further Modification. The Parties agree that this First Amendment is an effective and binding amendment of the Agreement pursuant to Section 10.07 of the Agreement. Except as otherwise expressly stated in this First Amendment, all of the terms and provisions of the Agreement shall remain in full force and effect, without amendment or modification.

Section 1.05 Capitalized Terms. Capitalized terms used but not otherwise defined herein shall have the same meaning ascribed to such terms in the Agreement.

Section 1.06 Execution in Counterparts. This First Amendment may be executed in more than one counterpart, each of which shall be deemed to be an original, but all of which shall be deemed to constitute one instrument. It shall not be necessary for all parties to have signed the same counterpart provided that all parties have signed at least one counterpart.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed or caused to be executed this First Amendment on the day and year first above written.

WELLMONT HEALTH SYSTEM

By: _____
Roger Leonard
Chairman of the Board of Directors

_____
Bart Hove
President and Chief Executive Officer

MOUNTAIN STATES HEALTH ALLIANCE

By: _____
Barbara Allen
Chairman of the Board of Directors

_____
Alan Levine
President and Chief Executive Officer

EXHIBITS

Exhibit C-2. **Interim Directors and Interim Officers.**

Exhibit F. **Integration Council**

Exhibit H. **Cooperative Agreement Terms**

EXHIBIT C-2
Interim Directors and Interim Officers

Directors:

Barbara Allen

Roger Leonard

Roger Mowen

Gary Peacock

Officers:

President: Alan Levine

Secretary/Treasurer: Bart Hove

EXHIBIT F
Integration Council

MSHA
Marvin Eichorn (Co-Chair)
Dr. Morris Seligman
Lynn Krutak
Tony Keck
Dr. Sandra Brooks
Tim Belisle

WHS
Eric Deaton (Co-Chair)
Todd Dougan
Dr. Robert Funke
Dr. Dale Sargent
Todd Norris
Gary Miller

EXHIBIT H

Cooperative Agreement Terms

Pursuant to the Tennessee and Virginia regulations promulgated under the authority of the Tennessee COPA Act and the Virginia COPA Act, the Parties do hereby agree upon and incorporate the following terms as part of this Cooperative Agreement:

(e) **REQUEST**: A description of the competitive environment in the parties' geographic service area, including:

(i) Identification of all services and products likely to be affected by the Cooperative Agreement and the locations of the affected services and products;

RESPONSE: The Parties intend for the Cooperative Agreement to include all services, products, and service locations under the control of Mountain States and Wellmont at the time of execution of the Cooperative Agreement and for so long as those entities remain under the control of the New Health System.

(ii) The parties' estimate of their current market shares for services and products and the projected market shares if the COPA is granted;

RESPONSE: The Parties estimate their current share in the Geographic Service Area for general acute care inpatient services based on Calendar Year 2014 ("CY2014") discharge data[1] as follows:

Table 11.1 – Share of CY2014 Discharges, Current Systems[2]

System	Total	Share of Total Discharges
Mountain States	58,441	45.6%
Wellmont	35,075	27.4%
Other	34,584	27.0%

Table 11.1 identifies the percentage of total discharges in the Geographic Service Area (exclusive of DRG 795) that are accounted for by Mountain States, Wellmont, or other health care systems. Share analyses demonstrate that three hospitals (Bristol Regional Medical Center, Holston Valley Medical Center, and Johnson City Medical Center) make up fifty-eight percent (58%) of the combined

[1] Shares of the Geographic Service Area and for general acute care inpatient services were calculated using CY2014 discharge data for all Tennessee and Virginia hospitals. Shares were calculated defining general acute care services excluding normal newborns (DRG 795) and including (excluding) MDC 19 (Mental Diseases) and MDC 20 (Alcohol/Drug Use or Induced Mental Disorders). Tables detailing discharges by hospitals serving the Geographic Service Area, and hospitals in the Geographic Service Area, are in **Exhibit 5.2**.

[2] Shares for this table were calculated defining general acute care services excluding normal newborns (DRG 795).

system's discharges.[3] Other Mountain States and Wellmont hospitals individually contribute less than one to two percent (1-2%) to the total discharge volume accounted for by their respective parent system.

If the COPA is granted and volumes in the Geographic Service Area remain consistent with CY2014 trends, then the Parties estimate the projected shares for general acute care inpatient services would be as follows in **Table 11.2**:

Table 11.2 – Share of CY 2014 Discharges, New Health System

System	Total	Share of Total Discharges
New Health System	93,516	73.0%
Independent Competitors	34,584	27.0%

Due to the large independent physician community in the Geographic Service Area, the Parties do not expect a material change in the shares for physician services. Approximately seventy percent (70%) of all practitioners in the Geographic Service Area are independent. Even in overlap specialties, there are substantial competitive alternatives as reflected in the number of independent physicians in the specialty. **Table 11.3**[4] provides share estimates for independent physicians, Wellmont, and Mountain States in the specialties in which there is an overlap. **Table 11.4** reports shares for specialties in which there is not an overlap – that is, where Mountain States and Wellmont do not each employ physicians.

[3] These three hospitals account for 42.3% of discharges by all hospitals in the Geographic Service Area.

[4] **Tables 11.3** and **11.4** are based on data and information provided by the Parties regarding physicians with admitting privileges at their hospitals and employed or affiliated physicians and the specialty of physicians.

Table 11.3 – Shares of Physicians in Overlapping Specialties, by System

Specialty	Overlap Flag	Total	Independent	Wellmont	Mountain States	Mountain States Affiliate[5]
Grand Total (Overlap/Non-Overlap)		**2,142**	**70%**	**9%**	**17%**	**4%**
Emergency Medicine	X	141	95%	1%	1%	3%
Neurology	X	75	91%	3%	4%	3%
Otolaryngology	X	21	90%	5%	5%	0%
Pediatrics	X	87	87%	3%	9%	0%
General Surgery	X	57	70%	7%	19%	4%
Internal Medicine	X	178	67%	19%	13%	1%
OB/GYN	X	81	67%	10%	23%	0%
Neurosurgery	X	20	65%	5%	25%	5%
Family Medicine	X	183	63%	16%	20%	1%
Orthopedic Surgery	X	68	63%	3%	32%	1%
Psychology	X	5	60%	20%	20%	0%
Psychiatry	X	30	57%	10%	33%	0%
Pain Management	X	6	50%	17%	17%	17%
Cardiothoracic Surgery	X	21	43%	38%	19%	0%
Pulmonology	X	37	38%	38%	19%	5%
Occupational Medicine	X	5	20%	40%	40%	0%
Hematology/Oncology	X	34	15%	44%	35%	6%
Cardiology	X	70	14%	49%	36%	1%
Hospital Medicine	X	123	14%	10%	58%	15%

[5] Mountain States Affiliate physicians are those physicians who are not employed by Mountain States but who do provide services to Mountain States through a contractual arrangement. To be conservative, these physicians are counted along with the Mountain States employed physicians in assessing the "overlap" between Mountain States and Wellmont.

Table 11.4 – Shares of Physicians in Non-Overlapping Specialties, by System

Specialty	Overlap Flag	Total	Independent	Wellmont	Mountain States	Mountain States Affiliate[6]
Grand Total (Overlap/Non-Overlap)		**2,142**	**70%**	**9%**	**17%**	**4%**
Allergy and Immunology	-	5	100%	0%	0%	0%
Child Development	-	1	100%	0%	0%	0%
Colorectal Surgery	-	2	100%	0%	0%	0%
Dentistry	-	8	100%	0%	0%	0%
Hand Surgery	-	2	100%	0%	0%	0%
Maternal and Fetal Medicine	-	2	100%	0%	0%	0%
Neonatology	-	8	100%	0%	0%	0%
Ophthalmology	-	35	100%	0%	0%	0%
Optometry	-	1	100%	0%	0%	0%
Oral Surgery	-	11	100%	0%	0%	0%
Pathology	-	24	100%	0%	0%	0%
Pediatric Dentistry	-	7	100%	0%	0%	0%
Pediatric Emergency Medicine	-	3	100%	0%	0%	0%
Pediatric Gastroenterology	-	2	100%	0%	0%	0%
Pediatric Hematology Oncology	-	2	100%	0%	0%	0%
Pediatric Nephrology	-	1	100%	0%	0%	0%
Pediatric Pulmonology	-	1	100%	0%	0%	0%
Pediatric Surgery	-	1	100%	0%	0%	0%
Perfusionist	-	1	100%	0%	0%	0%
Physician Assistant	-	55	100%	0%	0%	0%
Plastic Surgery	-	13	100%	0%	0%	0%
Podiatry	-	20	100%	0%	0%	0%
Radiology	-	186	100%	0%	0%	0%
Rheumatology	-	6	100%	0%	0%	0%
Sports Medicine	-	3	100%	0%	0%	0%
Telemedicine	-	2	100%	0%	0%	0%
Teleradiology	-	10	100%	0%	0%	0%

[6] Mountain States Affiliate physicians are those physicians who are not employed by Mountain States but who do provide services to Mountain States through a contractual arrangement. To be conservative, these physicians are counted along with the Mountain States employed physicians in assessing the "overlap" between Mountain States and Wellmont.

Table 11.4 – Shares of Physicians in Non-Overlapping Specialties, by System (Continued)

Specialty	Overlap Flag	Total	Independent	Wellmont	Mountain States	Mountain States Affiliate
Grand Total (Overlap/Non-Overlap)		**2,142**	**70%**	**9%**	**17%**	**4%**
Nurse Practitioner	-	89	98%	0%	2%	0%
CRNA	-	75	97%	0%	0%	3%
Anesthesiology	-	65	97%	0%	0%	3%
Nephrology	-	16	94%	0%	6%	0%
Gastroenterology	-	30	90%	0%	10%	0%
Unknown	-	9	89%	0%	11%	0%
Urology	-	23	87%	0%	13%	0%
Physical Medicine and Rehabilitation	-	11	82%	18%	0%	0%
Infectious Disease	-	10	80%	20%	0%	0%
Dermatology	-	6	67%	0%	33%	0%
Pediatric Critical Care	-	3	67%	0%	0%	33%
Palliative Care	-	2	50%	50%	0%	0%
Pediatric Cardiology	-	4	50%	50%	0%	0%
Pediatric Neurology	-	2	50%	0%	0%	50%
Surgical Oncology	-	2	50%	50%	0%	0%
Radiation Oncology	-	11	36%	64%	0%	0%
Oncology	-	7	29%	43%	0%	29%
Trauma Surgery	-	29	21%	0%	38%	41%
Critical Care	-	15	7%	0%	80%	13%
Behavioral Health	-	8	0%	0%	50%	50%
Endocrinology	-	4	0%	0%	50%	25%
Pediatric Endocrinology	-	1	0%	0%	0%	100%
Pediatric Hospital Medicine	-	6	0%	0%	0%	100%
Sleep Medicine	-	2	0%	0%	50%	50%
Urgent Care	-	58	0%	0%	86%	14%

A large number of independent providers of outpatient services compete in the Geographic Service Area. In many outpatient services, including imaging, surgery and urgent care, independent providers account for at least a fifty percent (50%) share. **Table 11.5**[7] depicts counts and share numbers for categories of outpatient services based on the affiliation of the providers:

[7] **Table 11.5** depicts the counts and shares for categories of outpatient services and is based on a listing provided by the Parties of outpatient facilities by type including names, locations, and affiliations.

Table 11.5 - Shares of Outpatient Facilities by System

Service Type	WHS & MSHS Combined %	Mountain States	Mountain States-NsCH Affiliate	Wellmont	Non-Managed Joint Venture	All Other*	Total
Pharmacy	1.4%	5	0	0	0	349	**354**
Fitness Center	0.0%	0	0	0	0	98	**98**
XRAY	28.3%	14	0	12	0	66	**92**
Nursing Home	7.6%	3	0	2	0	61	**66**
Physical Therapy	6.6%	1	0	3	0	57	**61**
Home Health	16.7%	8	0	2	0	50	**60**
Rehabilitation	39.5%	9	0	8	0	26	**43**
CT	51.2%	12	0	10	0	21	**43**
MRI	43.9%	11	0	7	0	23	**41**
Surgery - Endoscopy	45.2%	9	0	5	0	17	**31**
Urgent Care	50.0%	8	0	8	0	16	**32**
Surgery - Hospital-based	46.7%	9	0	5	0	16	**30**
Dialysis Services	0.0%	0	0	0	0	25	**25**
Wellness Center	14.3%	2	0	1	0	18	**21**
Surgery - ASC	60.0%	2	0	3	4	6	**15**
Chemotherapy	55.6%	4	1	5	0	8	**18**
Rehabilitation & Physical Therapy	31.3%	0	0	5	0	11	**16**
Radiation Therapy	54.5%	3	0	3	0	5	**11**
Cancer Center	54.5%	3	0	3	0	5	**11**
Weight Loss Center	14.3%	0	0	1	0	6	**7**
Community Center	0.0%	0	0	0	0	6	**6**
Cancer Support Services	0.0%	0	0	0	0	1	**1**
Women's Cancer Services	100.0%	0	0	1	0	0	**1**

Note: Wellmont and Mountain States provide cancer support services at their cancer centers.

(iii) A statement of how competition among health care providers or health care facilities will be reduced for the services and products included in the Cooperative Agreement; and

RESPONSE: The Parties acknowledge that the merger will eliminate competition between Wellmont and Mountain States in certain areas. The benefits of the merger will far outweigh this loss of competition, due to the cost-savings, quality enhancement and improved access the merger will generate. In addition, significant benefits will result from the Parties' commitments outlined herein, all of which will be actively supervised by the States. Moreover, the New Health System will face significant competition from the independent hospitals and other health care providers located in its service area, and, increasingly, from more distantly located health systems. With enhanced access to cost and quality information, patients utilize their mobility and often leave the immediate service area for health care services in locations including Nashville, Asheville, Knoxville and Winston Salem. The parties expect this pattern to increase.

(iv) A statement regarding the requirement(s) for any Certificate(s) of Need resulting from the Cooperative Agreement.

RESPONSE: No Certificate of Need will be required under the proposed Cooperative Agreement.

(f) **REQUEST**: Impact on the service area's health care industry workforce, including long-term employment and wage levels and recruitment and retention of health professionals.

RESPONSE: It is the objective of the New Health System to become one of the best health system employers in the nation and one of the most attractive health systems for physicians and employee team members. In order to achieve this objective, the Parties will conduct frequent employee and physician satisfaction and engagement assessments benchmarking with national organizations to achieve at least top quartile performance. The Parties will also build substantial partnerships beyond what currently exist with regional colleges and universities in Tennessee and Virginia that train physicians, nurses, and allied health professionals to ensure there is a strong pipeline of regional health professionals.

The Parties recognize that their workforce is mobile, and there are many opportunities both within the region and in nearby metropolitan areas for their team members. Thus, competitiveness of pay and benefits is critical to the New Health System's success. The New Health System is committed to its existing workforce. Therefore, when the New Health System is formed:

COMMITMENTS

- The New Health System will honor prior service credit for eligibility and vesting under the employee benefit plans maintained by Wellmont and Mountain States, and will provide all employees credit for accrued vacation and sick leave.

- The New Health System will work as quickly as practicable after completion of the merger to address any differences in salary/pay rates and employee benefit structures. The New Health System will offer competitive compensation and benefits for its employees to support its vision of becoming one of the strongest health systems in the country and one of the best health system employers in the country.

- The New Health System will combine the best of both organizations' career development programs in order to ensure maximum opportunity for career enhancement and training.

The New Health System will achieve substantial efficiencies and reduce unnecessary duplication of services, but it is not anticipated that the overall clinical workforce in the region will decrease significantly. Demand for health professionals is generally driven by volume and varies across the market from time to time. Health care workers are in great demand in the region, and retaining and developing excellent health professionals in the region will be of utmost importance to ensure the highest clinical quality. Wages must remain competitive to attract top regional and national talent.

Further, significant investments must be made in the development of infrastructures and human resources for community health improvement, population health management, academics and research, and new high-level services. In addition to the significant ongoing base of clinical personnel, support staff, and physicians, all of these initiatives will serve to further develop the region's health care workforce and support the regional economy.

A hallmark initiative enabled by the proposed merger is the development of an enhanced academic medical center aligned in important ways with the New Health System in its efforts to transform health care delivery and to address health care needs, access, experience, and economic well-being of the local community in the near term as well as long term. The proposed merger provides funds generated through merger efficiencies, some of which the Parties will invest in the development of an enhanced academic medical center to bring specific health care and economic benefits to the community. For example, the Parties, with their academic partners, plan to create new specialty fellowship training opportunities, build an expanded research infrastructure, add new medical and related faculty, and attract research funding, especially translational research, to address regional health improvement objectives. These efforts will benefit the community directly and indirectly, with expanded efforts to develop research specific to the local communities' health care needs and issues. The Parties intend for the enhanced academic medical center to be a focal point for health care and population health research specific to the issues and needs of the communities served by the New Health System in Tennessee and Virginia to focus strategies for interventions and improvements in health and health care delivery. The investments made possible by merger efficiencies, and their specific applications in research and development, faculty, expanded services and training can also contribute to the economic vitality of the area as well as the improved ability to attract medical professionals and business endeavors; thereby benefiting the communities with overall health and economic well-being.

In the current environment, Wellmont and Mountain States have been reducing the number of residency slots due to financial constraints. It is a goal of the New Health System to reverse this trend. Using savings obtained from merger-derived efficiencies, the New Health System will work with its academic partners and commit not less than $85 million over ten years to increase residency and training slots, create new specialty fellowship training opportunities, build and sustain research infrastructure, and add faculty. These are all critical to sustaining an

active and competitive training program. New local investment in this research and training infrastructure will attract additional outside investments. State and federal government research dollars often require local matching funds, and grant-making organizations such as the National Institutes of Health and private organizations such as pharmaceutical companies want to know that their research dollars are being appropriated to the highest quality and resourced labs and scientists. Specifically, the Parties commit to the following:

COMMITMENTS

- With academic partners in Tennessee and Virginia, the New Health System will develop and implement a ten-year plan for post graduate training of physicians, nurse practitioners, and physician assistants and other allied health professionals in the region.

- The New Health System will work closely with ETSU and other academic institutions in Tennessee and Virginia to develop and implement a 10-year plan for investment in research and growth in the research enterprise within the region.

(g) **REQUEST**: Description of financial performance, including:

(i) A description and summary of all aspects of the financial performance of each party to the transaction for the preceding five years including debt, bond rating and debt service and copies of external certified public accountants annual reports;

RESPONSE: See attached **Exhibit 11.4** for a description and summary of all aspects of the financial performance of Mountain States for the preceding five fiscal years. See attached **Exhibit 11.5** for a description and summary of all aspects of the financial performance of Wellmont for the preceding five fiscal years. The Mountain States Covenant Compliance Certificates (**Exhibit 11.4D**), the Mountain States Officer's Certificates accompanying Independent Auditor's Reports (**Exhibit 11.4E**), and the Wellmont External Auditor Management Letters (**Exhibit 11.5D**) are considered confidential information and will be subsequently filed.

(ii) A copy of the current annual budget for each party to the Cooperative Agreement and a three year projected budget for all parties after the initiation of the Cooperative Agreement. The budgets must be in sufficient detail so as to determine the fiscal impact of the Cooperative Agreement on each party. The budgets must be prepared in conformity with generally accepted accounting principles (GAAP) and all assumptions used must be documented;

RESPONSE: The current annual budgets for Mountain States (**Exhibit 11.6**) and Wellmont (**Exhibit 11.7**) are considered competitively sensitive information under federal antitrust laws and will be subsequently filed. A five-year projected budget for the New Health System is attached as **Exhibit 11.8**.

(iii) A detailed explanation of the projected effects including expected change in volume, price and revenue as a result of the Cooperative Agreement, including;

I. Identification of all insurance contracts and payer agreements in place at the time of the Application and a description of pending or anticipated changes that would require or enable the parties to amend their current insurance and payer agreements;

RESPONSE: Please see attached **Exhibit 11.9** identifying all insurance contracts and payer agreements in place at the time of the Application for Mountain States. Please see attached **Exhibit 11.10** identifying all insurance contracts and payer agreements in place at the time of the Application for Wellmont.

While some of the payer agreements held by both Parties permit the termination of the agreement by the payer upon a change of control, the Parties do not intend to amend their current insurance and payer agreements in connection with completing the affiliation except as set forth herein. Going forward, the Parties intend the New Health System will negotiate with the payers in the ordinary course of business as each managed care contract comes up for renewal after the Closing.

II. A description of how pricing for provider insurance contracts are calculated and the financial advantages accruing to insurers, insured consumers and the parties of the Cooperative Agreement, if the COPA is granted including changes in percentage of risk-bearing contracts;

RESPONSE: Like other health systems across Tennessee and the nation, the Parties negotiate with commercial health insurance providers for inclusion in the health insurance plans they offer to employers and individuals. Wellmont and Mountain States each approach these negotiations with the basic goal of agreeing on rates and terms that will enable the health systems to cover the cost of providing high quality health care while earning a reasonable margin to invest in maintaining and improving their facilities and expand their service offerings.

Any pricing limitations agreed to by the New Health System are intended to benefit employers and those who are shouldering the burden of what is projected to be increased overall health care costs in the coming years. This burden has increasingly fallen on consumers who have seen dramatic increases in the deductibles they are required to pay. Unregulated merged systems do not provide for limitations on commercial payment increases,

which can negatively impact self-insured employers, employees and insurers who are managing risk. Conversely, the New Health System has committed to a reduction in price increases and set a new, lower cost trend for many third party payers. These pricing commitments are proposed so as to pass savings on to consumers through their chosen insurers resulting from the efficiencies the New Health System expects to achieve.

COMMITMENTS

- For all Principal Payers,* the New Health System will reduce existing commercial contracted fixed rate increases by 50 percent (50%) for the first contract year following the first contract year after the formation of the New Health System. Fixed rate increases are defined as provisions in commercial contracts that specify the rate of increase between one year and the next and which include annual inflators tied to external indices or contractually-specified rates of increase in reimbursement.

- For subsequent contract years, the New Health System will commit to not increase hospital negotiated rates by more than the hospital Consumer Price Index for the previous year minus 0.25%, while New Health System negotiated rates for physician and non-hospital outpatient services will not increase by more than the medical care Consumer Price Index minus 0.25%. This provision only applies to contracts with negotiated rates and does not apply to Medicare or other non-negotiated rates or adjustments set by CMS or other governmental payers. For purposes of calculating rate increases and comparison with the relevant Index, baseline rates for an expiring contract will be used to compare with newly negotiated rates for the first year of the relevant new contract. For comparison with the relevant Index, new contract provisions governing specified annual rate increases or set rates of change or formulas based on annual inflation indices may also be used as an alternative to calculated changes. Subject to the Commissioner's approval, the foregoing commitment shall not apply in the event of natural disaster or other extraordinary circumstances beyond the New Health System's control that result in an increase of total annual expenses per adjusted admission in excess of 250 basis points over the current applicable consumer price index. If following such approval the New Health System and a Principal Payer* are unable to reach agreement on a negotiated rate, New Health Systems agrees to mediation as a process to resolve any disputes

* For purposes of this Application, "Principal Payers" are defined as those commercial payers who provide more than two percent (2%) of the New Health System's total net revenue. The proposed commitments would not apply to Medicaid managed care, TRICARE, Medicare Advantage or any other governmental plans offered by Principal Payers.

In addition, as a result of the merger, the Parties project that the merger will result in improved quality of care and enhanced clinical coordination. This capability will enable the system to participate meaningfully in various federal and commercial efforts to share risk and take advantage of the scalable ability of the New Health System to better manage the care for high cost, high utilization patients. Through this effort, these changes will result in fewer hospitalizations and reduced lengths of stay when patients are hospitalized. Insurers and insured consumers will benefit through lower expenditures for inpatient care when patients spend less time in the hospital or are able to avoid hospitalizations altogether.

The Parties' intend to manage population health through the deployment of a research-based ten year plan that is focused on reducing the variables leading to chronic disease, improved clinical coordination, higher quality facilitated by the consolidation of services, and a shared information technology platform, among other things. All of these benefits strengthen the ability of the Parties to engage in risk-based contracting to a far greater extent than is currently the practice in the region. It is, therefore, the intent of the New Health System that future contractual arrangements with payers will be more focused on identification of the drivers of cost, with a shared objective of reducing unnecessary cost, and sharing the benefit of such successful initiatives.

III. The following policies:

A. Policy that assures no restrictions to Medicare and/or Medicaid patients,
B. Policies for free or reduced fee care for the uninsured and indigent,
C. Policies for bad debt write-off; and
D. Policies that assure parties to the Cooperative Agreement will maintain or exceed the existing level of charitable programs and services.

RESPONSE: Wellmont and Mountain States are the primary providers for Medicare and Medicaid in the region, and operate the primary system of access for children. Additionally, the primary location for inpatient mental health services for the uninsured and Medicaid are housed within Mountain States. The New Health System will continue to remain committed to these populations, a commitment neither system can make without the proposed merger. The current charity and other related policies for both Mountain States and Wellmont are attached as **Exhibits 8.3 and 8.4**. If the COPA is granted, the Parties intend for the New Health System to adopt policies that are substantially similar to the existing policies of both Parties and consistent with the IRS's final 501(r) rules. As evidence of this commitment, the Parties have committed in the Cooperative Agreement that the New Health System will adopt policies that are substantially similar to the existing policies of both Parties.[8] Specifically, the Parties intend to address each category of patients as follows:

[8] *See* **Exhibit 11.1**, Master Affiliation Agreement and Plan of Integration By and Between Wellmont Health System

Medicare. Many of the "Helping Adults Live Well" strategies discussed in this Application will be designed specifically for the Medicare senior population and dual eligible population. Medicare hospital and physician pricing is determined by government regulation and is not a product of competition or the marketplace. As a result, the merger is not expected to impact the cost of care to Medicare beneficiaries, but access to and quality of services are expected to improve. Additionally, through care coordination models implemented as part of value based arrangements, it is expected that use rates will be favorably affected, and savings to the Medicare program will result. The many strategies contained within this Application, including implementation of a Common Clinical IT Platform, will be key factors in succeeding within the value-based Medicare environment.

Medicaid. Many of the population health strategies detailed in this Application, such as child maternal health, will directly benefit the Medicaid population, and thus, the program. Also, the New Health System will seek innovative value-based models with the commercial payers that serve as intermediaries to the state Medicaid programs. Such models may include care management/shared savings, integrated mental health services and development of access points of care for the Medicaid and uninsured populations. It is widely known that simply having a Medicaid card does not equate to access. The intent of the New Health System is to ensure an organized care delivery model which optimizes the opportunity for access in the lowest cost, most appropriate setting. Importantly, these opportunities become more likely when the New Health System has the scale in terms of the number of lives it is managing. This should be an attractive feature for the states and to those payers acting as intermediaries with the states.

Uninsured Population. As described in **Section 8.G** of this Application, both Parties currently provide significant amounts of charity care to the vulnerable populations in the Geographic Service Area and will continue to do so in the future. If the COPA is granted, the Parties intend that the New Health System will adopt a charity care policy that is substantially similar to the existing policies of both Parties. The uninsured population will also be the target of several inter-related health strategies outlined in this Application. For example, the Parties intend to encourage all uninsured individuals to seek coverage from the federal health marketplaces from plans offered in the service area. The Parties intend to work with charitable clinics in the area to improve access for the uninsured population to patient-centered medical homes, federally qualified health centers, and other physician services. These efforts will help ensure that the uninsured population has a front door for non-emergent care and seeks care at the appropriate locations. The New Health System intends to create an organized delivery model for the uninsured which relies upon the medical home as the key entry point, and which also encourages individual responsibility for determinants of poor health.

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and Mountain States Health Alliance, Section 1.02 “Community Benefit."

All categories of payers and the uninsured. Additionally, for all patients covered by all categories of payers and the uninsured, the New Health System will:

- Develop effective strategies to reduce the over-utilization and unnecessary utilization of services, particularly high-cost services such as emergency department care. This better-managed, more proactive approach will be developed in collaboration with a host of community-based resources and will be consistent with the CMS Accountable Health Communities model. Under this model, both traditional health care resources and societal resources are considered in tandem. Recognizing that factors such as transportation, educational attainment, food availability, housing, social support and other factors play a key role in health care access and outcomes, effective program development will include opportunities to help high-utilizers of care gain awareness of available resources, provide navigational access to those resources, and ensure systems of contact and collaboration exist and are effective.

- Develop with the State and community stakeholders Key Focus Areas for population health investment and intervention. These index categories will apply regardless of payer and the priorities for programming and intervention will be based on the communities where the need/impact will be greatest. The Parties intend to account for geographic gaps and disparities by aiming resources or strategies at specific populations, which will be outlined in the long-term community health improvement plan. Where payers have existing care management programs in place, the New Health System will work with payers to increase compliance for effective prevention and disease management programs. The Parties strongly believe that the New Health System must provide opportunities for prevention, navigation, and disease management, and must connect individuals, regardless of their coverage status, to community-based resources if the regional population health management initiative is to be successful.

IV. Identification of existing or future business plans, reports, studies or other documents of each party that:

A. Discuss each party's projected performance in the market, business strategies, capital investment plans, competitive analyses and financial projections including any documents prepared in anticipation of the Cooperative Agreement; and
B. Identification of plans that will be altered, eliminated or combined under the Cooperative Agreement or subsequent COPA.

RESPONSE: Information regarding existing and future business plans of Mountain States (**Exhibit 11.11**) and Wellmont (**Exhibit 11.12**) is considered competitively sensitive information under federal antitrust laws and will be subsequently filed.

(h) **REQUEST:** A description of the plan to systematically integrate health care and preventive services among the parties to the Cooperative Agreement, in the proposed geographic service area, to address the following:

(i) A streamlined management structure, including a description of a single board of directors, centralized leadership and operating structure;

RESPONSE: Please see response to 11.b above.

(ii) Alignment of the care delivery decisions of the system with the interest of the community;

RESPONSE: A well-executed merger provides multiple opportunities to enhance care delivery and patient outcomes through the consolidation, integration, realignment and/or enhancement of clinical facilities and services (collectively the "Clinical Consolidation"). Clinical Consolidation can involve both concentration of services of a particular type in fewer locations and/or establishment of common protocols and systems across a common set of services with an ultimate goal of yielding improved outcomes, sustaining the most effective levels of services at the right locations, reducing costs of care, and related efficiencies. Where appropriate, these Clinical Consolidations are a standard and widely accepted mechanism for reducing unnecessary cost in health care, improving quality, and ensuring the services and programs offered by a health care delivery system are continuously evaluated to ensure efficiency and the best outcome for patients.

As a means to ensure that the care delivery decisions of the New Health System are aligned with the interests of the community, the New Health System will adopt a comprehensive Alignment Policy that will allow the New Health System to utilize a rigorous, systematic method for evaluating the potential merits and adverse effects related to access, quality and service for patients and to make an affirmative determination that the benefits of the proposed consolidation outweigh any adverse effects. The Alignment Policy will apply to the consolidation of any clinical facilities and clinical services where the consolidation results in a discontinuation of a major service line or facility such that any such discontinuation would render the service unavailable in that community. Additionally, for two years after the formation of the New Health System, a super-majority vote of the Board is required in the event a service is consolidated in a way that results in discontinuation of that service in a community. A copy of the Alignment Policy is attached as **Exhibit 11.13**.

A likely alternative to the proposed Cooperative Agreement merger would be for each system individually to be purchased by larger health systems from outside the region. Such an alternative is unlikely to be actively supervised to ensure overriding community benefit and would not come close to achieving the same level of efficiencies, cost-savings and quality enhancement opportunities as those proposed by the New Health System and outlined in this Application.

(iii) Clinical standardization;

RESPONSE: A well-executed merger can also improve patient outcomes if it results in improved performance management processes to assist leaders in identifying where (and why) problems are occurring and how to implement best practices to coordinate care across the system. The New Health System is firmly committed to standardizing its management and clinical practice policies and procedures to promote efficiency and higher standards of care throughout the New Health System. As evidence of this commitment, the New Health System will establish a system-wide, physician-led Clinical Council in order to identify best practices that will be used to develop standardized clinical protocols and models for care across the New Health System. These standardized practices, models and protocols will help reduce error and overlap, shorten length of stay, reduce costs, and improve patient outcomes. The Cooperative Agreement will allow the New Health System to share the clinical and financial information needed to integrate this process across the range of inpatient, outpatient, and physician services. The Clinical Council will be composed of independent, privately practicing physicians as well as physicians employed by the New Health System or its subsidiaries or affiliates as more fully described in **Section 8** herein. It would not be possible for the two competing systems to standardize procedures and policies for clinical best practices as effectively, or to develop such new care models, absent the merger.

Many of the initiatives to reduce variation and improve quality will be derived from new contracting practices designed to ensure collaboration between the New Health System and the payers. These practices will be designed to use the analytic strength of the payers to identify high cost services and processes, and then align the interest of the payer and the New Health System to reduce cost and improve the overall patient outcome. This approach to value-based purchasing will truly harness the intent of the changes in federal policy that encourage improved population health. From contracting to implementation, the objective is to identify where the opportunities for patient outcome improvement and cost reduction exist, and to then collaborate with physician leadership to execute legitimate and scalable strategies throughout the region to achieve the mutual objectives of the payer and the health delivery system.

(iv) Alignment of cultural identities of the parties to the Cooperative Agreement; and

RESPONSE: There are many specific steps the Parties will take to align the cultural identities of the two organizations, including merging the executive leadership, establishing a board made up of equal representation from both legacy systems, agreeing on the appointment of new, independent board members with expertise in integration, implementation of a Clinical Council, bringing together key providers of both systems and implementing a single information technology platform that will be used to promote system-wide communication, cultural integration, and implement common clinical standards for improvement of patient quality.

The New Health System's board of directors and management team will be composed of current executives from both Wellmont and Mountain States.

- The board of directors of the New Health System will be comprised of fourteen voting members, as well as two ex-officio voting members and one ex-officio non-voting member. Wellmont and Mountain States will each designate six members to serve on the initial board of the New Health System.

- Wellmont and Mountain States will jointly select two members of the initial New Health System board, who would not be incumbent members of either Party's board of directors.

- The two ex-officio voting members will be the New Health System Executive Chairman/President and the New Health System Chief Executive Officer. The ex-officio non-voting member will be the then current President of ETSU.

- The New Health System will have a new name and will be managed by an executive team with representatives from each organization serving in the following agreed-upon roles—Executive Chairman/President Alan Levine (currently Mountain States' CEO), CEO Bart Hove (currently Wellmont's CEO), Chief Operating Officer Marvin Eichorn (currently Mountain State's Chief Operating Officer) and Chief Financial Officer Alice Pope (currently Wellmont's Chief Financial Officer).

- All Board committees of the New Health System will be established with initial membership of equal representation from both legacy organizations. Likely committees will include: Executive, Finance; Audit and Compliance; Quality, Service and Safety; Executive Compensation; Workforce; Community Benefit; and Governance/Nominating.

Promptly after Closing, the New Health System will establish a physician-led Clinical Council (see **Section 8.A.iii**) to establish common standards of care, credentialing standards, quality performance standards and best practices. The initial Clinical Council will equally represent physicians whose primary practice venue is currently Wellmont or Mountain States.

As discussed in **Section 8.A.i**, the New Health System will adopt a Common Clinical IT Platform that will allow all providers in the New Health System to quickly obtain full access to patient records at the point of care and will be used for system-wide communication and monitoring of best practices and establishment of new protocols to improve quality of care.

The New Health System is committed to its current workforce and will honor prior service credit, address any differences in salary/pay rates and benefits, offer

competitive salaries, and combine the best of each hospital's career development programs as described more fully in **Section 11.f**.

Cultures will be further aligned by the increased emphasis on quality through the use of a common set of measures and protocols and the timely public reporting of many quality measures, as discussed in **Section 8.A.iv**. This combined emphasis on quality and public reporting of quality measures will significantly contribute to promoting a common culture emphasizing quality in the New Health System.

(v) Implementation of risk-based payment models to include risk, a schedule of risk assumption and proposed performance metrics to demonstrate movement toward risk assumption and a proposed global spending cap for hospital services.

RESPONSE: Wellmont and Mountain States believe the formation of the New Health System will greatly accelerate the move from volume-based health care to value-based health care. The Affordable Care Act is moving providers away from the fee-for-service reimbursement system toward a risk-based model that rewards improved patient outcomes and incentivizes the provision of higher-value care at a lower cost. CMS has stated that its goal is to have 85% of all Medicare fee-for-service payments tied to quality or value by 2016, thus providing incentive for improved quality and service. However, the movement to value-based payment requires comprehensive provider networks to form and contract for the total care of patients in a defined population. The formation of the New Health System will align the region's hospitals and related entities into one seamless organization, working together to enter into value-based contracts. The scale created by the merger will foster opportunities for cost-savings and quality-enhancement through risk contracting to a degree neither system could come close to achieving independently.

The New Health System intends to discuss risk-based models with its Principal Payers for some portion of each Principal Payer's business. Those discussions would address both New Health System's and Principal Payer's willingness and ability to successfully implement risk-based models and over what time period. Additionally, the New Health System will commit to having at least one risk-based model in place within two years after Closing. No payer has historically expressed an interest in a global spending cap for hospital services in this region. However, after completing its clinical integration/alignment, the New Health System is willing to engage in those discussions if requested by a reputable payer, and assuming the New Health System is extended an actuarially sound proposal.

As further evidence of its commitment to move towards risk-based payment, the New Health System is willing to commit to the following:

COMMITMENTS

- For all Principal Payers,* the New Health System will endeavor to include provisions for improved quality and other value-based incentives based on priorities agreed upon by each payer and the system.

- Adopt a Common Clinical IT Platform as soon as reasonably practical after the formation of the New Health System. This fully integrated medical information system will allow for better coordinated care between patients and their doctors, hospitals, post-acute care and outpatient services and facilitate the move to value-based contracting.

* For purposes of this Application, "Principal Payers" are defined as those commercial payers who provide more than two percent (2%) of the New Health System's total net revenue. The proposed commitments would not apply to Medicaid managed care, TRICARE, Medicare Advantage or any other governmental plans offered by Principal Payers.

(i) **REQUEST**: A description of the plan, including economic metrics, that details anticipated efficiencies in operating costs and shared services to be gained through the Cooperative Agreement including:

- Proposed use of any cost savings to reduce prices borne by insurers and consumers;

- Proposed use of cost savings to fund low or no-cost services such as immunizations, mammograms, chronic disease management and drug and alcohol abuse services designed to achieve long-term Population health improvements; and

- Other proposed uses of savings to benefit advancement of health and quality of care and outcomes.

RESPONSE: Funding the population health, access to care, enhanced health services, and other commitments described in this Application would be impossible without the efficiencies and savings created by the merger. By aligning Wellmont's and Mountain States' efforts in key service areas, the New Health System will drive cost savings through the elimination of unnecessary duplication, resulting in more efficient and higher quality services. The Parties have analyzed the anticipated efficiencies in three categories and calculated the following anticipated savings.

The Parties commissioned FTI Consulting, Inc., an independent, nationally-recognized health care consulting firm ("FTI Consulting"), to specifically perform an economies and efficiencies analysis regarding the proposed savings and efficiencies. The economies analysis was divided into three major segments. Segment One was the efficiencies and savings that could be achieved in the area of purchased services (the "Non-Labor Efficiencies"). Segment Two was the savings and efficiencies that could be achieved by aligning the two system's health work forces (the "Labor Efficiencies"). Segment Three

was the efficiencies and savings that could be achieved by clinical alignment (the "Clinical Efficiencies"). The findings of the FTI Consulting Report are more fully discussed below.

1. Non-Labor Efficiencies. The Parties have comparable size, and each has multiple facilities. Their purchasing needs are similar, including non-medical items such as laundry and food services, and clinical-related items such as physician clinical preference items, implantable devices, therapeutics, durable medical equipment, and pharmaceuticals. The larger, combined enterprise of the New Health System will be able to generate significant purchasing economies. These non-labor efficiency savings would include

    - Harmonization to a Common Clinical IT platform
    - Consolidation of purchased services (Blood/Blood products, Anesthesia, Legal, Marketing, Executive Recruitment, etc.)
    - Reductions in unnecessary duplication of Call Pay
    - Reductions in Locum Tenens and use of "Registry Staff"
    - Renegotiations of service, maintenance, and other contracts
    - Reductions in the duplication of subscriptions, memberships, licenses and other similar payments and
    - Added economies and efficiencies gained from the larger size of the New Health System.

    The Parties have identified potential savings from the merger in the areas of non-labor expenses totaling approximately $70 million annually that would not be possible but for the merger. The Non-Labor Efficiencies is "a reasonable estimate" of what can be achieved by the combination. It is characterized by FTI Consulting, and the Parties, as neither "conservative" nor "optimistic."

2. Labor Efficiencies. The workforce is the lifeblood of a health care organization, and the competition for the labor force will remain intense, both locally and regionally. As stated in **Section 6** herein, the majority of outpatient services will not be controlled by the New Health System, and other very significant inpatient providers are located nearby. Thus, the New Health System will remain competitive as it relates to salary and benefit offerings, and will be committed to the ongoing development of its workforce. As discussed in **Section 11.f**, the Parties are committed to their existing workforces and the New Health System intends to offer all current employees of Wellmont and Mountain States comparable positions within the New Health System. However, with time, including through attrition, the New Health System will reduce duplication, overtime and other premium labor costs. In many cases, employees can be moved into new or expanded roles to optimize existing expertise, competencies and productivity within the integrated delivery system. The Parties have identified potential savings from

the merger in labor expenses totaling approximately $25 million annually. These savings could extend across a variety of departments and areas:

- Administration;
- Biomedical Engineering;
- Patient Access/Registration;
- Finance and Accounting;
- Health Information Management;
- Human Resources;
- Facilities and Maintenance;
- Security;
- Supply Chain; and
- Other departments and areas.

It is very important to note, however, that a significant portion of these savings would be reinvested through financial commitments in the development of the many new programs and services outlined in this Application, including new clinical offerings, behavioral health services, community health improvement initiatives, and academics and research. While national trends in health care will apply in this region and could negatively impact the workforce over time, the Parties strongly believe the net effect of the merger on the health care workforce in the region will be positive rather than negative.

These Labor Efficiencies are considered "conservative" since the savings discussed do not include any clinical personnel, and the clinical alignment process has only commenced with the identification of preliminary consolidation opportunities. As more fully discussed in **Section 11.h.ii**, the labor and clinical savings require an institutional process among the stakeholders in the community through the proposed Alignment Policy. It is not possible for the Parties to engage in this process without the protection of the COPA, and the Parties do not believe it is appropriate to undertake the process without the full and complete participation of community stakeholders after the COPA is granted.

3. Clinical Efficiencies. The alignment of clinical operations of two previously independent hospital systems into a merged entity can yield improved outcomes, reduced costs of care and related efficiencies, and improve sustainability of the most effective levels of services at the right locations. To ensure that the care delivery decisions of the New Health System are aligned with the interests of the community, the New Health System will adopt a comprehensive Alignment Policy (discussed in **Section 11.h.ii**) that will allow the New Health System to utilize a rigorous, systematic method to evaluate the potential merits and adverse effects related to access, quality and service for patients and make an affirmative determination that the benefits of the proposed consolidation outweigh any adverse effects. The clinical efficiencies

generated by the Alignment Policy will result in operating efficiencies, improved quality and improved access that would not be accomplished without the merger. The anticipated clinical efficiencies generated by the New Health System are largely driven by the New Health System's ability to align duplicative health care services for better care delivery. Cost-saving and efficiency opportunities for the New Health System include consolidation of the area's two Level I Trauma Centers, consolidation of specialty pediatrics services, repurposing acute care beds and consolidation of certain co-located ambulatory facilities. The Parties have identified potential savings from the merger in clinical efficiencies totaling approximately $26 million annually. Much like the Labor Efficiencies, the Clinical Efficiencies are considered "conservative" since the clinical alignment process has only commenced with the identification of preliminary consolidation opportunities. As more fully discussed in **Section 11.h.ii**, the labor and clinical savings require an institutional process among the stakeholders in the community through the proposed Alignment Policy. It is not possible for the Parties to engage in this process without the protection of the COPA, and the Parties do not believe it is appropriate to undertake the process without the full and complete participation of community stakeholders after the COPA is granted.

The potential savings identified here are limited to the estimated dollar savings from the realignment of services and clinical efficiencies, and do not include the potentially significant benefits that are expected to be achieved through improved access, quality, and care in the optimal locations for access to care that will directly benefit these communities.

- Proposed use of any cost savings to reduce prices borne by insurers and consumers.

  RESPONSE: To ensure that savings and benefits are passed on from the merged system to patients, employers and insurers, while also investing in improving quality and patient service, the New Health System will make the following commitments.

COMMITMENTS

- For all Principal Payers,* the New Health System will reduce existing commercial contracted fixed rate increases by 50 percent (50%) for the first contract year following the first contract year after the formation of the New Health System. Fixed rate increases are defined as provisions in commercial contracts that specify the rate of increase between one year and the next and which include annual inflators tied to external indices or contractually-specified rates of increase in reimbursement.

- For subsequent contract years, the New Health System will commit to not increase hospital negotiated rates by more than the hospital Consumer Price Index for the previous year minus 0.25%, while New Health System negotiated rates for physician and non-hospital outpatient services will not increase by more than the medical care Consumer Price Index minus 0.25%. This provision only applies to contracts with negotiated rates and does not apply to Medicare or other non-negotiated rates or adjustments set by CMS or other governmental payers. For purposes of calculating rate increases and comparison with the relevant Index, baseline rates for an expiring contract will be used to compare with newly negotiated rates for the first year of the relevant new contract. For comparison with the relevant Index, new contract provisions governing specified annual rate increases or set rates of change or formulas based on annual inflation indices may also be used as an alternative to calculated changes. Subject to the Commissioner's approval, the foregoing commitment shall not apply in the event of natural disaster or other extraordinary circumstances beyond the New Health System's control that result in an increase of total annual expenses per adjusted admission in excess of 250 basis points over the current applicable consumer price index. If following such approval the New Health System and a Principal Payer* are unable to reach agreement on a negotiated rate, New Health Systems agrees to mediation as a process to resolve any disputes

* For purposes of this Application, "Principal Payers" are defined as those commercial payers who provide more than two percent (2%) of the New Health System's total net revenue. The proposed commitments would not apply to Medicaid managed care, TRICARE, Medicare Advantage or any other governmental plans offered by Principal Payers.

- Proposed use of cost savings to fund low or no-cost services such as immunizations, mammograms, chronic disease management and drug and alcohol abuse services designed to achieve long-term population health improvements.

  RESPONSE: The New Health System is committed to improving community health through investment of not less than $75 million over ten years in science

and evidence-based population health improvement. Combining the region's two major health systems in an integrated delivery model is the best way to identify regional priorities, collaborate with payers to identify cost drivers and areas of need for improvement and to invest the resources it will take to effect material improvements. These efforts will provide resources that may be invested in more focused and meaningful value-based spending in the region – spending that helps expand currently absent, but necessary, high-level services at the optimal locations of care, improve access for mental health and addiction-related services, expand services for children and those in need, improve community health and diversify the economy into research. The New Health System would commence this process by preparing a comprehensive community health improvement plan that identifies the key strategic health issues for improvement over the next decade. The health improvement plan would be prepared in conjunction with the public health resources at ETSU. The process has already commenced through the four Community Health Work Groups described herein. Population health improvement funding may be committed to the following initiatives, as well as others based upon the 10-year plan for the region.

- ***Ensure strong starts for children*** by investing in programs to reduce the incidence of low-birth weight babies and neonatal abstinence syndrome in the region, decrease the prevalence of childhood obesity and Type 2 diabetes, while improving the management of childhood diabetes and increasing the percentage of children in third grade reading at grade level.

- ***Help adults live well in the community*** by investing in programs that decrease premature mortality from diabetes, cardiovascular disease, and breast, cervical, colorectal and lung cancer.

- ***Promote a drug-free community*** by investing in programs that prevent the use of controlled substances in youth and teens (including tobacco), reduce the over-prescription of painkillers, and provide crisis management and residential treatment with community-based support for individuals addicted to drugs and alcohol.

- ***Decrease avoidable hospital admission and ER use*** by connecting high-need, high-cost uninsured individuals in the community to the care and services needed by investing in intensive case management support and primary care, and leveraging additional investments in behavioral health crisis management, residential addiction treatment and intensive outpatient treatment services.

The Parties believe that prevention services, such as immunizations, mammograms, chronic disease management and drug and alcohol abuse services, are all essential ingredients in achieving population health improvements and maintaining a population's long-term health and wellness. Certain counties in the service area have achieved noteworthy performance in specific areas. For

example, the Northeast region[9] ranks among the best in Tennessee in immunizations, and Sullivan County ranks well in mammograms. However, as a general rule, the health status of the service area population is in need of significant improvement. Targeted efforts to address immunizations and preventive screenings are expected to be explicitly derived from the MAPP community health improvement process outlined in this Application. The Parties intend to address chronic disease management as part of the "Helping Adults Live Well" strategy outlined in this Application. Specific plans regarding drug and alcohol abuse services are detailed in **Section 8.H** of this Application. It is anticipated that the Community Health Work Groups, the Advisory Groups appointed by the Commissioner, and the agreed-upon Health Index will reflect specific actions and strategies in connection with a broad range of prevention services, including immunizations, mammograms, chronic disease management and drug and alcohol abuse services. Further, the Parties believe there are significant opportunities to partner with all categories of payers to create effective systems of care for best practice preventative services and to extend those services to both economically and geographically underserved populations through effective collaboration with Federally Qualified Health Centers, charity care clinics, health departments and others. In addition, Mountain States operates drop-by Health Resources Centers which support chronic disease prevention and management in Kingsport and Johnson City and Wellmont owns and operates mobile health buses that are equipped to offer immunizations, cardiovascular and cancer screenings, mammograms, and physicals along with health education and coaching resources to engage with populations for effective behavior change and the extension of disease management resources. Mobile strategies will allow reach into populations with both economic and geographic barriers and can be further supplanted by a host of health IT and telemedicine strategies which are envisioned to be developed as part of the long-range community health improvement plan. Both organizations operate nurse call centers which are able to engage with populations for the development of wellness and prevention coaching and disease management programming to help overcome geographic and social barriers.

- Other proposed uses of savings to benefit advancement of health and quality of care and outcomes.

  RESPONSE: The savings realized by reducing duplication and improving coordination will stay within the region and be reinvested in ways that benefit the community substantially, including:

[9] The Northeast region includes the following counties: Carter, Greene, Hancock, Hawkins, Johnson, Unicoi, and Washington. The rate represents the percent of 24-month-old children in Tennessee that have completed their required immunization series. The rate ranges from a high of 93% to a low of 65.3%. Tennessee Immunization Program, Tennessee Department of Health. "Results of the 2013 Immunization Status Survey of 24-Month-Old Children in Tennessee. *See* https://tn.gov/assets/entities/health/attachments/ImmunizationSurvey2013.pdf *accessed* February 4, 2016.

Access to Health Care and Prevention Services. Wellmont and Mountain States anticipate significantly improved access to health care under the Cooperative Agreement. The Cooperative Agreement will enable the hospitals to continue to offer programs and services that are now unprofitable and risk curtailment or elimination due to lack of funding. The New Health System will commit at least $140 million over ten years toward certain specialty services. It will also commit to create new capacity for residential addiction recovery services; develop community-based mental health resources such as mobile health crisis management teams and intensive outpatient treatment and addiction resources for adults, children, and adolescents; ensure recruitment and retention of pediatric sub-specialists; and develop pediatric specialty centers and emergency rooms in Kingsport and Bristol, with further deployment of pediatric telemedicine and rotating specialty clinics in rural hospitals. These initiatives would not be sustainable in the region without the financial support created by the merger.

Improving Health Care Value. Lack of coordinated and integrated care increases costs and decreases overall effectiveness of care in this region thus contributing to the overutilization of costly inpatient services. The New Health System has the opportunity to use resources derived from efficiencies and the realignment of services to reduce overutilization of inpatient services in the region and stem the pace of health care cost growth for patients, employers and insurers. To ensure that savings realized by reducing duplication and improving coordination will remain within the region and be reinvested in ways that substantially benefit the community through new services and capabilities, the New Health System is prepared to make significant commitments related to pricing, consolidation of services, and standardization of practices which are described in more detail in this Application.

Investment in Health Research and Graduate Medical Education. The New Health System will commit not less than $85 million over ten years to build and sustain research infrastructure, increase residency and training slots, create new specialty fellowship training opportunities, and add faculty – all critical to sustaining an active and competitive training program. These funds will enhance the Parties' academic partners' abilities to invest in additional research infrastructure, a significant benefit to the State of Tennessee and Commonwealth of Virginia. Additionally, partnerships with academic institutions in Tennessee and Virginia will enable research-based and academic approaches to the provision of the services the New Health System intends to invest to improve overall population health. These initiatives would not be sustainable in the region without the financial support created by the merger.

Avoidance of Duplication of Hospital Resources. Combining the region’s two major health systems in an integrated delivery model is the best and most effective way to avoid the most expensive duplications of cost, and importantly, take advantage of opportunities to collaborate to reduce cost while sustaining or enhancing the delivery of high quality services. These efforts will provide resources that can be invested in more value-based spending in the region –

spending that helps expand (and where absent, implement) necessary high-level services at the optimal locations of care, improve access for mental health and addiction-related services, expand services for children and those in need, improve community health and diversify the economy into research. Enhancing the coordination, integration, sustainability and development of new models of care delivery across the community improves the health of this region's residents and the economy of its communities.

Improvements in Patient Outcomes. The region served by the Parties to the Cooperative Agreement faces significant health care challenges. In this environment, a key goal of the Cooperative Agreement is to better enable the Parties to sustain and enhance services and improve the quality of health care and patient outcomes in the region. The New Health System will adopt a Common Clinical IT Platform to allow providers in the New Health System the ability to quickly obtain full access to patient records at the point of care, supporting the regional exchange of health information to encourage and support patient and provider connectivity to the New Health System's integrated information system, establishing a system-wide, physician-led clinical council responsible for implementing quality performance standards across the New Health System, and publicly reporting extensive quality measures with respect to the performance of the New Health System to promote transparency and further incentivize the provision of high quality care. These commitments will result in the investment of up to $150 million over ten years to ensure a Common Clinical IT Platform and interoperability among the New Health System's hospitals, physicians, and related services.

Preservation of Hospital Facilities in Geographical Proximity to the Patients They Serve. The Parties recognize that it will be increasingly difficult to continue supplementing rural facilities over the long-term without the savings the proposed merger would create. Continued access to appropriate hospital-based and clinical services in the rural areas of these communities is a significant priority and a driving impetus for the Cooperative Agreement. Last year alone, Mountain States and Wellmont collectively invested over $19.5 million to ensure that inpatient services continued to remain available in these smaller communities. To address this, the New Health System will commit that all hospitals in operation at the effective date of the merger will remain operational as clinical and health care institutions for at least five years. In order to ensure higher-level services are available in close proximity to where the population lives, the New Health System will also commit to maintain three full-service tertiary referral hospitals in Johnson City, Kingsport, and Bristol. The proposed Cooperative Agreement is the only means to achieve the efficiencies and generate the resources needed to sustain hospital operations in these areas across the region to preserve and enhance access to quality care in these rural communities.

Enhanced Behavioral Health & Substance Abuse Services. In the region the Parties serve, behavioral health problems and substance abuse are prevalent, imposing an extensive societal cost that warrants priority attention. The largest diagnosis related to regional inpatient admissions is psychoses, yet significant

gaps exist in the continuum of care related to these services. As part of the public benefit associated with the merger, the New Health System commits to make major investments in programs and partnerships to help address and ameliorate behavioral and addiction problems. The New Health System will invest in the development of new capacity for residential addiction treatment with the goal of reducing the incidence of addiction in our region.

(j) **REQUEST**: Proposed Measures and suggested baseline values with rationale for each Measure to be considered by the Department in development of an Index. Proposed Measures are to be used to continuously evaluate the Public Advantage of the results of actions approved in the COPA through the Cooperative Agreements under active supervision of the Department. Measures should include source and projected trajectory over each of the first five years of the Cooperative Agreement and the trajectory if the COPA was not granted; Proposed Measures may include:

(i) Improvements in the service area population's health that exceed Measures of national and state improvement;

(ii) Continuity in availability of services throughout the service area;

(iii) Access and use of preventive and treatment health care services throughout the service area;

(iv) Operational savings projected to lower health care costs to payers and consumers; and

(v) Improvements in quality of services as defined by surveys of the Joint Commission.

RESPONSE: The region served by the Parties to the Cooperative Agreement faces significant health care challenges. For example, a 2015 Tennessee Department of Health report finds that all Tennessee counties in the Geographic Service Area exceed the national average for smoking. The state level obesity rate exceeds the national average and several counties within the Geographic Service Area have obesity rates of more than thirty percent (30%). According to the same report, three Tennessee counties in the Geographic Service Area are in the bottom third (worst group) for frequency of low birth weight births and three Tennessee counties in the Geographic Service Area are in the bottom third (worst group) for teen pregnancy rates. **Table 8.1** reports key statistics on the population of the counties in the Geographic Service Area, including metrics for obesity, smoking, death rates due to drug poisoning and childhood poverty.

The Parties share the State's concern about health disparities in the region and are aware of the acute challenges present in the individual counties across the Geographic Service Area. As a result, the Parties propose that ongoing evaluation of the Public Advantage resulting from the merger take into consideration the New Health System's pursuit of the Institute of Health Improvement's Triple Aim goals, commonly considered the national standard for evaluation of health care effectiveness. The Triple Aim objectives are to improve population health, improve patient experience of care (quality and access), and

manage the per capita cost of health care. In this application, the Parties have organized the necessary actions by the New Health System to pursue the Triple Aim objectives as follows:

- Improving Community Health
- Enhancing Health Care Services
- Expanding Access and Choice
- Improving Health Care Value: Managing Quality, Cost and Service
- Investment in Health Research and Graduate Medical Education
- Attracting and Retaining a Strong Workforce

In order to evaluate the public benefit provided by the New Health System on a continuous basis, the Parties propose that the Department adopt an **Index of Public Advantage and Community Health Improvement** comprised of five major categories:

A. Commitment to Improve Community Health
B. Enhanced Health Care Services
C. Expanding Access and Choice
D. Improving Health Care Value: Managing Quality, Cost and Service
E. Investment in Health Research/Education and Commitment to Workforce

A description of each category and the accountability mechanisms the Parties propose the State consider for each category are outlined in detail in the following sections.

A. <u>Commitment to Improve Community Health</u>

Community health is affected by a complex variety of factors including genetic predisposition, behavioral patterns, social circumstances, environmental exposures, and access to quality health care. Because of the complex set of influences that shape community health and well-being, effective improvement strategies must be developed through a combination of evidence-based approaches and an understanding of local and regional culture, capacity and resources. Plans that are adopted “off the shelf” from elsewhere, without community buy-in and adaptation, have less chance of success. Although there are similarities with other parts of Tennessee and Virginia, the southern Appalachian mountain region of Northeast Tennessee and Southwest Virginia has a distinct culture, capacity and resource base that results in a unique set of health issues.

There are tremendously valuable assets, organizations and individuals highly motivated to address the underlying factors that affect the poor health status of our region. ETSU's College of Public Health and Quillen College of Medicine are both nationally recognized for their contributions to rural community health improvement, along with a host of other academic institutions throughout the region. In addition, municipalities, community organizations such as local United Way agencies and YMCAs, Healthy Kingsport, chambers of commerce, and health departments are highly motivated to work in new, focused ways to improve community health.

Much of the work and investment devoted to these efforts in the past, however, has

lacked unified focus in combination with sustainable funding. While the Parties believe that motivated leadership and substantial investment from the New Health System will be transformational, they also believe that a sustainable collective impact model of community health improvement stands the best chance of creating long-standing health improvements.

To make sustained improvements in health, a portfolio of investments, interventions and performance improvements designed to impact specific long-term goals at a variety of intervention and prevention levels is necessary. **Figure 11.1** depicts the National Association of County and City Health Officials Mobilizing for Action through Planning and Partnerships ("MAPP") process for community health improvement. MAPP suggests that it is critical for the New Health System, the State and local Departments of Health and the broad community of stakeholders to work together in an Accountable Care Community arrangement to formulate the appropriate investments, interventions and performance improvements to populate a robust and dynamic community health improvement portfolio. This process includes 1) defining a common vision and goals; 2) conducting comprehensive assessments of community health status and well as community and public health systems culture, capacity and resources; 3) prioritizing health issues; 4) formulating goals and strategies; and 5) evaluation and monitoring.

Figure 11.1 - Mobilizing for Action through Planning and Partnerships



Some progress has already been made. Several local, state and national analyses have identified the key health issues in our region and there is considerable overlap in their findings. Groups such as the Southwest Virginia Health Authority, Healthier Tennessee, and Healthy Kingsport have organized to collectively address these findings, and important relationships have been formed.

Additionally, in cooperation with the College of Public Health at ETSU, the Parties launched the region's most substantial community health improvement assessment effort

in August. Four Community Health Work Groups have been created to specifically focus on medical needs of the medically underserved, identify the root causes of poor health in this region, and identify actionable interventions the New Health System can target to achieve a generational shift in health trends. These workgroups are co-chaired by regional community leaders from both Tennessee and Virginia and are organized by Healthy Children and Families, Mental Health and Addiction, Population Health and Healthy Communities, and Research and Academics. The charters for these groups can be found in **Exhibit 8.2A**.

Analyzing the most current findings of the Tennessee State Health Plan, the Virginia Health Innovation Plan, Healthier Tennessee and the Southwest Virginia Blueprint for Health Improvement and Health-Enabled Prosperity, as well as initial feedback from the Community Health Work Groups organized by Mountain States and Wellmont, the Parties have identified five Key Focus Areas and several related Health Concerns in which the New Health System is committed to investing at least $75 million over ten years in population health improvement.

- ***Ensure strong starts for children*** by investing in programs to reduce the incidence of low-birth weight babies and neonatal abstinence syndrome in the region, decrease the prevalence of childhood obesity and Type 2 diabetes, while improving the management of childhood diabetes and increasing the percentage of children in third grade reading at grade level.

- ***Help adults live well in the community*** by investing in programs that decrease premature mortality from diabetes, cardiovascular disease, and breast, cervical, colorectal and lung cancer.

- ***Promote a drug-free community*** by investing in programs that prevent the use of controlled substances in youth and teens (including tobacco), reduce the over-prescription of painkillers, and provide crisis management and residential treatment with community-based support for individuals addicted to drugs and alcohol.

- ***Decrease avoidable hospital admission and ER use*** by connecting high-need, high-cost uninsured individuals in the community to the care and services needed by investing in intensive case management support and primary care, and leveraging additional investments in behavioral health crisis management, residential addiction treatment and intensive outpatient treatment services.

- ***Improve Access to Behavioral Health Services*** through new capacity for residential addiction recovery services connected to expanded outpatient treatment services located in communities throughout the region; as well as community-based mental health resources, such as mental health crisis management teams and intensive outpatient treatment and addiction resources for adults, children, and adolescents designed to minimize inpatient psychiatric admissions, incarceration and other out-of-home placements.

For the first category of the Index, the Parties propose an accountability mechanism for

the commitment to improve community health that the New Health System has set forth in this Application. The proposed accountability mechanism to track compliance with these commitments is displayed in the right column (highlighted) in **Table 11.6**.

Table 11.6 - Proposed Commitment to Improve Community Health Measures

Index of Public Advantage and Community Health Improvement **A. Commitment to Improve Community Health Measures**		
	Commitment	*Proposed Accountability Mechanism*
1.	The New Health System is committed to creating a new integrated delivery system designed to improve community health through investment of not less than $75 million over ten years in population health improvement.	Annual report to State attesting to progress towards compliance until $75 million is invested.
2.	The New Health System is committed to investing in the improvement of community health for the Key Focus Areas agreed-upon by the State and the New Health System in the COPA.	Commitment to Community Health Annual Report to State will attest to progress on the accountability mechanisms for each Key Focus Area as outlined in the COPA.
3.	The New Health System will commit to expanded quality reporting on a timely basis so the public can easily evaluate the performance of the New Health System as described more fully herein.	Annual report to State attesting to compliance with reporting obligations as outlined in the COPA.

In addition to the Commitment to Community Health Annual Report, described in more detail below, the Parties will submit a yearly report to the State attesting to progress toward the creation of a new integrated delivery system through investment of not less than $75 million and an annual report to the State attesting to compliance with the quality reporting obligations as outlined in the COPA.

The annual report to the State attesting to progress on the achievement of accountability mechanisms for each Key Focus Area (the "Commitment to Community Health Annual Report") would be developed as follows:

Proposal for Development of the Commitment to Community Health Annual Report

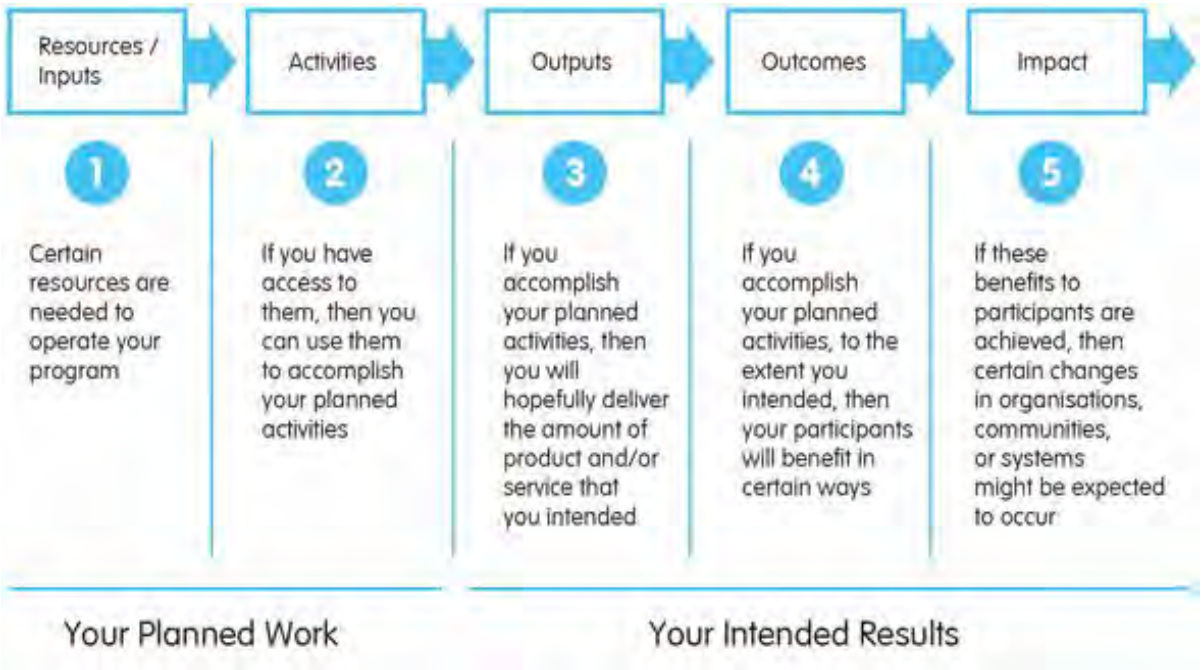
- As part of the State's process to determine the Application's completeness, the Department and the Parties will agree on the Key Focus Areas of the commitment to improve community health.
- After the Application is deemed complete, and during the Application review period, the New Health System and the Department, with input from community stakeholders (including the Department's Advisory Groups) will agree on a limited number of Health Concerns, Tracking Measures and relevant baselines within each Key Focus Area. Agreement on these specific Health Concerns for inclusion in the Commitment to Community Health Annual Report will serve as the guide for on-going development with the State and stakeholder community for the specific investments, interventions or performance improvements by the New Health System to improve community health in the region over the duration of the COPA.

- The COPA, if granted, will outline the specific Key Focus Areas, the individual Health Concerns, the Accountability Mechanisms, the Tracking Measures, and relevant baselines within each area agreed upon by the Department and the New Health System to be included in the Commitment to Community Health Annual Report.

Recognizing the complex interplay of inputs and activities in reaching desired population health outcomes, the Parties propose to use the Kellogg Foundation's Logic Model displayed in **Figure 11.2** for development of the Commitment to Community Health Annual Report Measures.

The evaluation of improvement in community health is complex and involves many factors, both short-term and long-term. Population health improvement programs can be characterized by their inputs, activities, outputs, outcomes, and impact. *Inputs* are the resources dedicated to or consumed by the program, including the human, financial, organizational, and community resources a program has available to direct toward doing the work. *Activities* are what the program does with its inputs to fulfill its mission. These include the processes, tools, events, technology, and actions that are an intentional part of the program implementation. *Outputs* are the direct products of program activities and may include types, levels and targets of services to be delivered by the program. *Outcomes* are the specific changes in program participants' behavior, knowledge, skills, status and level of functioning. *Impact* is the fundamental change occurring in organizations, communities or systems as a result of program activities often with longer-term time frames of 7 to 10 years.

Figure 11.2 - Logic Model for Evaluation



Under this model the State could evaluate progress toward *long-term* community health improvement outcomes under the COPA by measuring investments made in community health (Inputs) and the implementation of new programs or performance improvement (Activities). The State and the New Health System could track participation or service levels related to these programs and performance improvements (Outputs). Over time, the cumulative effect of these efforts is expected to result in the intended population health improvement (short and medium-term Outcomes and long-term Impact).

Table 11.7 identifies the proposed five Key Focus Areas in which the New Health System is committed to investing in community health improvement and which the Parties propose be included in the Commitment to Community Health Annual Report. Within each Key Focus Area, the Parties have identified specific Health Concerns (first column) that pose an important challenge and priority for health in this region; these are aligned with health challenges and priorities identified by the states. The second column identifies a common national measure and a reliable source of data used to track each county's status relative to this Health Concern. These measures provide for comparison with other areas in the states or nationally.

Column Three provides a *representative* investment, intervention or performance improvement that could be implemented by the New Health System to address a specific Health Concern. It is proposed that these be identified in partnership with the State and with regional stakeholders over time as part of the MAPP Community Health Improvement Process described earlier and that several investments, interventions or performance improvements are likely to be necessary to address each concern across the Geographic Service Area.

The fourth (highlighted) column provides the relevant Accountability Mechanism the parties believe reflects the New Health System's performance related to the investment, intervention, or performance improvement.

Column Five provides a representative progress measure that could be used to measure progress in the Geographic Service Area for this health concern. [10] The final two columns reference County level disparities as measured by the counties in the Geographic Service Area in Tennessee and Virginia that have the lowest/poorest measure. This recognizes the states' concerns that specific areas may warrant particular attention or intervention.

[10] In addition to consideration of Triple Aim objectives, the Parties also have considered the categories of health measures for access, cost, health, and quality identified in the Institute of Medicine ("IOM") Vital Signs Core Measures; each of the several areas that these investment, intervention, or performance improvement would target are aligned with specific IOM Core Measures.

Table 11.7 - Sample Commitment to Community Health Annual Report

Health Concern		*Health Concern **Tracking Measures** in the Geographic Service Area*	*Representative Investment, Intervention, or Performance Improvement*	*Representative Accountability Measures*	*Representative Progress Measures*	*Lowest Ranking Tennessee Counties in Geographic Service Area*	*Lowest ranking Virginia Counties in Geographic Service Area*[11]
Key Focus Area #1: Ensure Strong Starts for Children							
1.	Low Birth-Weight Babies	Low-birth weight rate per 100,000 population	Establish evidence-based Home Visitation Programs in certain high-risk counties[12]	Establish agreed- upon number of evidence-based Home Visitation Programs[13] in specific counties by set date	Percentage of eligible women in high-risk communities participating in evidenced-based Home Visitation Programs	Johnson, Carter, Cocke[14]	Tazewell, Buchanan, Smyth[15]
2.	Neonatal Abstinence Syndrome	Percent of Births in New Health System with Neonatal Abstinence Syndrome	Establish residential treatment for pregnant woman with addiction in certain high-risk communities[16]	Establish agreed-upon number of residential treatment programs for pregnant woman with addiction in specific counties by set date	Number of women in high-risk communities initiating residential treatment	Hancock, Hamblen, Hawkins[17]	Dickenson, Wise, Tazewell, Buchanan[18]

[11] This column is based on data that includes the Virginia counties and Independent Cities within the Geographic Service Area.

[12] This Representative Investment, Intervention, or Performance Improvement targets IOM Vital Signs Core Measures 1,2,3,4,5,8, and 11. A copy of the IOM Vital Signs Core Measures is attached as **Exhibit 11.14**.

[13] Nurse Family Partnership is one example of a Department of Health and Human Services "evidenced based early childhood home visitation service delivery model." Nurse Family Partnership is designed for first-time, low-income mothers and their children, from during pregnancy to when the child turns two. It includes face-to-face home visits by a registered nurse trained in the Nurse Family Partnership fidelity model.

[14] Tennessee: Percent of Low Birthweight. County Health Rankings. Accessed February 3, 2016.

[15] Virginia: Percent of Low Birthweight. County Health Rankings. Accessed February 3, 2016.

[16] This Representative Investment, Intervention, or Performance Improvement targets IOM Vital Signs Core Measures 1,4,8,and 11. A copy of the IOM Vital Signs Core Measures is attached as **Exhibit 11.14**.

[17] As county-level Neonatal Abstinence Syndrome data is not currently available, adult drug poisoning deaths is used as a proxy measure. Tennessee: Drug Poisoning Mortality Rate. County Health Rankings. Accessed February 3, 2016.

[18] As county-level Neonatal Abstinence Syndrome data is not currently available, adult drug poisoning deaths is used as a proxy measure. Virginia: Drug Poisoning Mortality Rate. County Health Rankings. Accessed February 3, 2016.

Health Concern		*Health Concern* ***Tracking Measures*** *in the Geographic Service Area*	*Representative Investment, Intervention, or Performance Improvement*	*Representative Accountability Measures*	*Representative Progress Measures*	*Lowest Ranking Tennessee Counties in Geographic Service Area*	*Lowest ranking Virginia Counties in Geographic Service Area*[11]
3.	Childhood Obesity	Percent children w/ BMI >= 95th percentile of the sex-specific CDC BMI-for-age growth charts	Expand "Morning Mile" Program in certain high-risk communities[19]	Expand "Morning Mile[20]" Program through investment of an agreed-upon amount by set date	Number of children participating in Morning Mile in high-risk communities	Hawkins, Sullivan, Greene[21]	Russell, Scott, Grayson, Washington, Wise[22]
4.	Third Grade Reading Ability	Percent 3rd graders reading at grade level	Expand "BEAR Buddies" program[23]	Expand "BEAR Buddies[24]" program through investment of an agreed-upon amount by set date	Number of children participating in BEAR Buddies in Tennessee & Virginia in high-risk communities	Hancock, Cocke, Carter[25]	Bristol City, Buchanan, Wythe[26]
Key Focus Area #2: Help Adults Live Well in the Community							

[19] This Representative Investment, Intervention, or Performance Improvement targets IOM Vital Signs Core Measures 1,2,3,6,14, and 15. A copy of the IOM Vital Signs Core Measures is attached as **Exhibit 11.14**.

[20] The Morning Mile is a before-school walking/running program that gives children the chance to start each day in an active way while enjoying fun, music and friends. The Morning Mile is currently sponsored in the Geographic Service Area by Mountain States. Additional Information is *available at*: https://www.mountainstateshealth.com/medical-services/kohls-morning-mile

[21] As county-level data on child obesity was not available, adult obesity rates were used as a proxy measure. Tennessee: Percent of Adult Obesity. County Health Rankings. Accessed February 3, 2016.

[22] As county-level data on child obesity was not available, adult obesity rates were used as a proxy measure. Grayson, Washington, and Wise are in a three-way tie having the third highest obesity rate among the counties in the service region. Virginia: Percent of Adult Obesity. County Health Rankings. Accessed February 3, 2016.

[23] This Representative Investment, Intervention, or Performance Improvement targets IOM Vital Signs Core Measures 6,14, and 15. A copy of the IOM Vital Signs Core Measures is attached as **Exhibit 11.14**.

[24] The BEAR (Being Engaged to Achieve Reading) Buddies program is a partnership between Niswonger Children's Hospital and local schools designed to help children achieve early reading proficiency. BEAR Buddies pairs high school mentors with students in first, second or third grade who are six months or more behind in their reading level.

[25] Tennessee: TCAP District Level Results – 3rd through 8th Grade Reading Level. Percent Basic through Percent Advanced. Tennessee Department of Education. Accessed February 4, 2016.

[26] Virginia: SOL Assessment – 3rd Grade English Reading Pass Rate for 2014 - 2015. Virginia Department of Education. Accessed February 4, 2016.

Health Concern		*Health Concern **Tracking Measures** in the Geographic Service Area*	*Representative Investment, Intervention, or Performance Improvement*	*Representative Accountability Measures*	*Representative Progress Measures*	*Lowest Ranking Tennessee Counties in Geographic Service Area*	*Lowest ranking Virginia Counties in Geographic Service Area*[11]
1.	Premature death from Cardiovascular Disease	Age-Adjusted Death Rates for Diseases of the Heart per 100,000	Expansion of community-based smoking cessation programs in certain high-risk communities[27]	Expansion of community-based smoking cessation programs through investment of an agreed-upon amount by set date	Number of participants in smoking cessation programs in high-risk communities	Unicoi, Cocke, Hancock[28]	Tazewell, Smyth, Scott[29]
2.	Premature death from Diabetes	Age Adjusted Death Rates for Diabetes Mellitus per 100,000	Medical Staff Quality Improvement Project to reduce PQI Admissions for Diabetes Short-Term Complications[30]	Establish Medical Staff Quality Improvement Project to reduce PQI Admissions for Diabetes Short-Term Complications by set date	Number of Physicians participating in quality improvement project	Hamblen, Carter, Greene, Sullivan[31]	Scott, Smyth, Tazewell
3.	Premature death from Breast, Cervical, Colon and Lung Cancer	Age Adjusted Death Rates for Select Cancers per 100,000	Establish Faith-based screening campaigns for selected cancers (e.g. mammograms, prostate cancer) in specific high-risk counties[32]	Establish agreed-upon number of Faith-based screening campaigns in certain counties by set date	Number of parishioner screenings in high-risk counties	Hawkins, Cocke, Johnson[33]	Bristol City, Smyth, Buchanan[34]
Key Focus Area #3: Promote a Drug-Free Community							

[27] This Representative Investment, Intervention, or Performance Improvement targets IOM Vital Signs Core Measures 1,2,4,7,8,11, and 14. A copy of the IOM Vital Signs Core Measures is attached as **Exhibit 11.14**.

[28] "Ischemic Heart Disease in Tennessee." US Department of Health and Human Services' Area Health Resource File. *Available at*: http://ahrf.hrsa.gov/.

[29] "Ischemic Heart Disease in Virginia." US Department of Health and Human Services' Area Health Resource File. *Available at*: http://ahrf.hrsa.gov/.

[30] This Representative Investment, Intervention, or Performance Improvement targets IOM Vital Signs Core Measures 1,2,3,7,8,9,10, and 11. A copy of the IOM Vital Signs Core Measures is attached as **Exhibit 11.14**.

[31] Tennessee: Diabetes Mortality Rate. US Department of Health and Human Services' Area Health Resource File. *Available at*: http://ahrf.hrsa.gov/. Greene and Sullivan counties tie for having the third highest rate among counties in the service area. Virginia: Diabetes Mortality Rate. US Department of Health and Human Services' Area Health Resource File. *Available at*: http://ahrf.hrsa.gov/.

[32] This Representative Investment, Intervention, or Performance Improvement targets IOM Vital Signs Core Measures 1,7,8,14, and 15. A copy of the IOM Vital Signs Core Measures is attached as **Exhibit 11.14**.

[33] Tennessee: Age Adjusted Mortality Rate from Breast, Cervical, Colon or Lung Cancer 2014. CDC Wonder Database. Accessed February 3, 2016.

[34] Virginia: Age Adjusted Mortality Rate from Breast, Cervical, Colon or Lung Cancer, 2014. CDC Wonder Database. Accessed February 3, 2016.

Health Concern		*Health Concern* ***Tracking Measures*** *in the Geographic Service Area*	*Representative Investment, Intervention, or Performance Improvement*	*Representative Accountability Measures*	*Representative Progress Measures*	*Lowest Ranking Tennessee Counties in Geographic Service Area*	*Lowest ranking Virginia Counties in Geographic Service Area*[11]
1.	Addiction to Prescription Pain-killers and illicit drugs	Addiction death rate per 100,000	Establish a regional residential addiction treatment program[35]	Establishment of a regional residential addiction treatment program by a set date	Number of individuals participating in residential addiction treatment	Hancock, Hamblen, Hawkins[36]	Dickenson, Wise, Tazewell, Buchanan[37]
2.	Tobacco use in Teens	Percent of teens currently smoking	Expand evidence-based teen anti-smoking campaigns such as Teens Against Tobacco in certain high-risk counties[38]	Expand evidence-based teen anti-smoking campaigns such as Teens Against Tobacco through an agreed-upon investment by set date	Number of anti-smoking impressions in high-risk communities	Hancock, Carter, Greene[39]	Wise, Dickenson, Buchanan[40]
Key Focus Area #4: Decrease Avoidable Hospital Admission in the High-Utilizing Uninsured							
1.	Avoidable inpatient admission among the uninsured	PQI Admissions per 1,000 uninsured	Establish Integrated Care Management Program for Uninsured Community Super-Utilizers[41]	Establish agreed-upon number of Integrated Care Management Programs for Uninsured Community Super-Utilizers by set date	Number of Uninsured Community Super-Utilizers in Active Care Management	Hancock, Unicoi, Cocke[42]	Buchanan, Russell, Lee[43]

[35] This Representative Investment, Intervention, or Performance Improvement targets IOM Vital Signs Core Measures 1,2,4,8,10,11, and 14. A copy of the IOM Vital Signs Core Measures is attached as **Exhibit 11.14**.

[36] Tennessee: Drug Poisoning Mortality Rate. County Health Rankings. Accessed February 3, 2016.

[37] Virginia: Drug Poisoning Mortality Rate. County Health Rankings. Accessed February 3, 2016.

[38] This Representative Investment, Intervention, or Performance Improvement targets IOM Vital Signs Core Measures 11,2,4,6,14, and 15. A copy of the IOM Vital Signs Core Measures is attached as **Exhibit 11.14**.

[39] As county-level data on teen smoking was not available, adult smoking rates were used as a proxy. Tennessee: Percent of Adult Smoking. County Health Rankings. Accessed February 3, 2016.

[40] As county-level data on teen smoking was not available, adult smoking rates were used as a proxy measure. Virginia: Percent of Adult Smoking. County Health Rankings. Accessed February 3, 2016.

[41] This Representative Investment, Intervention, or Performance Improvement targets IOM Vital Signs Core Measures 1,2,4,6,7,8,9,10,11,14, and 15. A copy of the IOM Vital Signs Core Measures is attached as **Exhibit 11.14**.

[42] As county-level data on avoidable admission among the uninsured was not available, preventable hospital stays for the Medicare population was used as a proxy. "Preventable Hospital Stays in Tennessee." County Health Rankings. Accessed February 3, 2016.

[43] As county-level data on avoidable admission among the uninsured was not available, preventable hospital stays for the Medicare population was used as a proxy. "Preventable Hospital Stays in Virginia." County Health Rankings. Accessed February 3, 2016.

Health Concern	*Health Concern* ***Tracking Measures*** *in the Geographic Service Area*	*Representative Investment, Intervention, or Performance Improvement*	*Representative Accountability Measures*	*Representative Progress Measures*	*Lowest Ranking Tennessee Counties in Geographic Service Area*	*Lowest ranking Virginia Counties in Geographic Service Area*[11]
Key Focus Area #5: Access to Behavioral Health Services						
1. Access to community-based mental health treatment	Psychiatric Admissions through ER per 1,000 ER visits	Establish Crisis Receiving Centers in hospitals serving specific high-risk counties[44]	Establish an agreed-upon number of Crisis Receiving Centers in specific hospitals by set date	Number of individuals managed in Crisis Receiving Center.	Hancock, Cocke, Hamblen[45]	Wise, Dickenson, Tazewell[46]

Representative Example:

If the State and the New Health System agree that one of the Key Focus Areas in the Commitment to Community Health Annual Report should be Ensuring Strong Starts for Children, one health concern the Parties suggest targeting is low birth-weight babies. The baseline for tracking this health concern would be the Low Birth Weight Rate per 100,000 population for specific counties within the Geographic Service Area. One investment, intervention, or performance improvement that the New Health System could undertake to address this health concern would be to establish evidence-based Home Visitation Programs in certain high-risk counties. The Representative Index Measures would reflect the New Health System's commitment to the State to establish an agreed-upon number of evidence-based Home Visitation Programs in certain counties by agreed-upon dates. The Progress Measures that could be used by the State and the New Health System to measure progress in addressing this health concern would be the percentage of eligible women in high-risk communities participating in evidenced-based Home Visitation Programs.

[44] This Representative Investment, Intervention, or Performance Improvement targets IOM Vital Signs Core Measures 1,2,3, and 8. A copy of the IOM Vital Signs Core Measures is attached as **Exhibit 11.14.**

[45] As county-level data on psychiatric ER visits per 100,000 was not available, the percent of individuals reporting poor mental health was used as a proxy measure. Tennessee: Number of Poor Mental Health Days. County Health Rankings. Accessed February 3, 2016.

[46] As county-level data on psychiatric ER visits per 100,000 was not available, the percent of individuals reporting poor mental health was used as a proxy measure. Virginia: Number of Poor Mental Health Days. County Health Rankings. Accessed February 3, 2016.

Periodic Review of the Commitment to Community Health Annual Report

The Parties recognize that population health is dynamic and the health challenges of a region will change over time. The Annual Report established when the COPA is granted should be periodically reviewed and updated to reflect these changes. The Parties propose that the initial Annual Report and its associated plan be established with the issuance of the COPA. On the fifth anniversary of the COPA, the New Health System and the State will evaluate the Annual Report to determine what adjustments, if any, need to be made to plan elements or accountability mechanisms. Once the New Health System and the State have agreed upon these changes, the updated elements of the Annual Report will go into effect on the sixth anniversary of the COPA for a period of five years. The Parties propose that the periodic review of the Annual Report be performed on the same intervals for as long as the COPA remains in effect.

B. Enhanced Health Care Services Measures

Some residents in Northeast Tennessee and Southwest Virginia have acceptable access to many services, but other areas are substantially underdeveloped or lacking services altogether. This is especially true for mental health, substance abuse and specialty pediatric services. These services have not been developed for two primary reasons: first, because patient volumes are disaggregated between the two health systems, and neither system has the critical mass necessary to support the service, and second, because the size of the serviced population is not sufficient to fully support full-time specialists.

Wellmont and Mountain States anticipate significantly improved access to health care under the Cooperative Agreement. The Cooperative Agreement will enable the hospitals to continue to offer programs and services that are now unprofitable and risk curtailment or elimination due to lack of funding.

For the second category of the Index, the Parties propose an accountability mechanism for each of the commitments the New Health System has set forth in this Application to enhance health care services. **Table 11.8** below indicates five areas where the Parties have made commitments to investment, performance, or conduct in the COPA Application as the New Health System. The proposed accountability mechanism to track compliance with these commitments is displayed in the right column (highlighted).

Table 11.8 - Proposed Enhanced Health Care Services Measures

	Index of Public Advantage and Community Health Improvement **B. Enhanced Health Care Services Measures**	
	Commitment	*Proposed Accountability Mechanism*
1.	The New Health System commits to spending at least $140 million over ten years pursuing specialty services which otherwise could not be sustainable in the region without the financial support.	Annual report to State attesting to progress towards compliance until $140 million is invested.
2.	Create new capacity for residential addiction recovery services connected to expanded outpatient treatment services located in communities	Annual progress reports and One-time report to State attesting

	throughout the region.	to the creation of new capacity for residential addiction recovery services when complete.
3.	Ensure recruitment and retention of pediatric subspecialists in accordance with the Niswonger Children's Hospital physician needs assessment.	Report to State attesting to compliance after the third year after formation of the New Health System.
4.	Development of pediatric specialty centers and emergency rooms in Kingsport and Bristol with further deployment of pediatric telemedicine and rotating specialty clinics in rural hospitals to ensure quick diagnosis and treatment in the right setting as close to patients' homes as possible.	Annual report to State attesting to progress towards compliance until pediatric specialty centers and Emergency Rooms have been developed.
5.	Development of a comprehensive physician needs assessment and recruitment plan every three years in each community served by the New Health System. Both organizations know the backbone of a successful physician community is a thriving and diverse choice of practicing physicians aligned in practice groups of their own choosing and preference.	File the Comprehensive Physician Needs Assessment with the State every three years.

C. Expanding Access and Choice Measures

Investing in the development of new and expanded services is one way to improve access and choice in the region. Preserving services currently at risk and breaking down barriers for physicians to practice and patients to receive services where they choose is another. The New Health System is committed to both. By integrating the two systems, the Parties will help ensure that communities in the Geographic Service Area continue to have access to the care they need close to home and that care options are expanded rather than reduced.

For the third category of the Index, the Parties propose an accountability mechanism for each of the commitments the New Health System has set forth in this Application to sustain and expand access and choice. **Table 11.9** below indicates six areas where the Parties have made commitments to investment, performance, or conduct in the COPA Application as the New Health System. The proposed accountability mechanism to track compliance with these commitments is displayed in the right column (highlighted).

Table 11.9 - Proposed Expanding Access and Choice Measures

Index of Public Advantage and Community Health Improvement **C. Expanding Access and Choice Measures**		
	Commitment	*Proposed Accountability Mechanism*
1.	All hospitals in operation at the effective date of the merger will remain operational as clinical and health care institutions for at least five (5) years. After this time, the New Health System will continue to provide access to health care services in the community, which may include continued operation of the hospital, new services as defined by the New Health System, and continued investment in health care and preventive services based on the demonstrated need of the community. The New Health System may adjust scope of services or repurpose hospital facilities. No such commitment currently exists to keep rural institutions	Annual report to State attesting to compliance for five years after formation of the New Health System.

	open.	
2.	Maintain three full-service tertiary referral hospitals in Johnson City, Kingsport, and Bristol to ensure higher level services are available as closely as possible to where the population lives.	Annual report to State attesting to compliance.
3.	Maintain open medical staffs at all facilities, subject to the rules and conditions of the organized medical staff of each facility. Exceptions may be made for certain hospital-based physicians, as determined by the Board of Directors	Annual report to State attesting to compliance.
4.	Commitment to not engage in exclusive contracting for physician services, except for certain hospital-based physicians as determined by the Board of Directors.	Annual report to State attesting to compliance.
5.	Independent physicians will not be required to practice exclusively at the New Health System's hospitals and other facilities.	Annual report to State attesting to compliance.
6.	The New Health System will not take steps to prohibit independent physicians from participating in health plans and health networks of their choice.	Annual report to State attesting to compliance.

D. Improving Health Care Value: Managing Quality, Cost and Service Measures

In addition to achieving reduced costs through improved efficiency and avoidance of waste and unnecessary duplication, the merger will also specifically enable the New Health System to reduce overutilization of inpatient services and stem the pace of health care cost growth for patients, employers and insurers.

As evidence of their commitment to manage quality, cost, and service, the Parties propose an accountability mechanism for each of the commitments the New Health System has set forth in this Application to improve health care value. **Table 11.10** below indicates ten areas where the Parties have made commitments to investment, performance, or conduct in the COPA Application as the New Health System. The proposed accountability mechanism to track compliance with these commitments is displayed in the right column (highlighted).

Table 11.10 - Proposed Improving Health Care Value: Managing Quality, Cost and Service Measures

Index of Public Advantage and Community Health Improvement **D. Improving Health Care Value: Managing Quality, Cost and Service Measures**		
	Commitment	*Proposed Accountability Mechanism*
1.	For all Principal Payers*, the New Health System will reduce existing commercial contracted fixed rate increases by fifty percent (50%) in the first contract year following the first full year after the formation of the New Health System. Fixed rate increases are defined as provisions in commercial contracts that specify the rate of increase between one year and the next and which include annual inflators tied to external indices or contractually-specified rates of increase in reimbursement.	Report to State after first contract year attesting to compliance.
2.	For subsequent contract years, the New Health System will commit to not increase hospital negotiated rates by more than the hospital Consumer Price Index for the previous year minus 0.25%, while New Health System	Annual report to State attesting to compliance.

	negotiated rates for physician and non-hospital outpatient services will not increase by more than the medical care Consumer Price Index minus 0.25%. This provision only applies to contracts with negotiated rates and does not apply to Medicare or other non-negotiated rates or adjustments set by CMS or other governmental payers. For purposes of calculating rate increases and comparison with the relevant Index, baseline rates for an expiring contract will be used to compare with newly negotiated rates for the first year of the relevant new contract. For comparison with the relevant index, new contract provisions governing specified annual rate increases or set rates of change or formulas based on annual inflation indices may also be used as an alternative to calculated changes. Subject to the Commissioner's approval, the foregoing commitment shall not apply in the event of natural disaster or other extraordinary circumstances beyond the New Health System's control that results in an increase of total annual expenses per adjusted admission in excess of 250 basis points over the current applicable Consumer Price Index. If following such approval the New Health System and a Principal Payer* are unable to reach agreement on a negotiated rate, the New Health Systems agrees to mediation as a process to resolve any disputes.	
	Commitment	*Proposed Accountability Mechanism*
3.	The United States Government has stated that its goal is to have eighty-five percent (85%) of all Medicare fee-for-service payments tied to quality or value by 2016, thus providing incentive for improved quality and service. For all Principal Payers*, the New Health System will endeavor to include provisions for improved quality and other value-based incentives based on priorities agreed upon by each payer and the New Health System.	Annual report to State attesting to compliance.
4.	The New Health System will collaborate with Independent Physician Groups to develop a local, region-wide, clinical services network to share data, best practices and efforts to improve outcomes for patients and the overall health of the region.	Annual report to State attesting to compliance.
5.	The New Health System will adopt a Common Clinical IT Platform as soon as reasonably practical after the formation of the New Health System.	Annual report to State attesting to progress towards compliance until the Common Clinical IT Platform is adopted.
6.	The New Health System will participate meaningfully in a health information exchange open to community providers.	Annual report to State attesting to compliance once health information exchange is fully established.
7.	The New Health System will establish annual priorities related to quality improvement and publicly report these quality measures in an easy to understand manner for use by patients, employers and insurers.	Annual report to State attesting to measurement of quality measures identified in **Section 8(A)(iv)** of the COPA Application.
8.	The New Health System will negotiate in good faith with Principal Payers* to include the New Health System in health plans offered in the service area on commercially reasonable terms and rates (subject to the limitations herein). New Health System would agree to resolve through mediation any disputes in health plan contracting.	Annual report to State attesting to compliance.

9.	The New Health System will not agree to be the exclusive network provider to any commercial, Medicare Advantage or managed Medicaid insurer.	Annual report to State attesting to compliance.
10.	The New Health System will not engage in "most favored nation" pricing with any health plans.	Annual report to State attesting to compliance.
* For purposes of this Application, "Principal Payers" are defined as those commercial payers who provide more than two percent (2%) of the New Health System's total net revenue. The proposed commitments would not apply to Medicaid managed care, TRICARE, Medicare Advantage or any other governmental plans offered by Principal Payers.		

E. Investment in Health Research/Education and Commitment to Workforce

A cornerstone of the proposed merger is the expansion of the health-related research and academic capabilities of the region through additional funding and closer working relationships with East Tennessee State University and other academic partners in Tennessee and Virginia. The investments made possible by merger efficiencies, and their specific applications in research and development, faculty, and expanded services and training can also contribute to the economic vitality of the area and the improved ability to attract medical professionals and business endeavors; thereby benefiting the communities both with health and economic well-being.

In addition to developing academic and research programs that attract talent to the region, the New Health System intends to attract and retain employees by becoming one of the best health system employers in the nation and one of the most attractive health systems for physicians and employee team members. The workforce is the lifeblood of a health care organization and the competition for the labor force will remain intense, both locally and regionally.

As evidence of their commitments to invest in health research and education and to attract and retain a strong workforce, the Parties propose an accountability mechanism for each of the commitments the New Health System has set forth in this Application to achieve these goals. The table below indicates six areas where the Parties have made commitments to investment, performance, or conduct in the COPA Application as the New Health System. The proposed accountability mechanism to track compliance with these commitments is displayed in the right column (highlighted) of **Table 11.11** below.

Table 11.11 - Proposed Investment in Health Education/Research and Commitment to Workforce Measures

Index of Public Advantage and Community Health Improvement **E. Investment in Health Education/Research and Commitment to Workforce Measures**		
	Commitment	*Proposed Accountability Mechanism*
1.	The New Health System will work with its academic partners in Virginia and Tennessee to commit not less than $85 million over 10 years to build and sustain research infrastructure, increase residency and training slots, create new specialty fellowship training opportunities, and add faculty.	Annual report to State attesting compliance.
2.	With its academic partners, in Tennessee and Virginia, the New Health System will develop and implement a ten-year plan for post graduate training of physicians, nurse practitioners, and physician assistants and other allied health professionals in the region.	Annual report to State attesting to compliance until 10-year plan is complete. File 10-year plan with State

		once complete.
3.	The New Health System will work closely with ETSU and other academic institutions in Tennessee and Virginia to develop and implement a 10-year plan for investment in research and growth in the research enterprise within the region.	Annual report to State attesting to compliance until 10-year plan is complete. File 10-year plan with State once complete.
4.	The New Health System will honor prior service credit for eligibility and vesting under the employee benefit plans maintained by Wellmont and Mountain States and will provide all employees credit for accrued vacation and sick leave.	Report to State attesting to compliance after the first year after formation of the New Health System.
	Commitment	*Proposed Accountability Mechanism*
5.	The New Health System will work as quickly as practicable after completion of the merger to address any differences in salary/pay rates and employee benefit structures.	Report to State attesting to compliance after the first year after formation of the New Health System.
6.	The New Health System will combine the best of both organizations' career development programs in order to ensure maximum opportunity for career enhancement and training.	Annual report to State attesting compliance.

Using the Index

The Parties anticipate that the Overall Achievement Score would be calculated annually and would be used by the State to objectively track the progress of the Cooperative Agreement over time to ensure Public Advantage. To calculate the Overall Achievement Score, the Parties propose that the State assign a "Satisfied" or "Not Satisfied" evaluation to each of the five categories of the Index and that the five categories be given equal weight in the scoring process. The score for each category will be the number of measures within that category successfully satisfied divided by the total number of measures within that category. The five category scores should be combined to determine the "Overall Achievement Score" for each year of active State supervision to ensure Public Advantage.

Representative Example:

For each of the five categories, the State would assign a "Satisfied" or "Not Satisfied" evaluation to the individual measures agreed upon by the New Health System and the State in the COPA as demonstrated in **Table 11.12** below. If the Parties agreed upon the following Index of Public Advantage and Community Health Improvement, the state would evaluate each individual accountability mechanism as follows:

Table 11.12 - Demonstration of Evaluation

	Index of Public Advantage and Community Health Improvement Commitment	*Accountability Mechanism*	*Satisfied or Not Satisfied?*
A.	**Commitment to Improve Community Health**		
1.	The New Health System is committed to creating a new integrated delivery system designed to improve	Annual report to State attesting to progress towards compliance	Satisfied

	Index of Public Advantage and Community Health Improvement Commitment	*Accountability Mechanism*	*Satisfied or Not Satisfied?*
	community health through investment of not less than $75 million over ten years in population health improvement.	until $75 million is invested.	
2.	The New Health System is committed to investing in the improvement of community health for the Key Focus Areas agreed upon by the State and the New Health System in the COPA.	Annual report to State attesting to progress on the accountability mechanisms for each Key Focus Area as outlined in the COPA.	Satisfied
3.	The New Health System will commit to expanded quality reporting on a timely basis so the public can easily evaluate the performance of the New Health System as described more fully herein.	Annual report to State attesting to compliance with reporting obligations as outlined in the COPA.	Satisfied
B.	**Enhanced Health Care Services Measures**		
1.	The New Health System commits to spending at least $140 million over ten years pursuing specialty services which otherwise could not be sustainable in the region without the financial support.	Annual report to State attesting to progress towards compliance until $140 million is invested.	Satisfied
2.	Create new capacity for residential addiction recovery services connected to expanded outpatient treatment services located in communities throughout the region.	One-time report to State attesting to the creation of new capacity for residential addiction recovery services when complete.	Satisfied
3.	Ensure recruitment and retention of pediatric subspecialists in accordance with the Niswonger Children's Hospital physician needs assessment.	Report to State attesting to compliance after the third year after formation of the New Health System.	Satisfied
4.	Development of pediatric specialty centers and emergency rooms in Kingsport and Bristol with further deployment of pediatric telemedicine and rotating specialty clinics in rural hospitals to ensure quick diagnosis and treatment in the right setting as close to patients' homes as possible.	Annual report to State attesting to progress towards compliance until pediatric specialty centers and Emergency Rooms have been developed.	Satisfied
5.	Development of a comprehensive physician needs assessment and recruitment plan every three years in each community served by the New Health System. Both organizations know the backbone of a successful physician community is a thriving and diverse choice of practicing physicians aligned in practice groups of their own choosing and preference.	File the Comprehensive Physician Needs Assessment with the State every three years.	Satisfied
C.	**Expanding Access and Choice**		
1.	All hospitals in operation at the effective date of the merger will remain operational as clinical and health care institutions for at least five (5) years. After this time, the New Health System will continue to provide access to health care services in the community, which may include continued operation of the hospital, new services as defined by the New Health System, and continued investment in health care and preventive services based on the demonstrated need of the	Annual report to State attesting to compliance for five years after formation of the New Health System.	Satisfied

	Index of Public Advantage and Community Health Improvement Commitment	*Accountability Mechanism*	*Satisfied or Not Satisfied?*
	community. The New Health System may adjust scope of services or repurpose hospital facilities. No such commitment currently exists to keep rural institutions open.		
2.	Maintain three full-service tertiary referral hospitals in Johnson City, Kingsport, and Bristol to ensure higher level services are available as closely as possible to where the population lives.	Annual report to State attesting to compliance.	Satisfied
3.	Maintain open medical staffs at all facilities, subject to the rules and conditions of the organized medical staff of each facility. Exceptions may be made for certain hospital-based physicians, as determined by the Board of Directors	Annual report to State attesting to compliance.	Satisfied
4.	Commitment to not engage in exclusive contracting for physician services, except for certain hospital-based physicians as determined by the Board of Directors.	Annual report to State attesting to compliance.	Satisfied
5.	Independent physicians will not be required to practice exclusively at the New Health System's hospitals and other facilities.	Annual report to State attesting to compliance.	Satisfied
6.	The New Health System will not take steps to prohibit independent physicians from participating in health plans and health networks of their choice.	Annual report to State attesting to compliance.	Satisfied
D.	**Improving Health Care Value: Managing Quality, Cost and Service**		
1.	For all Principal Payers*, the New Health System will reduce existing commercial contracted fixed rate increases by fifty percent (50%) in the first contract year following the first full year after the formation of the New Health System. Fixed rate increases are defined as provisions in commercial contracts that specify the rate of increase between one year and the next and which include annual inflators tied to external indices or contractually-specified rates of increase in reimbursement.	Report to State after first contract year attesting to compliance.	Satisfied
2.	For subsequent contract years, the New Health System will commit to not increase hospital negotiated rates by more than the hospital Consumer Price Index for the previous year minus 0.25%, while New Health System negotiated rates for physician and non-hospital outpatient services will not increase by more than the medical care Consumer Price Index minus 0.25%. This provision only applies to contracts with negotiated rates and does not apply to Medicare or other non-negotiated rates or adjustments set by CMS or other governmental payers. For purposes of calculating rate increases and comparison with the relevant Index, baseline rates for an expiring contract will be used to compare with newly negotiated rates for the first year of the relevant new contract. For comparison with the relevant index, new contract provisions governing specified annual rate increases or set rates of change or formulas based on annual inflation indices may also be used as an alternative to calculated changes. Subject to the Commissioner's approval, the foregoing	Annual report to State attesting to compliance.	Satisfied

	Index of Public Advantage and Community Health Improvement Commitment	*Accountability Mechanism*	*Satisfied or Not Satisfied?*
	commitment shall not apply in the event of natural disaster or other extraordinary circumstances beyond the New Health System's control that results in an increase of total annual expenses per adjusted admission in excess of 250 basis points over the current applicable Consumer Price Index. If following such approval the New Health System and a Principal Payer* are unable to reach agreement on a negotiated rate, the New Health Systems agrees to mediation as a process to resolve any disputes.		
3.	The United States Government has stated that its goal is to have eighty-five percent (85%) of all Medicare fee-for-service payments tied to quality or value by 2016, thus providing incentive for improved quality and service. For all Principal Payers*, the New Health System will endeavor to include provisions for improved quality and other value-based incentives based on priorities agreed upon by each payer and the New Health System.	Annual report to State attesting to compliance.	Satisfied
4.	The New Health System will collaborate with Independent Physician Groups to develop a local, region-wide, clinical services network to share data, best practices and efforts to improve outcomes for patients and the overall health of the region.	Annual report to State attesting to compliance.	Satisfied
5.	The New Health System will adopt a Common Clinical IT Platform as soon as reasonably practical after the formation of the New Health System.	Annual report to State attesting to progress towards compliance until the Common Clinical IT Platform is adopted.	Satisfied
6.	The New Health System will participate meaningfully in a health information exchange open to community providers.	Annual report to State attesting to compliance once health information exchange is fully established.	Satisfied
7.	The New Health System will establish annual priorities related to quality improvement and publicly report these quality measures in an easy to understand manner for use by patients, employers and insurers.	Annual report to State attesting to measurement of quality measures identified in **Section 8(A)(iv)** of the COPA Application.	Satisfied
8.	The New Health System will negotiate in good faith with Principal Payers* to include the New Health System in health plans offered in the service area on commercially reasonable terms and rates (subject to the limitations herein). New Health System would agree to resolve through mediation any disputes in health plan contracting.	Annual report to State attesting to compliance.	Satisfied
9.	The New Health System will not agree to be the exclusive network provider to any commercial, Medicare Advantage or managed Medicaid insurer.	Annual report to State attesting to compliance.	Satisfied
10.	The New Health System will not engage in "most favored nation" pricing with any health plans.	Annual report to State attesting to compliance.	Satisfied
E.	**Investment in Health Education/Research and Commitment to Workforce**		
1.	The New Health System will work with its academic partners in Virginia and Tennessee to commit not less than $85 million over 10 years to build and sustain research infrastructure, increase residency and training	Annual report to State attesting compliance.	Satisfied

	Index of Public Advantage and Community Health Improvement Commitment	*Accountability Mechanism*	*Satisfied or Not Satisfied?*
	slots, create new specialty fellowship training opportunities, and add faculty.		
2.	With its academic partners, in Tennessee and Virginia, the New Health System will develop and implement a ten-year plan for post graduate training of physicians, nurse practitioners, and physician assistants and other allied health professionals in the region.	Annual report to State attesting to compliance until 10-year plan is complete. File 10-year plan with State once complete.	Satisfied
3.	The New Health System will work closely with ETSU and other academic institutions in Tennessee and Virginia to develop and implement a 10-year plan for investment in research and growth in the research enterprise within the region.	Annual report to State attesting to compliance until 10-year plan is complete. File 10-year plan with State once complete.	Satisfied
4.	The New Health System will honor prior service credit for eligibility and vesting under the employee benefit plans maintained by Wellmont and Mountain States and will provide all employees credit for accrued vacation and sick leave.	Report to State attesting to compliance after the first year after formation of the New Health System.	Satisfied
5.	The New Health System will work as quickly as practicable after completion of the merger to address any differences in salary/pay rates and employee benefit structures.	Report to State attesting to compliance after the first year after formation of the New Health System.	Satisfied
	The New Health System will combine the best of both organizations' career development programs in order to ensure maximum opportunity for career enhancement and training.	Annual report to State attesting compliance.	Satisfied
* For purposes of this Application, "Principal Payers" are defined as those commercial payers who provide more than two percent (2%) of the New Health System's total net revenue. The proposed commitments would not apply to Medicaid managed care, TRICARE, Medicare Advantage or any other governmental plans offered by Principal Payers.			

In this representative example, the Overall Achievement Score would be calculated as demonstrated in **Table 11.13** below:

Table 11.13 - Demonstration of Overall Achievement Scoring

Category	**Measures Satisfied**	**Overall Achievement Score**
A. Commitment to Improve Community Health	3/3	
B. Enhanced Health Care Services	5/5	
C. Expanding Access and Choice	6/6	
D. Improving Health Care Value: Managing Quality, Cost and Service	10/10	
E. Investment in Health Research/Education and Commitment to Workforce	6/6	
Overall Achievement Score	**30/30**	**100%**

Continuing Public Advantage

The Parties propose that an Overall Achievement Score rounded to the nearest tenth of one point that equals seventy percent (70%) or above shall be considered clear and convincing evidence of the Public Advantage and the COPA shall continue in effect. An Overall Achievement Score rounded to the nearest tenth of one point that equals fifty percent (50%) up to seventy percent (70%) may be considered clear and convincing

evidence of the Public Advantage depending upon the relative circumstances, and the State, at the Commissioner's discretion, may seek a modification to the Cooperative Agreement under the terms of the COPA. An Overall Achievement Score rounded to the nearest tenth of one point that is below fifty percent (50%) may be considered evidence, when considering the relative circumstances, that the Public Advantage of the COPA is no longer evident and the State, at the Commissioner's discretion, may begin action to terminate the COPA under the terms of the certification.

Due to the new and untested nature of the Index of Public Advantage and Community Health Improvement and the significant up-front and ongoing investments required for achieving community health improvement in the Geographic Service Area, it is critical that the Commissioner use proper discretion in determining whether the evidence of the Public Advantage is clear and convincing. Notwithstanding any provision to the contrary, the Commissioner shall consider any and all important public benefits, whether or not explicitly addressed in the Index of Public Advantage and Community Health Improvement. Further, the Commissioner shall have discretion to determine that the clear and convincing standard has been achieved during a particular period even if the Overall Achievement Score falls below the parameters outlined.

Representative Examples:

Example 1. If the New Health System was able to satisfy most of the Index of Public Advantage and Community Health Improvement measures for a particular year, the scoring might appear as follows in **Table 11.14**:

Table 11.14 - Sample Scoring for Example 1

Category	Measures Satisfied	Score
A. Commitment to Improve Community Health	3/3	
B. Enhanced Health Care Services	5/5	
C. Expanding Access and Choice	5/6	
D. Improving Health Care Value: Managing Quality, Cost and Service	9/10	
E. Investment in Health Research/Education and Commitment to Workforce	6/6	
Overall Achievement Score	**28/30**	**93.3%**

An Overall Achievement Score of 93.3% is considered clear and convincing evidence of the Public Advantage and the COPA would continue in effect.

Example 2. If the New Health System was not able to satisfy some of the Index of Public Advantage and Community Health Improvement measures for a particular year, the scoring might appear as follows in **Table 11.15**:

Table 11.15 - Sample Scoring of Example 2

Category	Measures Satisfied	Score
A. Commitment to Improve Community Health	2/3	
B. Enhanced Health Care Services	4/5	
C. Expanding Access and Choice	4/6	

D. Improving Health Care Value: Managing Quality, Cost and Service	6/10	
E. Investment in Health Research/Education and Commitment to Workforce	3/6	
Overall Achievement Score	**19/30**	**63.3%**

An Overall Achievement Score of 63.3% may be considered clear and convincing evidence of the Public Advantage, depending upon the relative circumstances considered by the Commissioner. The New Health System would be given the opportunity to explain why any Measure has not been satisfied and the Commissioner would consider this information in deciding whether to exercise his or her discretion in seeking a modification to the Cooperative Agreement. After considering the Public Advantage and the explanations for why any Measure has not been satisfied, the State, at the Commissioner's discretion, may seek a modification to the Cooperative Agreement under the terms of the COPA.

Example 3. If the New Health System was not able to satisfy several Index of Public Advantage and Community Health Improvement measures for a particular year, the scoring might appear as follows in **Table 11.16**:

Table 11.16 - Sample Scoring of Example 3

Category	Measures Satisfied	Score
A. Commitment to Improve Community Health	2/3	
B. Enhanced Health Care Services	2/5	
C. Expanding Access and Choice	3/6	
D. Improving Health Care Value: Managing Quality, Cost and Service	5/10	
E. Investment in Health Research/Education and Commitment to Workforce	2/6	
Overall Achievement Score	**14/30**	**46.7%**

An Overall Achievement Score of 46.7% may be considered evidence, depending on the relative circumstances, that the Public Advantage of the COPA is no longer evident. The New Health System would be given the opportunity to explain why any Measure has not been satisfied and the Commissioner would consider this information. The Commissioner would allow a reasonable period of time for a remediation plan to be developed, presented, accepted and implemented for re-evaluation. After considering the Public Advantage, the explanations for why any Measure has not been satisfied, and performance under the remediation plan, the State, at the Commissioner's discretion, may begin action to terminate the COPA under the terms of the certification. In deciding whether to take action to terminate the COPA under the terms of the certification, the Commissioner would have the authority to consider important public benefits that contribute to the Public Advantage even if those public benefits are not explicitly addressed in the Index of Public Advantage and Community Health Improvement.

Index of Public Advantage and Community Health Improvement Conclusion

The Parties believe that this Index of Public Advantage and Community Health Improvement proposal outlines a process for the New Health System to align its resources and commitments with the Triple Aim objectives to improve population health, improve patient experience of care (quality and access), and manage the per capita cost of

health care in the region. At the same time, the Parties believe that including the Department, the local departments of health, the Community Health Work Groups, the Advisory Groups, and other community stakeholders in finalizing these proposed Index Categories, Key Focus Areas, and Accountability Mechanisms will lead to greater community buy-in and adaptation of the population health improvement process. Ultimately, the Parties hope that this process will result in the highest chance of success for improving population health across our region.

Exhibits and Attachments

Exhibit Number	Description
Exhibit 11.4	Financial Summary for Mountain States
Exhibit 11.4 - Attachment A	Mountain States Bonds Official Statement for 2011 bonds
Exhibit 11.4 - Attachment B	Mountain States Bonds Official Statement for 2012 bonds
Exhibit 11.4 - Attachment C	Mountain States Bonds Official Statement for 2013 bonds
Exhibit 11.4 - Attachment D	Mountain States Covenant Compliance Certificates for the Last Five Years
Exhibit 11.4 - Attachment E	Mountain States Officer's Certificate Accompanying the Independent Auditor's Report for FY10 to FY14
Exhibit 11.4 - Attachment F	Mountain States Audited Financial Statements for 2009 to 2014
Exhibit 11.4 - Attachment G	Mountain States EMMA – Annual Disclosures for 2010 to 2015 and Material Event Disclosures
Exhibit 11.4 - Attachment H	Mountain States - Rating Agencies
Exhibit 11.5	Financial Summary for Wellmont
Exhibit 11.5 - Attachment A	Wellmont 2011 Bonds Official Statement for 2011 bonds
Exhibit 11.5 - Attachment B	Wellmont Audits – External Audited Financial Statements for 2011 to 2014
Exhibit 11.5 - Attachment C	Wellmont EMMA – Annual Disclosures for 2011 to 2015 and Material Event Disclosures
Exhibit 11.5 - Attachment D	Wellmont External Auditor Management Letters for 2011 to 2014
Exhibit 11.5 - Attachment E	Rating Agencies – Fitch and Standard & Poor's Reports
Exhibit 11.6	Current Annual Budgets for Mountain States
Exhibit 11.7	Current Annual Budgets for Wellmont
Exhibit 11.8	Five Year Projected Budget for New Health System
Exhibit 11.9	Mountain States Insurance Contracts and Payer Agreements
Exhibit 11.10	Wellmont Insurance Contracts and Payer Agreements
Exhibit 11.11	Existing and Future Business Plans of Mountain States
Exhibit 11.12	Existing and Future Business Plans of Wellmont
Exhibit 11.13	Alignment Policy
Exhibit 11.14	Institute of Medicine Vital Signs Core Measures

Exhibit 11.4

Financial Summary for Mountain States

Mountain States Health Alliance Summary for the Fiscal Years Ended June 30, 2011 through June 30, 2015

Volumes:

Fiscal Year ended June 30, 2011:

As compared to fiscal 2010, inpatient admissions of 61,035 increased by 1.6%. Observation patients increased 13.8%, from 18,358 to 20,894. Total "patients in a bed" increased 4.4%, from 78,460 to 81,929. Deliveries increased 1.1%, from 4,461 to 4,511. Outpatient visits (inclusive of physician and urgent care clinics) declined slightly by 0.8% to 1,546,325. Emergency room visits decreased 3.3%, from 250,942 to 242,677; urgent care visits increased slightly by 0.7%.

Fiscal Year ended June 30, 2012:

As compared to fiscal 2011, inpatient admissions remained relatively flat with a slight increase of 119 or 0.2% to 61,154. Observation patients increased 6.2%, from 20,894 to 22,179. Total "patients in a bed" increased 1.7%, from 81,929 to 83,333. Deliveries declined 4.9%, from 4,511 to 4,288. Consistent with industry trends more volumes shifted from an inpatient to outpatient settings, outpatient visits (inclusive of physician and urgent care clinics) increased by 2.8% to 1,590,307. Emergency room visits increased by 1.7%, from 242,677 to 246,821; urgent care visits increased 11.5%.

Fiscal Year ended June 30, 2013:

As compared to fiscal 2012, inpatient admissions decreased by 3,051 or 5.0% to 58,103. Observation patients increased 6.2%, from 22,179 to 23,554. Total "patients in a bed" decreased 2.0%, from 83,333 to 81,657 primarily due to the implementation of accountable care organizations and high deductible health plans in our area. Deliveries increased by 0.4%, from 4,288 to 4,306. Outpatient visits (inclusive of physician and urgent care clinics) increased by 4.7% to 1,664,755. Emergency room visits increased by 1.1%, from 246,821 to 249,415; urgent care visits increased 23.2% due to a combined effect of an increase in utilization and the opening of a new location.

Fiscal Year ended June 30, 2014:

As compared to fiscal 2013, inpatient admissions continued to decline by 1,063 or 1.8% to 57,040. Observation patients increased 2.8%, from 23,554 to 24,218. Total "patients in a bed" decreased 0.5%, from 81,657 to 81,258. Surgeries increased by 2.6%. Deliveries decreased by 2.2%, from 4,306 to 4,213. Outpatient visits (inclusive of physician and urgent care clinics) increased by 1.7% to 1,693,521. Emergency room visits decreased by 3.9%, from 249,415 to 239,606; urgent care visits increased slightly by 0.1%

Fiscal Year ended June 30, 2015:

As compared to fiscal 2014, inpatient admissions increased by 5,009 or 8.8% to 62,049. Observation patients decreased 3.3%, from 24,218 to 23,407. Total "patients in a bed" increased 5.2%, from 81,258 to 85,456. Recent volume growth is attributed to a realization in pent-up demand as a result of several years of high deductible health plans as well as a strong flu season. Surgeries increased by 3.9%. Deliveries increased by 2.3%, from 4,213 to 4,312. Outpatient visits (inclusive of physician and urgent care clinics) increased by 2.9% to 1,742,769. Emergency room visits increased by 6.8%, from 239,606 to 255,857; urgent care visits increased by 10.8%.

Statement of Operations:

Fiscal Year ended June 30, 2011:

Due to increased volumes over fiscal 2010, net patient revenue increased $37.0 million or 4.0%. Total Revenue increased by $36.8 million or 3.9%.

Total Expenses increased $26.6 million or 2.8%. Salaries, contract labor, and benefits increased by $16.4 million or 3.5% driven by an increase in FTEs in patient care areas to support higher volume as well as an increase in employed providers. Supply costs decreased by $6.0 million or 3.4% driven by focused initiatives in supply chain. Fees increased by $3.4 million or 4.1% mainly as a result of higher physician fees. Depreciation increased by $19.1 million or 27.9% due to completion of a new hospital and several construction projects. Amortization expense decreased by $10.6 million due to the ASC 958-805 requirement for not-for-profit entities to cease amortization of goodwill and perform impairment testing in the future.

Income from operations of $25.8 million for fiscal 2011 increased $10.2 million over income from operations in fiscal 2010 of $15.6 million.

Fiscal Year ended June 30, 2012:

Net patient revenue increased $6.3 million or 0.7% over fiscal 2011. Other revenue increased $14.7 million mainly due to revenue earned for Electronic Health Record Meaningful Use and vendor contract concessions. Significant costs were incurred to purchase and implement the systems necessary to achieve Meaningful Use. Total Revenue increased by $21.0 million or 2.1%.

Total Expenses increased $36.7 million or 3.8%. Salaries, contract labor, and benefits increased by $29.3 million or 6.0% driven by an increase in FTEs in patient care areas to support higher volume as well as an increase in employed providers. Fees increased by $12.0 million mainly as a result of higher purchased services and physician fees. Other expense increased by $6.6 million mainly due to an increase in maintenance contracts for the Electronic Health Record. The above increases were offset by a decrease in depreciation of $14.4 million resulting from a facility being fully depreciated in 2011.

Income from operations of $9.9 million for fiscal 2012 declined by $15.6 million over income from operations in fiscal 2011 of $25.8 million.

Fiscal Year ended June 30, 2013:

Due to volume declines from fiscal 2012, net patient revenue decreased $20.6 million or 2.1%. Other revenue increased $25.1 million mainly due to revenue earned for Electronic Health Record Meaningful Use as compared to approximately $5 million in fiscal 2012. Total Revenue increased by $4.5 million or 0.4%.

Total Expenses increased $13.0 million or 1.3%. Salaries, contract labor, and benefits increased by $3.9 million or 0.8% driven by an decrease in FTEs in patient care areas due to lower volume and a focus on labor management offset by an increase in employed providers. Supply costs decreased by $7.2 million or 4.2% driven by a decrease in volume. Fees increased by $8.0 million mainly as a result of higher purchased services and physician fees. Other expense increased by $4.6 million mainly due to an increase in maintenance contracts for the Electronic Health Record. Depreciation expense increased by $5.9 million due to completion of a new hospital. Interest expense decreased by $2.7 million due to lower interest rates on variable rate debt.

Due to the decline in volume and continued pressure on reimbursement from both governmental and commercial sources, income from operations of $1.6 million for fiscal 2013 declined by $8.3 million over income from operations in fiscal 2012 of $9.9 million.

Fiscal Year ended June 30, 2014:

Net patient revenue decreased $3.8 million or 0.4% under fiscal 2013. Other revenue increased $7.1 million mainly due to premium revenue in the provider sponsored Medicare Advantage health plan. Total Revenue increased by $3.2 million or 0.3%.

Total Expenses decreased $5.5 million or 0.5%. Salaries, contract labor, and benefits increased by $16.4 million or 3.1% driven by an decrease in FTEs in patient care areas due to lower volume and a focus on labor management offset by an increase in employed providers. Fees increased by $9.7 million mainly as a result of higher physician fees. Other expense increased by $9.0 million mainly due to medical costs related to the provider sponsored Medicare Advantage plan. Depreciation expense decreased by $9.5 million due to a change in the estimated useful lives of plant and equipment.

As a result of a focus on cost reduction and operating efficiencies, income from operations of $10.4 million for fiscal 2014 increased by $8.3 million over income from operations in fiscal 2013 of $1.6 million.

Fiscal Year ended June 30, 2015:

Due to an increase in volume, net patient revenue increased $71.5 million or 7.5% over fiscal 2014. Other revenue decreased $0.7 million mainly due to an increase in premium revenue in

the provider sponsored Medicare Advantage health plan offset by a decrease in revenue earned for Electronic Health Record Meaningful Use. Total Revenue increased by $70.8 million or 6.9%.

Total Expenses increased $47.9 million or 4.7%. Salaries, contract labor, and benefits increased by $10.7 million or 2.1% driven by an increase in FTEs in patient care areas due to higher volume. Fees increased by $4.7 million mainly as a result of higher physician fees. Supply costs increased by $12.3 million or 7.5% driven by the increase in volume and increase in cost of pharmaceuticals. Other expense increased by $23.5 million mainly due to medical costs related to the provider sponsored Medicare Advantage plan. Depreciation expense decreased by $2.2 million due a reduction in capital expenditures compared to previous years.

Income from operations of $33.3 million for fiscal 2015 (unaudited) increased by $22.9 million over income from operations in fiscal 2014 of $10.4 million.

Balance Sheet and Ratios:

Fiscal Year ended June 30, 2011:

Total assets increased by approximately $68 million mainly due to an increase in property, plant, and equipment and patient accounts receivable offset by a decline in cash and investments. Total liabilities decreased by almost $18 million mainly due to a decline in long-term debt.

Operating cash flow margins continue to be strong reaching 15.7%. Operating margin for fiscal 2011 was 2.6% with days cash on hand at 253.2. During the period from 2006 to 2009, the Alliance pursued an acquisition growth strategy in its core service area. The Alliance acquired an interest in five hospital facilities and these investments leveraged the balance sheet. Long term debt to capitalization was 64.5% and debt service coverage was 2.6. However, the above average operating cash flow of the Alliance adequately supports the debt load. FTEs per AOB were 4.94 with labor expense as a percentage of net patient revenue at 48.8%.

Fiscal Year ended June 30, 2012:

Total assets decreased by approximately $57 million mainly due to a decline in the market value of investments and capital spending. Total liabilities decreased by approximately $84 million mainly due to the elimination of the call option liability.

Operating margin for fiscal 2012 declined to 1.0%. As a result of the decline in market value of investments, increases in patient receivables, and capital spending, days cash on hand decreased to 214.9. The majority of the decrease in days cash on hand was planned and was a result of funding major construction projects from operating cash flow. Long term debt to capitalization declined to 63.6% and debt service coverage was 2.5. FTEs per AOB were 4.90 with labor expense as a percentage of net patient revenue at 52.3%.

Fiscal Year ended June 30, 2013:

Total assets increased by approximately $98 million mainly due to an increase in market value of investments, an increase in patient receivables and an increase in land and assets held for expansion. Total liabilities increased by approximately $36 million mainly due to an increase in long-term debt offset by a decrease in the fair value of interest rate swaps. The increase in long-term debt was due to borrowings to finance capital expenditures including a new surgery tower project at Johnson City Medical Center.

Operating cash flow margin remained steady however operating margin for fiscal 2013 declined to 0.2%. Days cash on hand increased to 235.4. Long term debt to capitalization declined to 62.3% and debt service coverage declined to 2.3. FTEs per AOB were 4.85 with labor expense as a percentage of net patient revenue at 53.9%.

Fiscal Year ended June 30, 2014:

Total assets increased by approximately $44 million mainly due to an increase in investments and an increase in patient receivables. Capital spending moderated in fiscal 2014 after a period of intense capital spending during the prior six years in which major projects completed during this time included the construction of three replacement hospitals and a new surgery tower. Total liabilities decreased by approximately $16 million mainly due to a decrease in long-term debt.

Operating cash flow margin of approximately 12% remained on par with fiscal 2013. Operating margin for fiscal 2014 increased to 1.0%. Days cash on hand increased to 257.7. Long term debt to capitalization improved to 59.9% and debt service coverage declined to 2.2. FTEs per AOB were 4.49 with labor expense as a percentage of net patient revenue at 52.3%.

Fiscal Year ended June 30, 2015:

Total assets increased by approximately $22 million mainly due to an increase in investments. Total liabilities decreased by approximately $32 million mainly due to a decrease in long-term debt.

Operating margin for fiscal 2014 increased to 3.1%. Days cash on hand increased to 265.3. Long term debt to capitalization improved to 57.1% and debt service coverage improved to 2.3. FTEs per AOB were 4.36 with labor expense as a percentage of net patient revenue at 50.9%.

Attachments:

- Attachment A - Bonds Official Statement for 2011 bonds
- Attachment B - Bonds Official Statement for 2012 bonds
- Attachment C - Bonds Official Statement for 2013 bonds
- Attachment D - Covenant Compliance Certificates for the Last Five Years

- Attachment E - Officer's Certificate accompanying the Independent Auditor's Report for FY10 to FY14
- Attachment F - Audited Financial Statements for 2009 to 2014
- Attachment G - EMMA – Annual Disclosures for 2010 to 2015 and Material Event Disclosures
- Attachment H - Rating Agency Reports

Exhibit 11.4

Attachment A

Mountain States Bonds Official Statement for 2011 Bonds

SUPPLEMENT TO OFFICIAL STATEMENT DATED OCTOBER 14, 2011

$211,800,000
MOUNTAIN STATES HEALTH ALLIANCE

The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds (Mountain States Health Alliance)		Industrial Development Authority of Smyth County (Virginia) Hospital Revenue Bonds (Mountain States Health Alliance)	
Series 2011A	**Series 2011B**	**Series 2011C**	**Series 2011D**
$65,260,000	**$20,000,000**	**$49,875,000**	**$60,705,000**

Mountain States Health Alliance
Taxable Bonds

Series 2011E
$15,960,000

This Supplement to the Official Statement dated October 14, 2011, has been prepared by Mountain States Health Alliance (the "Alliance") in connection with the issuance and sale by (1) The Health and Educational Facilities Board of the City of Johnson City, Tennessee of its $65,260,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011A (the "Series 2011A Bonds"), and its $20,000,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011B (the "Series 2011B Bonds"), (2) the Industrial Development Authority of Smyth County of its $49,875,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011C (the "Series 2011C Bonds"), and its $60,705,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011D (the "Series 2011D Bonds"), and (3) the Alliance of its $15,960,000 Taxable Bonds, Series 2011E (the "Series 2011E Bonds"). The Series 2011A Bonds, the Series 2011B Bonds, the Series 2011C Bonds and the Series 2011E Bonds are referred to collectively as the "Series 2011 Bonds".

This Supplement should be read together with the entire Official Statement. Reference is made to the entire Official Statement for information relevant to the information set forth below as well as other information regarding the Series 2011 Bonds and the Alliance. As with the summaries and explanations in the Official Statement hereby supplemented, summaries and explanations of various documents, or provisions thereof, do not purport to be complete and are qualified by reference to the complete documents. All capitalized terms not defined herein shall have the same meaning as in the Official Statement.

Replacement Information. The following paragraph replaces in its entirety the paragraph with the identical heading in the section "THE SERIES 2011 BONDS" on page 15 of the Official Statement. The sole distinction between the two paragraphs is the addition of the final sentence in the paragraph set forth below.

No Purchase After Event of Default

Anything in the Indentures to the contrary notwithstanding, there shall be no purchases of Series 2011 Bonds pursuant to such Indenture if there shall have occurred and be continuing an Event of Default of which the Trustee has knowledge that immediately requires the acceleration of the Series 2011 Bonds under such Indenture. However, the occurrence of such an Event of Default does not alter the obligation of the Bank under the Letter of Credit, including any obligation of the Bank that occurs in connection with any such acceleration of the Series 2011 Bonds.

Date of Supplement: October 28, 2011

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

In the opinion of Bass, Berry & Sims PLC, Bond Counsel, under existing law and subject to conditions described in "TAX MATTERS," interest on the Series 2011 Tax-Exempt Bonds (as defined below) (a) will not be included in gross income for federal income tax purposes, (b) will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (c) will not be included in the calculation of adjusted current earnings for purposes of computing the alternative minimum income tax on corporations. Interest on the Series 2011 Tennessee Bonds (as defined below) will be exempt from all state, county and municipal taxation in Tennessee except inheritance, transfer, estate taxes and except that interest may not be exempt from Tennessee franchise and excise taxes. The income on the Series 2011 Virginia Bonds (as defined below), including any profit made on the sale thereof, is exempt from all taxation by the Commonwealth of Virginia or any political subdivision thereof. A holder may be subject to other federal tax consequences as described in "TAX MATTERS."

$211,800,000
MOUNTAIN STATES HEALTH ALLIANCE

The Health and Educational Facilities Board of the City of Johnson City, Tennessee
Hospital Revenue Bonds
(Mountain States Health Alliance)

Series 2011A
$65,260,000

Series 2011B
$20,000,000

Industrial Development Authority of Smyth County (Virginia)
Hospital Revenue Bonds
(Mountain States Health Alliance)

Series 2011C
$49,875,000

Series 2011D
$60,705,000

Mountain States Health Alliance
Taxable Bonds

Series 2011E
$15,960,000

Dated: Date of Delivery **Maturity: As shown on inside cover page**

This Official Statement contains information relating to the offering of multiple series of bonds (each, a "Series") by or for the benefit of Mountain States Health Alliance (the "Alliance"), a Tennessee non-profit corporation, and related hospital entities, with all such bonds, both tax exempt and taxable, secured on a parity basis with each other and certain previously issued bonds and bonds that may be issued in the future.

At the request of the Alliance, (1) The Health and Educational Facilities Board of the City of Johnson City, Tennessee (the "Tennessee Issuer") is issuing its $65,260,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011A (the "Series 2011A Bonds"), and its $20,000,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011B (the "Series 2011B Bonds" and, together with the Series 2011A Bonds, the "Series 2011 Tennessee Bonds"), and (2) the Industrial Development Authority of Smyth County (the "Virginia Issuer") is issuing its $49,875,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011C (the "Series 2011C Bonds"), and its $60,705,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011D (the "Series 2011D Bonds" and, together with the Series 2011C Bonds, the "Series 2011 Virginia Bonds"). The Series 2011 Tennessee Bonds and the Series 2011 Virginia Bonds are referred to collectively as the "Series 2011 Tax-Exempt Bonds" and the Tennessee Issuer and the Virginia Issuer are referred to together as the "Issuers." The Series 2011 Tax-Exempt Bonds are limited obligations of the respective Issuer, payable from payments to be made by the Alliance to the Bond Trustee pursuant to separate Loan Agreements between each Issuer and the Alliance and related entities, and pursuant to the Series 2011 Tax-Exempt Obligations, hereinafter defined, which are issued under and secured by the Amended and Restated Master Trust Indenture dated as of February 1, 2000, as amended (the "Master Indenture"), between the Alliance and The Bank of New York Mellon Trust Company, N.A., as master trustee, which provides the security for the Series 2011 Tax-Exempt Obligations.

Simultaneously with the issuance of the Series 2011 Tax-Exempt Bonds, the Alliance will issue its own $15,960,000 Taxable Bonds, Series 2011E (the "Series 2011 Taxable Bonds"), which will constitute Obligations issued under and secured by the Master Indenture. The Series 2011 Taxable Bonds and the Series 2011 Tax-Exempt Bonds are referred to collectively as the Series 2011 Bonds. **The Series 2011 Taxable Bonds are being issued directly by the Alliance and not through any governmental authority or other conduit issuer.**

The Series 2011 Bonds will be issued in denominations of $100,000 or any integral multiples of $5,000 in excess thereof and will bear interest at variable rates as described herein from their date of issuance until maturity or any earlier Conversion Date for the Fixed Rate. Each Series of Series 2011 Bonds will be subject to redemption prior to maturity, including optional redemption, mandatory sinking fund redemption and extraordinary optional redemption as described herein. The Series 2011 Bonds will be subject to mandatory tender for purchase prior to maturity under the circumstances described herein.

The timely payment of the principal of and interest on the Series 2011 Bonds and the purchase price of tendered Series 2011 Bonds of each Series will be secured by separate irrevocable, transferable direct-pay letters of credit (each, a "Letter of Credit") issued by the following providers:

Series 2011A	Series 2011B	Series 2011C	Series 2011D	Series 2011E
U.S. Bank National Association	PNC Bank, National Association	U.S. Bank National Association	Mizuho Corporate Bank, Ltd. New York Branch	Mizuho Corporate Bank, Ltd. New York Branch

(each, individually a "Bank" and, collectively, the "Banks"). Each Letter of Credit will entitle the Bond Trustee to draw thereunder amounts equal to the principal amounts of the Series 2011 Bonds outstanding and up to 37 days' interest thereon calculated at a rate of 12% per annum. Each Letter of Credit will expire on October 19, 2014, unless renewed, and each may be replaced by a Substitute Letter of Credit as described herein.

Payment of each Series of Series 2011 Bonds will be secured by a separate Letter of Credit. The Letter of Credit related to one Series of Series 2011 Bonds does not secure payments of principal or purchase price of or interest on any other Series of Series 2011 Bonds.

The Series 2011 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2011 Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2011 Bonds purchased. Interest on the Series 2011 Bonds will accrue from the date of issuance and be payable by the Bond Trustee to DTC for the account of DTC Participants, who are responsible for crediting the accounts of the beneficial owners.

The Series 2011 Tax-Exempt Bonds will be limited obligations of the respective Issuer, payable solely from the sources described in this Official Statement and will not constitute or create any debt, liability or obligation of the State of Tennessee, the Commonwealth of Virginia or any political subdivision or agency thereof or a pledge of the faith and credit of the State of Tennessee, the Commonwealth of Virginia or any political subdivision or agency thereof. Neither the faith and credit nor taxing power of any state or any political subdivision or agency thereof will be pledged to the payment of the Series 2011 Tax-Exempt Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information necessary to make an informed investment decision. For a description of certain risk factors relating to the Series 2011 Bonds, see "CERTAIN RISK FACTORS."

The Series 2011 Tax-Exempt Bonds are offered when, as and if issued, subject to the approving opinion of Bass, Berry & Sims PLC, Nashville and Knoxville, Tennessee, as Bond Counsel, and certain other conditions. As to certain matters of Virginia law, Bond Counsel is relying on the opinion of Hunton & Williams LLP, Richmond, Virginia. In connection with the issuance of the Series 2011 Bonds, certain legal matters will be passed upon by Anderson, Fugate & Givens, Johnson City, Tennessee, as counsel to the Alliance, Samuel B. Miller, Esq., Johnson City, Tennessee, as counsel to the Tennessee Issuer, Gwyn & Tate, Marion, Virginia, as counsel to the Virginia Issuer, Thompson Coburn LLP, St. Louis, Missouri, as counsel to the Banks, and Hunton & Williams LLP, as Underwriters' Counsel. The Public Advisory Corporation serves as financial advisor to the Alliance. It is expected that the Series 2011 Bonds will be issued and available for delivery to DTC in New York, New York, on or about October 19, 2011.

BofA Merrill Lynch
as Underwriter for the Series 2011 Bonds

US Bancorp
as Co-Manager for the Series 2011A and 2011C Bonds

Dated: October 14, 2011

INFORMATION REGARDING MATURITIES, INITIAL RATE PERIODS AND REMARKETING AGENTS

The Health and Educational Facilities Board of the City of Johnson City, Tennessee
Hospital Revenue Bonds
(Mountain States Health Alliance),

$65,260,000
Series 2011A
Initial Rate Period: Weekly
Due: July 1, 2033
Cusip: 478271 JS9
Remarketing Agent:
BofA Merrill Lynch

$20,000,000
Series 2011B
Initial Rate Period: Weekly
Due: July 1, 2033
Cusip: 478271 JT7
Remarketing Agent:
BofA Merrill Lynch

Industrial Development Authority of Smyth County
Hospital Revenue Bonds
(Mountain States Health Alliance),

$49,875,000
Series 2011C
Initial Rate Period: Weekly
Due: July 1, 2031
Cusip: 832870 AT6
Remarketing Agent:
U.S. Bancorp Investments, Inc.
and
U.S. Bank Municipal Securities Group,
a division of
U.S. Bank National Association

$60,705,000
Series 2011D
Initial Rate Period: Weekly
Due: July 1, 2031
Cusip: 832870 AU3
Remarketing Agent:
BofA Merrill Lynch

$15,960,000
Mountain States Health Alliance
Taxable Bonds
Series 2011E
Interest Rate Period: Weekly
Due: July 1, 2026
Cusip: 62427T AA9
Remarketing Agent:
BofA Merrill Lynch

No dealer, salesperson, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Series 2011 Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuers, the Alliance or the Underwriters. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuers, the Alliance or others since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been obtained from the Issuers, the Alliance and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by the Underwriters.

THE PRICES AT WHICH THE SERIES 2011 BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE FOREGOING PAGE. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS TO DEALERS AND OTHER FROM THE PRICES AT WHICH THE SERIES 2011 BONDS ARE OFFERED TO THE PUBLIC. IN CONNECTION WITH THE OFFERING OF THE SERIES 2011 BONDS, THE UNDERWRITERS MAY EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011 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 SERIES 2011 BONDS WILL NOT BE REGISTERED BY THE ISSUERS OR THE ALLIANCE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE, MUNICIPAL, OR OTHER GOVERNMENTAL ENTITY OR AGENCY SHALL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS FORWARD-LOOKING STATEMENTS THAT ARE SUBJECT TO A NUMBER OF RISKS AND UNCERTAINTIES, INCLUDING THOSE DESCRIBED IN "CERTAIN RISK FACTORS," HEREIN, MANY OF WHICH ARE BEYOND THE ISSUERS AND THE ALLIANCE'S CONTROL. FORWARD-LOOKING STATEMENTS ARE TYPICALLY IDENTIFIED BY WORDS SUCH AS "BELIEVE," "EXPECT," "ANTICIPATE," "INTEND," "ESTIMATE" AND SIMILAR EXPRESSIONS. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE CONTEMPLATED BY THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF FACTORS ("CAUTIONARY STATEMENTS") SUCH AS THOSE DESCRIBED IN "CERTAIN RISK FACTORS" HEREIN. IN LIGHT OF THESE RISKS AND UNCERTAINTIES, THERE CAN BE NO ASSURANCE THAT THE RESULTS AND EVENTS CONTEMPLATED BY THE FORWARD-LOOKING INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT WILL IN FACT TRANSPIRE. YOU ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS. NEITHER THE ISSUERS NOR THE ALLIANCE UNDERTAKE ANY OBLIGATION TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS. ALL SUBSEQUENT WRITTEN OR ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO THE ISSUERS AND THE ALLIANCE OR PERSONS ACTING ON THEIR BEHALF ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS.

Other than with respect to information concerning each Bank and its respective Letter of Credit contained under the headings "THE LETTERS OF CREDIT - Terms of the Letters of Credit" and "THE BANKS" and in Appendix G, none of the information in this Official Statement has been supplied or verified by the Banks, and the Banks do not make any warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Bonds, or (iii) the tax status of interest on the Bonds.

The Remarketing Agent is Paid by the Alliance. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Series 2011 Bonds that are optionally or mandatorily tendered by the owners thereof, all as further described in this Official Statement. The Remarketing Agent is appointed by the Alliance and is paid by the Alliance for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Series 2011 Bonds.

The Remarketing Agent Routinely Purchases Series 2011 Bonds for its Own Account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2011 Bonds for its own account. The Remarketing Agent, in its sole discretion, routinely acquires tendered Series 2011 Bonds for its own inventory in order to achieve a successful remarketing of the Series 2011 Bonds (i.e., because there otherwise are not enough buyers to purchase the Series 2011 Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Series 2011 Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Series 2011 Bonds by routinely purchasing and selling Series 2011 Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Series 2011 Bonds. The Remarketing Agent may also sell any Series 2011 Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2011 Bonds. The purchase of Series 2011 Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Series 2011 Bonds in the market than is actually the case. The practices described above also may reduce the supply of Series 2011 Bonds that may be tendered in a remarketing.

Series 2011 Bonds May Be Offered at Different Prices on any Date. The Remarketing Agent is required to determine on the Adjustment Date the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Series 2011 Bonds at par plus accrued interest, if any, on the Adjustment Date. The interest rate will reflect, among other factors, the level of market demand for the Series 2011 Bonds (including whether the Remarketing Agent is willing to purchase Series 2011 Bonds for its own account). There may or may not be Series 2011 Bonds tendered and remarketed on an Adjustment Date, the Remarketing Agent may or may not be able to remarket any Series 2011 Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Series 2011 Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Series 2011 Bonds at the remarketing price. In the event the Remarketing Agent owns any Series 2011 Bonds for its own account, the Remarketing Agent may, in its sole discretion in a secondary market transaction outside the tender process, offer the Series 2011 Bonds on any date, including the Adjustment Date, at a discount to par to some investors.

The Ability To Sell the Series 2011 Bonds other than through Tender Process May Be Limited. While the Remarketing Agent may buy and sell Series 2011 Bonds, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Series 2011 Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2011 Bonds other than by tendering the Series 2011 Bonds in accordance with the tender process. The Letter of Credit is not available to purchase Series 2011 Bonds other than those tendered in accordance with a sale of Series 2011 Bonds by the bondholder to the Remarketing Agent. The Letter of Credit will only be drawn when such Series 2011 Bonds have been properly tendered in accordance with the terms of the transaction.

Remarketing Agent May Be Removed, Resign or Cease Remarketing the Series 2011 Bonds Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

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OFFICIAL STATEMENT

INTRODUCTION

This Official Statement, including its cover page and appendices, provides information in connection with the issuance and sale of multiple series of bonds by or for the benefit of Mountain States Health Alliance (the "Alliance"), a Tennessee non-profit corporation, and related entities, with all such bonds, both tax exempt and taxable, secured on a parity basis with each other and certain previously issued bonds and bonds that may be issued in the future. See below "Sources of Payment and Security for the Series 2011 Bonds."

The Series 2011 Tax Exempt Bonds

At the request of the Alliance, bonds will be issued for the benefit of the Alliance by (1) The Health and Educational Facilities Board of the City of Johnson City, Tennessee (the "Tennessee Issuer"), and (2) the Industrial Development Authority of Smyth County (the "Virginia Issuer").

The Tennessee Issuer is issuing the following series of bonds (collectively, the "Series 2011 Tennessee Bonds"):

$65,260,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011A (the "Series 2011A Bonds"), and

$20,000,000 the Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011B (the "Series 2011B Bonds").

The Virginia Issuer is issuing the following series of bonds (collectively, the "Series 2011 Virginia Bonds"):

$49,875,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011C (the "Series 2011C Bonds"), and

$60,705,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011D (the "Series 2011D Bonds").

The Series 2011 Tennessee Bonds and the Series 2011 Virginia Bonds are referred to collectively as the "Series 2011 Tax-Exempt Bonds," and the Tennessee Issuer and the Virginia Issuer are referred to collectively as the "Issuers." Capitalized terms used herein and not otherwise defined have the meanings given thereto (1) in the Amended and Restated Master Trust Indenture dated as of February 1, 2000, as amended (the "Master Indenture"), between the Alliance and The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee"), (2) in the case of the Series 2011 Tax-Exempt Bonds, in separate Bond Trust Indentures, each dated as of October 1, 2011 (the "Tennessee Indenture" and the "Virginia Indenture" and together, the "Issuer Bond Indentures"), between the respective Issuers and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee"), and (3) in the case of the Series 2011 Taxable Bonds, in the Thirtieth Supplemental Master Trust Indenture dated as of October 1, 2011 (the "Thirtieth Supplement"), between the Alliance and the Master Trustee.

The terms "Indenture" and "Indentures" are used herein (a) to refer to the Issuer Bond Indentures when applicable to the Series 2011 Tax-Exempt Bonds and (b) to refer to the Thirtieth Supplement when applicable to the Series 2011 Taxable Bonds. Likewise, the term "Trustee" is used herein (a) to refer to the Bond Trustee when applicable to the Series 2011 Tax-Exempt Bonds and (b) to refer to the Master Trustee when applicable to the Series 2011 Taxable Bonds.

The Series 2011 Taxable Bonds

The Series 2011 Taxable Bonds will be issued in the amount of $15,960,000 by the Alliance pursuant to the Thirtieth Supplement. The Series 2011 Taxable Bonds are being issued directly by the Alliance and not through any governmental authority or other conduit issuer.

The Alliance

The Mountain States Health Alliance (the "Alliance") is a Tennessee nonprofit corporation that is an "exempt organization" under Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"). The Alliance provides an integrated, comprehensive continuum of care to people in 29 counties in Tennessee, Virginia, Kentucky, and North Carolina. The Alliance currently operates 13 hospital facilities containing a total of 1,749 licensed beds, and serves a population of over 1,000,000 in 29 counties and two independent cities in the States of Tennessee, Virginia, Kentucky and North Carolina. Its integrated health care delivery system also includes 23 primary/preventive care centers and 12 outpatient care sites. **For additional information regarding the Alliance, see Appendix A.**

The Obligated Issuers

The Alliance, Blue Ridge Medical Management Corporation ("Blue Ridge"), Norton Community Hospital ("Norton") and Smyth County Community Hospital ("Smyth") are each an Obligated Issuer as such term is used in the Master Indenture (hereinafter defined). Only the Obligated Issuers are obligated to make payments on the Series 2011 Bonds. See Appendix A - "HISTORY AND OVERVIEW - Operations of Subsidiary and Other Affiliates," and "CONDENSED SUMMARY OF REVENUE AND EXPENSES; FINANCIAL STATEMENTS."

The Banks

The timely payment of the principal of and interest on the Series 2011 Bonds and the purchase price thereof will be secured by irrevocable transferable direct-pay letters of credit issued by (1) in the case of the Series 2011A Bonds and the Series 2011C Bonds, U.S. Bank National Association, (2) in the case of the Series 2011B Bonds, PNC Bank, National Association, and (3) in the case of the Series 2011D Bonds and the Series 2011 Taxable Bonds, Mizuho Corporate Bank, Ltd. See Appendix G.

The Remarketing Agents

Merrill Lynch, Pierce, Fenner and Smith Incorporated will serve as the Remarketing Agent for the Series 2011 Tennessee Bonds, the Series 2011D Bonds and the Series 2011 Taxable Bonds. U.S. Bancorp Investments, Inc. and U.S. Bank Municipal Securities Group, a division of U.S. Bank National Association, will serve as the Remarketing Agent for the Series 2011C Bonds.

Plan of Finance

The proceeds of the Series 2011 Tax-Exempt Bonds are being loaned to the Alliance pursuant to separate Loan Agreements, each dated as of October 1, 2011 (respectively, the "Tennessee Loan Agreement" and the "Virginia Loan Agreement" and, together, the "Loan Agreements"), between each Issuer and the Alliance and related entities. The proceeds of the Series 2011 Tax-Exempt Bonds will be used by the Alliance and related entities (1) to refinance outstanding indebtedness (2) to finance capital improvements and equipment acquisitions at facilities owned by the Alliance and its affiliates and (3) to pay certain expenses incurred in connection with the issuance of the Series 2011 Tax-Exempt Bonds. The proceeds from the sale of the Series 2011 Taxable Bonds will be used to finance capital improvements and equipment acquisitions at facilities owned by Smyth and Blue Ridge Medical Management Corporation, an affiliate of the Alliance. See "PLAN OF FINANCE."

Book-Entry Registration

The Series 2011 Bonds initially will be issued in the form of one registered bond in the aggregate principal amount of each maturity of each Series and will be registered in the name of Cede & Co., as nominee for The

Depository Trust Company, New York, New York ("DTC"). DTC will maintain a book-entry system for recording ownership interest in the Series 2011 Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2011 Bonds purchased. Principal of, any redemption price for, and interest on the Series 2011 Bonds will be payable by the Trustee to DTC for the account of DTC Participants (as defined herein), who are responsible for crediting the accounts of the beneficial owners. See Appendix H - "BOOK-ENTRY ONLY SYSTEM."

Sources of Payment and Security for the Series 2011 Tax-Exempt Bonds

The Series 2011 Tax-Exempt Bonds shall not constitute a debt or obligation of the State of Tennessee or the Commonwealth of Virginia or any political subdivision or agency thereof or a pledge of the faith and credit of any state or any political subdivision or agency of any state, including the Tennessee Issuer and the Virginia Issuer. The Series 2011 Tennessee Bonds are special, limited obligations of the Tennessee Issuer and the Series 2011 Virginia Bonds are limited obligations of the Virginia Issuer, each payable from the respective Trust Estates as described in "THE SERIES 2011 BONDS - General" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS - Trust Estate."

To evidence the Alliance's repayment obligations in connection with the Series 2011 Tax-Exempt Bonds, the Alliance will issue its $65,260,000 Mountain States Health Alliance Note (The Health and Educational Facilities Board of the City of Johnson City, Tennessee) Series 2011A (the "Series 2011A Obligation"), its $20,000,000 Mountain States Health Alliance Note (The Health and Educational Facilities Board of the City of Johnson City, Tennessee) Series 2011B (the "Series 2011B Obligation"), its $49,875,000 Mountain States Health Alliance Note (Industrial Development Authority of Smyth County) Series 2011C (the "Series 2011C Obligation"), and its $60,705,000 Mountain States Health Alliance Note (Industrial Development Authority of Smyth County) Series 2011D (the "Series 2011D Obligation" and, together with the Series 2011A Obligation, the Series 2011B Obligation and the Series 2011C Obligation, the "Series 2011 Tax-Exempt Obligations"), all pursuant to the Master Indenture.

The Series 2011 Taxable Bonds will also be issued pursuant to, and are secured by the Master Indenture and will constitute Obligations thereunder. The Series 2011 Tax-Exempt Obligations and the Series 2011 Taxable Bonds are referred to collectively as the "Series 2011 Obligations."

In the Master Indenture, the Alliance and the other Obligated Issuers have covenanted, and any future Obligated Issuer would be required to covenant, to operate its facilities in such a manner and to charge such fees and rates as will be sufficient to provide funds (together with other available amounts) to pay debt service on its outstanding indebtedness, to pay certain other expenses and indebtedness of the Alliance and all future Obligated Issuers, and to maintain a coverage ratio of Income Available for Debt Service to Maximum Annual Debt Service equal to at least 1.30:1. For a description of such covenants, including exceptions thereto, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS" and Appendix D - "SUMMARY OF THE FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE."

Certain existing bonds of the Tennessee Issuer, the Virginia Issuer and other issuers, as well as bonds of the Alliance, previously have been issued and are secured by Master Obligations issued by the Alliance under the Master Indenture ("Master Obligations") and therefore are secured on a parity with the Series 2011 Bonds. The reimbursement obligations of the Alliance with respect to the Letters of Credit will be secured under the Master Indenture. The Alliance and any future Obligated Issuer have the right, subject to specified conditions, to incur additional indebtedness on a parity with the Series 2011 Obligations and the Series 2011 Bonds.

No Debt Service Reserve Fund

The Series 2011 Bonds are not secured by any Debt Service Reserve Fund.

Tax Matters

In the opinion of Bass, Berry & Sims PLC, Bond Counsel, under existing law and subject to conditions described under "TAX MATTERS," interest on the Series 2011 Tax-Exempt Bonds (a) will not be included in gross

income for federal income tax purposes and (b) will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest on the Series 2011 Tax-Exempt Bonds is taken into account in determining a corporation's alternative minimum income tax. Holders of Series 2011 Tax-Exempt Bonds may be subject to other federal tax consequences, as described herein under "TAX MATTERS." Interest on the Series 2011 Taxable Bonds will be included in gross income for federal income tax purposes.

In the opinion of Bond Counsel, interest on the Series 2011 Tennessee Bonds will be exempt from all state, county, and municipal taxation in the State of Tennessee except inheritance, gift, and estate taxes and except that interest may not be exempt from Tennessee franchise and excise taxes, and income on the Series 2011 Virginia Bonds, including any profit made on the sale thereof, is exempt from all taxation by the Commonwealth of Virginia or any political subdivision thereof. In giving its opinion, Bond Counsel is relying on the opinion of Hunton & Williams LLP as to certain matters of Virginia law, including Virginia tax law.

Continuing Disclosure

To permit compliance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12"), the Alliance will execute a Continuing Disclosure Agreement in connection with the issuance of the Series 2011 Bonds in which it will agree for the benefit of the holders of the Series 2011 Bonds to provide certain annual financial information and operating data and certain quarterly financial data as to the Alliance and any future Obligated Issuer under the Master Indenture, and to provide notice of certain enumerated events, if material. See "CONTINUING DISCLOSURE AGREEMENT" for a more complete description of the Continuing Disclosure Agreement and the Alliance's performance under previous continuing disclosure agreements.

Professionals Involved in the Offering

Bass, Berry & Sims PLC will act as Bond Counsel in connection with the issuance of the Series 2011 Bonds. As to certain matters of Virginia law, Bond Counsel is relying on the opinion of Hunton & Williams LLP. In connection with the issuance of the Series 2011 Bonds, certain legal matters will be passed upon by Anderson, Fugate & Givens, Johnson City, Tennessee, as counsel to the Alliance, Samuel B. Miller, Esq., Johnson City, Tennessee, as counsel to the Tennessee Issuer, Gwyn & Tate, Marion, Virginia, as counsel to the Virginia Issuer, Thompson Coburn LLP, St. Louis, Missouri, as counsel to the Banks, and Hunton & Williams LLP, as Underwriters' Counsel. The Alliance's consolidated financial statements for the fiscal years ended June 30, 2010 and 2009, included in Appendix B hereto, have been audited by Pershing Yoakley & Associates, P.C.

Relationships of the Parties

The Alliance has entered into interest rate exchange agreements, or swap agreements, with Bank of America, which is an affiliate of Bank of America Merrill Lynch, underwriter for the Series 2011 Bonds.

Acceleration

Subject to certain conditions, the Series 2011 Bonds are subject to acceleration of the maturity date upon the happening of an Event of Default under the Indentures. See "SUMMARY OF THE FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES" in Appendix D.

Bondholders' Risks

Payment of the Series 2011 Bonds is dependent on the ability of the Alliance and the other Obligated Issuers to make payments under the Loan Agreements and the Master Indenture. The Alliance's ability to make such payments may be adversely affected by many risk factors. There may also be legal and practical limitations on the enforcement of remedies and amounts that may be realized upon enforcement of remedies available to the Trustee and owners of the Series 2011 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS" and "CERTAIN RISK FACTORS" herein and "SOURCES OF REVENUE" in Appendix A.

Legal Document Summaries and Definitions

Certain provisions of the Master Indenture, the Indentures and the Loan Agreements are summarized in Appendix D hereto. Other definitions of certain terms used in this Official Statement are also set forth in Appendix D hereto.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The quotations from, and summaries and explanations of, the statutes, regulations and documents referenced herein do not purport to be complete and reference is made to those statutes, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such documents may be obtained during the offering period, upon request to the Alliance and upon payment to the Alliance of a charge for copying, mailing and handling, at 400 North State of Franklin Road, Johnson City, TN 37604-6094, Attn: Legal Department.

Purchasers of the Series 2011 Bonds should note the use of forward-looking information and the covenants related thereto.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Board or the Alliance and the purchasers or holders of any of the Series 2011 Bonds.

This introduction is not a summary of this Official Statement. It is only a summary description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2011 Bonds to potential investors is made only by means of the entire Official Statement.

THE ISSUERS

The Tennessee Issuer

The Tennessee Issuer is a public nonprofit corporation organized under the laws of the State of Tennessee. The Tennessee Issuer was incorporated on May 3, 1973, by the Board of Commissioners of the City of Johnson City, Tennessee, pursuant to the laws now codified under Tennessee Code Annotated Section 48-101-301, *et seq.* (the "Tennessee Act"). The Tennessee Act authorizes the Issuer, among other things, to issue its bonds, to acquire, improve, maintain, extend, equip and furnish hospital facilities either within or without the corporate limits of the City of Johnson City, and in certain other jurisdictions in Tennessee, to mortgage its projects, to pledge the revenues and receipt therefrom, and to sell, exchange, donate and convey any or all of its properties. The Tennessee Issuer has no taxing power.

The Virginia Issuer

The Virginia Issuer was created pursuant to the Virginia Industrial Development and Revenue Bond Act, Title 15.2, Chapter 49 of the Code of Virginia of 1950, as amended (the "Virginia Act"), by ordinance adopted by the Board of Supervisors of Smyth County, Virginia. The Virginia Issuer is a political subdivision of the Commonwealth of Virginia governed by a Board of Directors appointed by the Board of Supervisors of Smyth County, Virginia. Under the Virginia Act, the Virginia Issuer is empowered, among other things, to make loans for the purpose of financing or refinancing medical facilities, and to finance the same by the issuance of its revenue bonds and to refund bonds previously issued by it. The Virginia Issuer has no taxing power.

THE ALLIANCE

The Alliance is a Tennessee nonprofit corporation recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"). Today, the Alliance directly and through related entities provides an integrated, comprehensive continuum of care to people in 29 counties in Tennessee, Virginia, Kentucky, and North Carolina. The Alliance was initially incorporated as Memorial Hospital on April 12, 1945, as a non-sectarian, general welfare, not-for-profit corporation. In connection with the relocation of its operations, it changed its name to Johnson City Medical Center Hospital, Inc. in 1983. In 1998, Johnson City Medical Center Hospital, Inc. assumed operating responsibility for five hospitals and related assets, which it acquired from Columbia/HCA. In recognition of its expanded facilities and scope of services resulting from the 1998 acquisition, Johnson City Medical Center Hospital, Inc. changed its name to Mountain States Health Alliance.

The Alliance currently operates 13 hospital facilities: Johnson City Medical Center (including The Children's Hospital at Johnson City Medical Center), The James H. & Cecile C. Quillen Rehabilitation Hospital, Indian Path Medical Center, Sycamore Shoals Hospital, Johnson County Community Hospital, Woodridge Hospital, Smyth County Community Hospital, Norton Community Hospital, Dickenson Community Hospital, Russell County Medical Center and Johnston Memorial Hospital. The Alliance now has a total of 1,749 licensed beds serving a population of over 1,000,000 in 29 counties in the States of Tennessee, Virginia, Kentucky and North Carolina. In addition to its hospitals, the Alliance's integrated health care delivery system includes 23 primary/preventive care centers and 12 outpatient care sites. The Alliance's medical facilities provide a full spectrum of general and specialty medical services, including rehabilitative services for individuals with brain injuries, strokes and spinal cord injuries, in-patient psychiatric services and centers for health focusing on cardiovascular health, pulmonary medicine, women's health and cancer therapy, among other services. The Alliance also serves as a clinical training facility for medical students, residents, and nursing students from the East Tennessee State University's James H. Quillen College of Medicine and the School of Public and Allied Health. **For additional information regarding the Alliance, see Appendix A.**

The Alliance, Blue Ridge Medical Management Corporation ("Blue Ridge"), Norton Community Hospital ("Norton") and Smyth County Community Hospital ("Smyth") are each an Obligated Issuer as such term is used in the Master Indenture. Blue Ridge is a wholly-owned, for-profit subsidiary of the Alliance. Norton is a Virginia non-stock corporation in which the Alliance owns a 50.1% interest. Smyth is a Virginia non-stock corporation in which the Alliance owns an 80% interest. See Appendix A - "HISTORY AND OVERVIEW - Operations of Subsidiary and Other Affiliates."

The Alliance also operates the Virginia hospital facilities in Dickenson County and Washington County through ownership of a majority interest in the membership of the corporations owning such facilities. None of such corporations are an Obligated Issuer or otherwise are responsible for repayment of amounts due from the Alliance with respect to the Series 2011 Bonds, and none of the assets of such corporations are pledged as security for the Alliance's payment obligations.

Only the Obligated Issuers are obligated to pay the Series 2011 Bonds. The audited and unaudited financial statements of the Alliance included as Appendices B and C reflect the assets, liabilities, revenues and expenses of related organizations that are not Obligated Issuers. See Appendix A − "CONDENSED SUMMARY OF REVENUE AND EXPENSES; FINANCIAL STATEMENTS."

THE SERIES 2011 BONDS

Set forth below is a summary of certain provisions of the Series 2011 Bonds. General information describing the Series 2011 Bonds appears elsewhere in this Official Statement. That information should be read in conjunction with this summary, which is qualified in its entirety by reference to the Indentures, and the forms of the Series 2011 Bonds. See "SUMMARY OF THE FINANCING DOCUMENTS" in Appendix D hereto.

General

The Series 2011 Bonds shall be initially issued as fully registered bonds without coupons in denominations of $100,000 or any integral multiple of $5,000 in excess thereof. The Series 2011 Bonds will mature, subject to prior redemption as described herein, on July 1, in the years noted below, and will bear interest payable on the first Business Day of each month so long as the Series 2011 Bonds bear interest at the Weekly Rate, as defined below. In the event the interest on any Series of Series 2011 Bonds is converted to the Medium-Term Rate or the Fixed Rate, as defined below, interest will be payable semiannually on January 1 and July 1 of each year (each such date referred to herein as an "Interest Payment Date"). The Weekly Rate for Series 2011 Bonds of different Series may be different rates at any time.

The Series 2011 Tennessee Bonds will mature on July 1, 2033. The Series 2011 Virginia Bonds will mature on July 1, 2031. The Series 2011 Taxable Bonds will mature on July 1, 2026.

Interest on the Series 2011 Bonds shall be computed from the Interest Payment Date to which interest on the Series 2011 Bonds has been paid or duly provided for next preceding the date of authentication thereof, unless (a) such date of authentication shall be prior to the first Interest Payment Date, in which case interest shall be computed from the Closing Date, or (b) such date of authentication shall be an Interest Payment Date to which interest on the Series 2011 Bonds has been paid or duly provided for, in which case interest shall be computed from such Interest Payment Date, or (c) such date of authentication shall be after any Record Date and before the next succeeding Interest Payment Date, in which case interest shall be computed from the next succeeding Interest Payment Date.

The principal and premium, if any, of the Series 2011 Bonds, and the purchase price for any Series 2011 Bonds shall be payable at the office of the Trustee in East Syracuse, New York, upon surrender of the Series 2011 Bonds at such office. Interest on the Series 2011 Bonds (other than Defaulted Interest) shall be payable by check drawn upon the Trustee and paid to the Persons in whose names the Series 2011 Bonds are registered on the Bond Register as of the close of business on the Record Date next preceding the relevant Interest Payment Date, provided that during Weekly Rate Periods, on written request to the Trustee by any Person who is the registered owner of Series 2011 Bonds of a Series in a principal amount of $1,000,000 or more received by the Trustee on or before 15 days prior to such Record Date (which instructions shall remain in effect until revoked by subsequent written instructions), interest on such Series 2011 Bonds shall be payable by wire transfer of immediately available funds to an account at a bank located in the continental United States specified by the person in whose name such Series 2011 Bonds are registered. Any interest on any Series 2011 Bond which is payable but which is not punctually paid or duly provided for ("Defaulted Interest") shall cease being payable to the person in whose name such Series 2011 Bond is registered on the Record Date and instead shall be payable to the person in whose name such Series 2011 Bond is registered at close of business on a Special Record Date selected by the Trustee and which shall be at least 10 days but not more than 30 days before the date selected by the Trustee for payment of such Defaulted Interest. The Trustee shall give Notice by Mail of the Special Record Date and date for payment of Defaulted Interest at least 10 days before the Special Record Date.

THE SERIES 2011 TENNESSEE BONDS ARE, AND ARE TO BE, EQUALLY AND RATABLY SECURED, TO THE EXTENT PROVIDED IN THE APPLICABLE TENNESSEE BOND INDENTURE, SOLELY BY A PLEDGE OF THE REVENUES AND OTHER FUNDS PLEDGED UNDER SUCH TENNESSEE BOND INDENTURE. THE SERIES 2011 TENNESSEE BONDS, TOGETHER WITH PREMIUM, IF ANY, AND THE INTEREST THEREON, ARE SPECIAL AND LIMITED OBLIGATIONS OF THE TENNESSEE ISSUER. THE SERIES 2011 TENNESSEE BONDS AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF TENNESSEE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF JOHNSON CITY, TENNESSEE. THE CITY OF JOHNSON CITY, TENNESSEE, SHALL NOT IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2011 TENNESSEE BONDS, OR FOR THE PERFORMANCE OF ANY PLEDGE, MORTGAGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER THEREIN OR INDEBTEDNESS BY THE TENNESSEE ISSUER, AND NEITHER THE SERIES 2011 TENNESSEE BONDS NOR ANY OF THE TENNESSEE ISSUERS AGREEMENTS OR OBLIGATIONS DESCRIBED IN THE SERIES 2011 TENNESSEE BONDS OR OTHERWISE SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF THE CITY OF

JOHNSON CITY, TENNESSEE, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS WHATSOEVER. THE TENNESSEE ISSUER HAS NO TAXING AUTHORITY.

THE SERIES 2011 VIRGINIA BONDS AND THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF VIRGINIA, OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE VIRGINIA ISSUER OR SMYTH COUNTY, VIRGINIA. NEITHER THE COMMONWEALTH OF VIRGINIA, NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE VIRGINIA ISSUER OR SMYTH COUNTY, VIRGINIA, SHALL BE OBLIGATED TO PAY PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2011 VIRGINIA BONDS OR OTHER COSTS INCIDENT THERETO, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE VIRGINIA ISSUER IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF THE SERIES 2011 VIRGINIA BONDS OR INTEREST THEREON OR OTHER COSTS INCIDENT THERETO. THE VIRGINIA ISSUER HAS NO TAXING POWER.

Interest Rate on the Series 2011 Bonds

The Remarketing Agent shall determine the interest rate on the Series 2011 Bonds of a Series for each Weekly Rate Period, as defined in the next sentence. "Weekly Rate Periods" shall mean any period from and commencing on any Wednesday (or in certain circumstances on a Proposed Conversion Date) and ending on the earliest of (a) the next succeeding Tuesday (including such Tuesday), (b) the Conversion Date to the Fixed Rate, (c) the Interest Payment Date on which a Medium-Term Rate Period begins or (d) maturity of the Series 2011 Bonds of that Series. The interest rate on the Series 2011 Bonds of a series shall be determined by the Remarketing Agent for each Weekly Rate Period as the rate equal to the lowest rate which, having due regard for general financial conditions and such other special conditions as in the judgment of the Remarketing Agent may have a bearing on the rate, would produce as nearly as possible a par bid for the Series 2011 Bonds of a series (without regard to accrued interest) in the secondary market on the first day of such Weekly Rate Period. The rate for any Weekly Rate Period shall be determined prior to 10:00 a.m., New York City time on the first day for any Weekly Rate Period. The first day of any Weekly Rate Period is referred to herein as an "Adjustment Date." On the Adjustment Date, the Remarketing Agent shall notify the Trustee no later than 10:00 a.m., New York City time of the rate applicable for such Weekly Rate Period. Any time after 10:00 a.m., New York City time on the Adjustment Date, any Bondholder may contact the Remarketing Agent to obtain such rate.

In the event the Remarketing Agent fails to determine the rate for any Weekly Rate Period, the rate of interest borne by (1) the Series 2011 Tax-Exempt Bonds for such Weekly Rate Period shall be the SIFMA Municipal Swap Index and (2) the Series 2011 Taxable Bonds for such Weekly Rate Period shall be the one-month LIBOR rate.

In no event shall the interest rate borne by the Series 2011 Bonds during any Weekly Rate Period exceed the lesser of 12% per annum or the maximum contract rate of interest permitted by the laws of the (1) State of Tennessee for the Series 2011 Tennessee Bonds and the Series 2011 Taxable Bonds or the (2) Commonwealth of Virginia for the Series 2011 Virginia Bonds. During the Weekly Rate Periods, (1) interest on the Series 2011 Tax-Exempt Bonds will be computed on the basis of a 365- or 366-day year, as the case may be, and the actual days elapsed and (2) interest on the Series 2011 Taxable Bonds will be computed on the basis of a 360-day year and actual days elapsed.

The determination of any interest rate in accordance with the provisions of the Indentures shall be conclusive and shall be binding upon the Trustee, the Issuers, the Alliance, the Bank, the Remarketing Agent and the Bondholders.

Effective on any Interest Payment Date while the Weekly Rate Periods are in effect, the Alliance shall have the option, with the written approval of the Bank, the applicable Issuer, if any, and the Remarketing Agent, to change the Rate Periods for a Series of the Series 2011 Bonds from the Weekly Rate Periods then in effect to the Medium-Term Rate Periods or to a Fixed Rate Period. Upon such event, the Trustee shall notify the holders of the Series 2011 Bonds of such conversion, and the Series 2011 Bonds shall be subject to mandatory tender for purchase

as described herein. The date on which the interest rate on the Series 2011 Bonds is converted to a Fixed Rate is referred to herein as the "Conversion Date."

Registration and Transfer of Series 2011 Bonds

The Indentures contain the following provisions with respect to registration of transfer and exchange of Series 2011 Bonds. Such provisions do not apply while the Series 2011 Bonds are held by DTC. See Appendix H - "BOOK-ENTRY ONLY SYSTEM."

Any holder of a Series 2011 Bond, in person or by his duly authorized attorney, may register the transfer of his Series 2011 Bond on the Bond Register, upon surrender thereof at the office of the Trustee in East Syracuse, New York, together with a written instrument of transfer (in such form as shall be reasonably satisfactory to the Trustee) executed by the holder or his duly authorized attorney; and upon surrender for registration of transfer of any Series 2011 Bond, an Issuer shall execute and the Trustee shall authenticate and deliver in the name of the designated transferee or transferees a new Series 2011 Bond or Bonds of the same Stated Maturity, aggregate principal amount and tenor as the Series 2011 Bond surrendered and of any Authorized Denomination.

Series 2011 Bonds may be exchanged at the office of the Trustee in East Syracuse, New York, for an equal aggregate principal amount of Series 2011 Bonds of the same Series, Stated Maturity, interest rate, aggregate principal amount and tenor as the Series 2011 Bonds being exchanged and of any Authorized Denomination. The Issuer or the Alliance, as applicable, shall execute and the Trustee shall authenticate and deliver Series 2011 Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding.

Such registrations of transfers or exchanges of Series 2011 Bonds shall be without charge to the holders of such Series 2011 Bonds, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder of the Series 2011 Bond requesting such registration of transfer or exchange as a condition precedent to the exercise of such privilege. The Trustee shall not be required (a) to transfer or exchange any Series 2011 Bond during the period from a Record Date to an Interest Payment Date or from the Business Day prior to a Special Record Date to the date for payment of Defaulted Interest, or (b) to make any exchange or registration of transfer of any Series 2011 Bonds called for redemption in whole or in part.

The person in whose name any Series 2011 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of, or on account of, either principal or interest shall be made only to or upon the order of such person or his duly authorized attorney, but such registration may be changed as hereinabove described. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2011 Bond to the extent of the sum or sums so paid.

Redemption

The Series 2011 Bonds may not be called for redemption during the Weekly Rate Periods except as described below. This Official Statement does not describe any redemption provisions for Series 2011 Bonds during the Medium Term Period or after the Conversion Date. The Letters of Credit do not secure the payment of any premium due to the optional redemption of Series 2011 Bonds by the Alliance.

Optional Redemption

While the Weekly Rate Periods are in effect, the Series 2011 Bonds of each Series are subject to optional redemption by the Issuer or the Alliance, as applicable, in whole or in part on any Business Day, at the direction of the Alliance, with the prior written consent of the Bank if proceeds drawn under any Letter of Credit will be used for redemption of Series 2011 Bonds, at a redemption price equal to the principal amount thereof plus accrued interest to the Redemption Date.

Extraordinary Optional Redemption

The Series 2011 Bonds are callable for redemption prior to maturity in the event of damage to or destruction of the Property of any member of the Obligated Group or any part thereof or condemnation of the Facilities or any part thereof, if the Net Proceeds of insurance or condemnation received in connection therewith to the extent such Net Proceeds are not applied either to any lawful purposes of the Obligated Group or to the repair, replacement, restoration or reconstruction of the affected Facilities pursuant to the Master Indenture, but only to the extent of the funds provided for in the Master Indenture. If thus called for redemption, Series 2011 Bonds shall be subject to redemption by the Issuer or the Alliance, as applicable, at any time, in whole or in part, and if in part, the Alliance may decide the amount of each Series of Series 2011 Bonds to be redeemed. Such redemption shall be at the principal amount thereof plus accrued interest to the redemption date, and without premium, from the proceeds of such insurance or condemnation award or such sale but not in excess of the amount of such proceeds applied to such purpose. If no direction is given by the Alliance, the Trustee will redeem Series 2011 Bonds of each Series then outstanding pro rata based on the then outstanding principal amount of each Series.

Mandatory Sinking Fund Redemption

Subject to the credit described following the tables below, the Series 2011 Bonds of each Series are subject to Mandatory Sinking Fund Redemption prior to maturity on July 1 in the years and in the principal amounts specified below for each Series of Series 2011 Bonds, at a redemption price equal to 100% of the principal amount thereof plus accrued interest:

Series 2011A Bonds		**Series 2011B Bonds**	
July 1,	**Principal Amount**	**July 1,**	**Principal Amount**
2012	$4,075,000	2012	$ 0
2013	4,240,000	2013	15,000
2014	2,110,000	2014	25,000
2015	2,415,000	2015	95,000
2016	2,540,000	2016	100,000
2017	2,630,000	2017	115,000
2018	3,035,000	2018	470,000
2019	0	2019	695,000
2020	0	2020	735,000
2021	3,555,000	2021	785,000
2022	3,150,000	2022	830,000
2023	3,085,000	2023	940,000
2024	4,225,000	2024	0
2025	3,980,000	2025	0
2026	1,030,000	2026	0
2027	1,020,000	2027	0
2028	780,000	2028	0
2029	590,000	2029	0
2030	330,000	2030	0
2031	410,000	2031	0
2032	17,775,000	2032	0
2033	4,285,000	2033	15,195,000

Series 2011C Bonds	
July 1,	Principal Amount
2012	$ 900,000
2013	755,000
2014	800,000
2015	1,000,000
2016	1,050,000
2017	1,110,000
2018	2,035,000
2019	2,625,000
2020	2,755,000
2021	2,905,000
2022	3,060,000
2023	3,365,000
2024	3,640,000
2025	4,035,000
2026	1,965,000
2027	2,090,000
2028	2,180,000
2029	2,340,000
2030	2,445,000
2031	8,820,000

Series 2011D Bonds	
July 1,	Principal Amount
2012	$ 0
2013	50,000
2014	90,000
2015	360,000
2016	395,000
2017	445,000
2018	1,825,000
2019	2,685,000
2020	2,840,000
2021	3,035,000
2022	3,215,000
2023	3,640,000
2024	6,140,000
2025	6,815,000
2026	3,320,000
2027	3,530,000
2028	3,675,000
2029	3,945,000
2030	4,130,000
2031	10,570,000

Series 2011 Taxable Bonds	
July 1,	Principal Amount
2012	$ 0
2013	15,000
2014	25,000
2015	95,000
2016	105,000
2017	120,000
2018	1,420,000
2019	5,505,000
2020	5,145,000
2021	795,000
2022	845,000
2023	755,000
2024	420,000
2025	505,000
2026	210,000

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the Alliance may (i) deliver to the Trustee for cancellation bonds of the applicable Series of Series 2011 Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any bonds of the applicable Series of Series 2011 Bonds

of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Trustee and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Series 2011 Bond so delivered or previously purchased or redeemed shall be credited by the Trustee at 100% of the principal amount thereof on the obligation of the Issuer or the Alliance, as applicable, on such payment date and any excess shall be credited on future redemption obligations in such order as the Alliance directs, and the principal amount of Series 2011 Bonds of the applicable Series to be redeemed by operation of the mandatory sinking fund provision shall be accordingly reduced. The Alliance shall on or before the forty-fifth (45th) day next preceding each payment date furnish the Trustee with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this paragraph are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

Notice of Redemption

The Trustee shall cause notice of the call for any such redemption identifying the Series 2011 Bonds to be redeemed to be sent not less than 30 nor more than 60 days prior to the Redemption Date (a) by first-class mail postage prepaid, to the holder of each such Series 2011 Bond to be redeemed at his address as it appears on the registration books of the Trustee, (b) by first-class mail, to at least two organizations registered with the Securities and Exchange Commission as securities depositories, (c) to at least one information service of national recognition which disseminates redemption information with respect to municipal securities, and (d) if a Letter of Credit is in effect, to the Bank. Failure to give any notice described in (a), or any defect therein, shall not affect the validity of any proceedings for the redemption of any Series 2011 Bonds with respect to which no such failure has occurred and failure to give any notice described in (b) or (c), or any defect therein, shall not affect the validity of any proceedings for the redemption of any Series 2011 Bonds with respect to which the notice specified in (a) is correctly given. Any notice mailed as described above shall conclusively be presumed to have been given whether or not actually received by any Holder. All Series 2011 Bonds called for redemption shall cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit at the place of payment on the date fixed for redemption.

Partial Redemption of Series 2011 Bonds

If less than all the Series 2011 Bonds of a Series are to be redeemed, the particular Series 2011 Bonds of a Series or portions thereof to be redeemed shall be selected by the Trustee by lot or in such other manner as the Trustee shall deem appropriate, which shall be deemed to include pro rata redemption of Series 2011 Bonds of a Series, and which may provide for the selection for redemption of portions (equal to Authorized Denominations) of the principal of Series 2011 Bonds of a Series; provided that (a) if at the time of selection of any Series 2011 Bonds for redemption any Series 2011 Bonds of a Series are Pledged Bonds or Borrower Bonds, such Pledged Bonds or Borrower Bonds shall be selected for redemption prior to any other Series 2011 Bonds of such Series, and (b) if at the time of selection, the Trustee has received notice of tender of any Series 2011 Bonds for which the Optional Tender Date will be on or after the Redemption Date, the Trustee (after redeeming all Series 2011 Bonds to which clause (a) applies) shall select such Tendered Bonds for redemption prior to any Series 2011 Bonds of such Series, other than Pledged Bonds or Borrower Bonds.

Any Series 2011 Bond which is to be redeemed only in part shall be surrendered to the Trustee (a) for payment of the Redemption Price (including accrued interest thereon to the Redemption Date) of the portion thereof called for redemption and (b) for exchange for Series 2011 Bonds in any Authorized Denomination or denominations in aggregate principal amount equal to the unredeemed portion of such Series 2011 Bond, without charge therefor.

Notwithstanding the foregoing, in the event that the depository for the Series 2011 Bonds is DTC, the Trustee will follow the procedure for redemption, and selection of Series 2011 Bonds for redemption, prescribed by DTC.

Purchase of Series 2011 Bonds in Lieu of Redemption

In lieu of redeeming Series 2011 Bonds, the Trustee may, at the request of the Alliance, use funds otherwise available under the Indenture for redemption of Series 2011 Bonds to purchase Series 2011 Bonds identified by the Alliance in the open market for cancellation at a price specified by the Alliance not exceeding the Redemption Price then applicable under the Indenture. In the case of any extraordinary redemption or any purchase and cancellation of the Series 2011 Bonds, the Alliance shall receive credit against its required deposits to the Bond Sinking Fund with respect to Series 2011 Bonds of the Series and maturity redeemed or purchased in such order as the Alliance elects prior to such extraordinary redemption or purchase and cancellation or, if no election is made, in the inverse order thereof.

Tender and Purchase of Series 2011 Bonds

Purchase of Series 2011 Bonds at Option of Holder

While the Weekly Rate Periods are in effect, the Trustee, as Tender Agent and acting on behalf of the Alliance and for the benefit of the Bondholders, shall purchase any Series 2011 Bond (other than Pledged Bonds and Borrower Bonds), in whole or in part in Authorized Denominations upon the demand of the holder thereof at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the date of purchase, for the account of the Alliance, but only upon (a) delivery to the Trustee and the Remarketing Agent at their respective principal offices (St. Louis, Missouri for the Trustee) of a written notice, or at the option of the Trustee or the Remarketing Agent (with respect to their respective notices), telephonic notice confirmed in writing, from the Holder of such Series 2011 Bond (an "Optional Tender Notice") which shall state (1) the principal amount or portions of such Series 2011 Bond being tendered, the number of the Series 2011 Bond being tendered and the name of the Holder thereof and (2) the date such Series 2011 Bond or portion thereof shall be purchased pursuant to the Indenture (the "Optional Tender Date"), which date shall be a Business Day not later than 3:00 p.m., New York City time on the Business Day that is five Business Days prior to the date of receipt of such Optional Tender Notice by the Remarketing Agent and the Trustee and (b) delivery of such Series 2011 Bond (with all necessary endorsements) to the Trustee, at its office in East Syracuse, New York, at or prior to 10:00 a.m., New York City time, on the first Business Day prior to the date of purchase specified in the aforesaid notice; provided, however, that payment of the purchase price of such Series 2011 Bonds shall be made only if the Series 2011 Bonds so delivered to the Trustee, as Tender Agent, shall conform in all respects to the description thereof in the aforesaid notice. Payment of such purchase price shall be made by check unless the Bondholder's Optional Tender Notice contains instructions to the Trustee to wire such purchase price to a particular account. If the date that a Series 2011 Bond is to be purchased is after a Record Date but before the next succeeding Interest Payment Date, the owner of such Series 2011 Bond shall also be required to deliver to the Trustee a due bill instructing that the interest due on the next succeeding Interest Payment Date be paid to the person who purchases such Series 2011 Bond on the purchase date.

On the Optional Tender Date, the Trustee, as Tender Agent, shall purchase the Series 2011 Bond or portion thereof identified in such Optional Tender Notice from the Holder thereof for the account of the Alliance, at a purchase price equal to the principal amount or portion thereof being tendered plus accrued interest, but only from funds provided by the Alliance, including moneys drawn under the Letter of Credit.

Any Series 2011 Bonds which are not tendered on an Optional Tender Date pursuant to an Optional Tender Notice (the "Untendered Bonds"), for which there has been irrevocably deposited in trust with the Trustee an amount sufficient to pay the purchase price thereof, shall be deemed to have been tendered for purchase and purchased as described herein. Holders of Untendered Bonds shall not be entitled to any payment (including any interest to accrue subsequent to the Optional Tender Date) other than the purchase price for such Untendered Bonds, and the Holders of such Untendered Bonds shall no longer be entitled to the benefits of the Indenture, except for the purpose of payment of the purchase price thereof. Replacement Bonds shall be issued in place of such Untendered Bonds and after the issuance of such Replacement Bonds, such Untendered Bonds shall be deemed to have been purchased and shall no longer be Outstanding under the Indenture.

Mandatory Purchase Upon Conversion Date

The Series 2011 Bonds are required to be tendered for purchase on each Conversion Date or any Proposed Conversion Date. Upon receipt of notice from the Alliance establishing the Proposed Conversion Date and certain other documentation required by the Indenture, the Trustee shall give Notice by Mail to the Bondholders at least 30 days before the Proposed Conversion Date that the Proposed Conversion Date is a Mandatory Tender Date. Such notice shall state (a) that the interest rate on the Series 2011 Bonds will be converted to a Fixed Rate; (b) the Conversion Date; (c) the date by which (1) the Preliminary Fixed Rate that is required to be determined pursuant to the Indenture is to be determined and (2) the Bondholders may contact the Trustee (and the name and telephone number of the person whom the Bondholders may contact) to obtain the Preliminary Fixed Rate; (d) the date by which (1) the Remarketing Agent is required to determine the Fixed Rate, (2) the Bondholders may contact the Trustee (and the name and telephone number of the person whom the Bondholders may contact) to obtain the Fixed Rate, and (3) the Trustee will notify upon request the Bondholders of the Fixed Rate; (e) that subsequent to the conversion to a Fixed Rate (1) any ratings of the Rating Agency or Agencies then rating the Series 2011 Bonds may be withdrawn or changed (if such is the case) and (2) the Bondholders will no longer have the right to tender their Series 2011 Bonds to the Trustee for purchase under the Indenture; (f) the last date on which the Bondholders' right to tender Series 2011 Bonds may be exercised; (g) that the Series 2011 Bonds will not be entitled to the benefit of the Letter of Credit or a Substitute Letter of Credit after the Conversion Date, if such is the case; (h) that there will be a failure of conversion (1) if the Fixed Rate is less than the Preliminary Fixed Rate, (2) if the Opinion of Bond Counsel required in connection with such a conversion is withdrawn prior to the Conversion Date, (3) if the Remarketing Agent fails to determine the Preliminary Fixed Rate or Fixed Rate or (4) if the Alliance revokes its request to convert the interest rate on the Series 2011 Bonds to a Fixed Rate; (i) that such failure of conversion shall result in the Series 2011 Bonds bearing interest at a Weekly Rate; (j) the Termination Date of the Letter of Credit; and (k) that, on the Proposed Conversion Date, the Bondholder shall have no further rights under such Series 2011 Bond or Bonds except to receive the principal of the Series 2011 Bond or Bonds upon presentation and surrender of such Series 2011 Bond or Bonds to the Trustee.

On the Proposed Conversion Date, whether or not a Failed Conversion as described below has occurred, the Trustee shall purchase all outstanding Series 2011 Bonds (except Pledged Bonds and Borrower Bonds) from the Holders thereof, who shall also have delivered such Series 2011 Bonds to the Trustee, all as above described.

If (i) the Fixed Rate as determined by the Remarketing Agent is less than the Preliminary Fixed Rate, (ii) the Remarketing Agent fails to determine the Preliminary Fixed Rate or Fixed Rate, (iii) the Opinion of Bond Counsel required with respect to the conversion to the Fixed Rate is withdrawn prior to the Conversion Date or, (iv) the Alliance revokes its request to convert the interest rate on the Series 2011 Bonds to a Fixed Rate, then a failed conversion shall be deemed to have occurred (a "Failed Conversion"). In the event of a Failed Conversion, the interest rate on the Series 2011 Bonds will be the Weekly Rate, and the Weekly Rate Periods shall be in effect. If the Weekly Rate Periods were not in effect prior to the Proposed Conversion Date, the Proposed Conversion Date shall be deemed to be an Adjustment Date for a Weekly Rate Period beginning on such date.

Mandatory Purchase Upon Conversion to Medium-Term Rate Periods

The Series 2011 Bonds are required to be tendered for purchase on the first day of each period at which the Series 2011 Bonds bear interest at the Medium-Term Rate, each such date being an Adjustment Date for the Medium-Term Rate Periods. The Trustee shall give Notice by Mail to the Bondholders, the Remarketing Agent, the Issuer and the Bank at least 30 days before each Adjustment Date for the Medium-Term Rate Periods that such date is a Mandatory Tender Date. Such notice shall state (a) the Mandatory Tender Date; (b) the date on which the Remarketing Agent is required to determine the length of the Medium-Term Rate Period that begins on such Date; (c) the date by which the Remarketing Agent is required to determine the interest rate for such Medium-Term Rate Period; (d) that the Bondholders may contact the Trustee (and the name and telephone number of the person whom the Bondholders may contact) to obtain the length of the Medium-Term Rate Period and the interest rate for such Medium-Term Rate Period on or after the date of its determination; (e) the Interest Payment Date and Record Date for such Medium-Term Rate Period; (f) that during the Medium-Term Rate Period, the Bondholders will no longer have the right to tender their Series 2011 Bonds to the Trustee for purchase under the Indenture and the last day on which the Bondholders' right to tender Series 2011 Bonds may be exercised; (g) the rating of the Series 2011 Bonds by each Rating Agency, if the Series 2011 Bonds are to be rated, after the Mandatory Tender Date; and (h) that, on

such Mandatory Tender Date, the Bondholder shall have no further rights under such Series 2011 Bond or Bonds except to receive the principal of the Series 2011 Bond or Bonds upon presentation and surrender of such Series 2011 Bond or Bonds to the Trustee.

Mandatory Purchase Upon Substitution Tender Date

The Series 2011 Bonds of a Series are required to be tendered for purchase on the fifth Business Day prior to the effective date of any Substitute Letter of Credit (the "Substitution Tender Date") for such Series. The Trustee shall give Notice by Mail to the Bondholders, the Remarketing Agent, the Issuer, the Alliance and the Bank at least 30 days before the Substitution Tender Date that such date will be a Mandatory Tender Date. Such notice shall state: (i) the Substitution Tender Date; (ii) the identity of the bank that is issuing the Substitute Letter of Credit; (iii) the rating of the Series 2011 Bonds by each Rating Agency, if the Series 2011 Bonds are to be rated, after the delivery of the Substitute Letter of Credit; and (iv) that, on such Mandatory Tender Date, interest shall cease to accrue with respect to such Bondholder's Series 2011 Bond or Bonds on such date and the Bondholder shall have no further rights under such Series 2011 Bond or Bonds except to receive the principal of the Series 2011 Bond or Bonds upon presentation and surrender of such Series 2011 Bond or Bonds to the Trustee.

Mandatory Purchase on Termination of Letter of Credit

The Series 2011 Bonds of each Series are subject to mandatory tender for purchase in whole on the second Business Day prior to the Termination Date of the Letter of Credit securing such Series.

No Purchase After Event of Default

Anything in the Indentures to the contrary notwithstanding, there shall be no purchases of Series 2011 Bonds pursuant to such Indenture if there shall have occurred and be continuing an Event of Default of which the Trustee has knowledge that immediately requires the acceleration of the Series 2011 Bonds under such Indenture.

Defeasance

If the applicable Issuer deposits with the applicable Bond Trustee funds, evidenced by moneys or Defeasance Investments (as defined in Appendix D) the principal of and interest on which, when due, will be sufficient to pay the principal or Redemption Price of any Series of Series 2011 Bonds, by call for redemption or otherwise, together with interest accrued to the due date or the redemption date, as appropriate, in accordance with the terms of the Indentures, such Series of Series 2011 Bonds shall no longer be deemed to be Outstanding under the applicable Indenture. Interest on such Series of Series 2011 Bonds, as appropriate, will cease to accrue on the due date or the redemption date, as appropriate, and from and after the date of such deposit of funds with the Bond Trustee the holders of such Series of Series 2011 Bonds will be restricted to the funds so deposited as provided in the Indentures.

PLAN OF FINANCE

Application of Proceeds

The proceeds of the Series 2011 Tennessee Bonds will be loaned by the Tennessee Issuer to the Alliance pursuant to Loan Agreements dated as of October 1, 2011, and used (1) to finance certain capital improvements and equipment acquisitions at the facilities owned and/or operated by the Alliance in the State of Tennessee, and (2) to pay certain expenses incurred in connection with the issuance of the Series 2011 Tennessee Bonds.

The proceeds of the Series 2011C Bonds will be loaned by the Virginia Issuer to the Alliance, Smyth and Norton pursuant to a Loan Agreement dated as of October 1, 2011. The proceeds of the Series 2011C Bonds will be used (1) to refinance $11,200,000 of the Hospital Refunding and Improvement Revenue Bonds (Norton Community Hospital, Inc.), Series 2001 (the "Refunded Norton Bonds"), issued by the Industrial Development Authority of the City of Norton, Virginia, for the benefit of Norton; (2) to finance certain capital improvements and equipment acquisitions at the facilities owned and/or operated by Smyth and Norton; and (3) to pay certain expenses incurred in connection with the issuance of the Series 2011C Bonds.

The proceeds of the Series 2011D Bonds will be loaned by the Virginia Issuer to the Alliance, Smyth and Johnston Memorial Hospital ("JMH") pursuant to a Loan Agreement dated as of October 1, 2011. The proceeds of the Series 2011D Bonds will be used (1) to finance certain capital improvements and equipment acquisitions at the facilities owned and/or operated by Smyth and JMH and (2) to pay certain expenses incurred in connection with the issuance of the Series 2011D Bonds.

The proceeds of the Series 2011 Taxable Bonds will be loaned to the Alliance pursuant to a Bond Purchase Agreement dated as of October 19, 2011, between the Alliance and Merrill Lynch, Pierce, Fenner & Smith Incorporated. The proceeds of the Series 2011 Taxable Bonds will be used (1) to finance capital improvements and equipment acquisitions at facilities owned by Smyth and Blue Ridge Medical Management Corporation, an affiliate of the Alliance; and (2) to pay certain expenses incurred in connection with the issuance of the Series 2011 Taxable Bonds.

Refunding of Refunded Norton Bonds

A portion of the proceeds of the Series 2011C Bonds will be deposited in an escrow fund (the "Escrow Fund") to be held by U.S. Bank National Association, as escrow agent for the Refunded Norton Bonds , pursuant to a Refunding Trust Agreement (the "Refunding Agreement") to be dated the date of delivery of the Series 2011C Bonds. The Refunding Agreement will provide that cash will be deposited in the Escrow Fund in an amount sufficient to pay the redemption price of the Refunded Bonds on the date of redemption, December 1, 2011.

Verification of Mathematical Computations

The Arbitrage Group, Inc., independent arbitrage consultants, will verify the arithmetical accuracy of certain mathematical computations relating to the sufficiency of the moneys deposited in the Escrow Fund to pay the redemption prices of the Refunded Norton Bonds at redemption prices equal to the respective principal amounts of the Refunded Bonds to be redeemed, plus interest accrued and unpaid to such redemption date, plus the applicable premium based on information provided by the Alliance, and such verification will be relied upon by Bond Counsel to support its opinion that interest on the Series 2011 Tax-Exempt Bonds will not be included in gross income for federal income tax purposes. Such computations were based solely upon information supplied by the Financial Advisor. The Arbitrage Group, Inc. has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of future events.

Sources and Uses of Funds

Sources of Funds	**2011A**	**2011B**	**2011C**	**2011D**	**2011E**	**Total**
Principal Amount	$65,260,000	$20,000,000	$49,875,000	$60,705,000	$15,960,000	$211,800,000
Funds on Hand	0	0	2,283,559	0	0	2,283,559
	65,260,000	20,000,000	52,158,559	60,705,000	15,960,000	$214,083,559

Uses of Funds	**2011A**	**2011B**	**2011C**	**2011D**	**2011E**	**Total**
Projects	$19,446,502	$12,314,067	$37,432,000	$57,801,008	$0	$126,993,577
Equipment	21,659,647	7,450,648	1,716,490	2,150,304	0	32,977,089
Refunding of Long-term Debt	0	0	12,377,475	0	0	12,377,475
Refinancing of Loans and Leases	23,421,513	0	0	0	15,782,533	39,204,046
Costs of Issuance	732,338	235,285	632,594	753,688	177,467	2,531,372
	$65,260,000	$20,000,000	$52,158,559	$60,705,000	$15,960,000	$214,083,559

Current and Pro Forma Long-Term Debt

The left column of the following table reflects the total outstanding debt of the Alliance under the Master Indenture as of June 30, 2011, prior to the issuance of the Series 2011 Bonds. The right column of the following table shows the outstanding debt of the Alliance under the Master Indenture as of June 30, 2011, but adjusted to show the effect of the issuance of the Series 2011 Bonds and the planned redemption of (1) $115,135,000 of the outstanding principal amount of the Tennessee Issuer's Hospital Revenue Bonds, Series 2007B-1, and (2) $29,405,000 of the outstanding principal amount of the Tennessee Issuer's Hospital Revenue Bonds, Series 2007B-3. The table below and in the immediate following section does not include the indebtedness of certain entities controlled by the Alliance that are not Obligated Issuers.

Outstanding Long-Term Debt (at June 30, 2011)		Pro Forma Long-Term Debt (at June 30, 2011)	
Description	**Principal Amount**	**Description**	**Principal Amount**
Debt:		***Debt:***	
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Refunding Bonds, Series 2000A	$38,607,500[(1)]	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Refunding Bonds, Series 2000A	$38,607,500[(1)]
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Bonds, Series 2000C	34,325,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Bonds, Series 2000C	34,325,000
Mountain States Health Alliance Taxable Note, Series 2000D	14,790,000	Mountain States Health Alliance Taxable Note, Series 2000D	14,790,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Bonds, Series 2001A	23,100,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Bonds, Series 2001A	23,100,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Bonds, Series 2006A	169,630,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Bonds, Series 2006A	169,630,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2007B-1	144,400,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2007B-1	29,265,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2007B-2	105,000,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2007B-2	105,000,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2007B-3	58,500,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2007B-3	29,095,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2008A	13,245,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2008A	13,245,000
Industrial Development Authority of Russell County Hospital Revenue Bonds, Series 2008B	53,855,000	Industrial Development Authority of Russell County Hospital Revenue Bonds, Series 2008B	53,855,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2009A	5,560,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2009A	5,560,000
Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2009B	5,535,000	Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2009B	5,535,000
Industrial Development Authority of Washington County, Virginia, Hospital Revenue Bonds, Series 2009C	115,955,000	Industrial Development Authority of Washington County, Virginia, Hospital Revenue Bonds, Series 2009C	115,955,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2010A	168,080,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2010A	168,080,000
Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2010B	35,935,000	Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2010B	35,935,000
		The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2011A	65,260,000
		The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2011B	20,000,000
		Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2011C	49,875,000
		Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2011D	60,705,000
		Mountain States Health Alliance Taxable Bonds, Series 2011E	15,960,000
Total Long-Term Debt	**$986,517,500**	**Total Long-Term Debt**	**$1,053,777,500**
Less: 2000 Reserve Fund	$ 7,000,000	Less: 2000 Reserve Fund	$7,000,000
2006A Reserve Fund	17,303,000	2006A Reserve Fund	17,303,000
2009A, B and C Reserve Funds	12,131,762	2009A, B and C Reserve Funds	12,131,762
2010A and B Reserve Funds	18,352,884	2010A and B Reserve Funds	18,352,884
NET TOTAL LONG-TERM DEBT	**$931,729,854**	**NET TOTAL LONG-TERM DEBT**	**$998,989,854**

[(1)] Value of CABS accreted to June 30, 2011.

[(2)] Amounts in this reserve fund may be withdrawn at any time prior to an event requiring funding of Debt Service Reserve Funds.

Estimated Annual Debt Service Requirements

The following table reflects the estimated outstanding debt service obligations of the Alliance on all long term indebtedness secured under the Master Indenture following the issuance of the Series 2011 Bonds. The estimated annual debt service with respect to outstanding indebtedness assumes a 3.50% interest rate on all variable rate bonds, and does not take into account any interest rate hedges that may exist or may be executed in the future.

	Estimated Annual Debt Service Requirements Series 2011 Bonds				
Year Ending July 1	Principal	Interest	Annual Debt Service	Estimated Annual Debt Service on Outstanding Indebtedness	Estimated Total Annual Long-Term Debt Service Requirements
2012	$ 4,975,000	$7,413,000	$12,388,000	$63,980,794	$76,368,794
2013	5,075,000	7,238,875	12,313,875	63,911,294	76,225,169
2014	3,050,000	7,061,250	10,111,250	63,813,281	73,924,531
2015	3,965,000	6,954,500	10,919,500	63,731,169	74,650,669
2016	4,190,000	6,815,725	11,005,725	63,636,844	74,642,569
2017	4,420,000	6,669,075	11,089,075	63,543,156	74,632,231
2018	8,785,000	6,514,375	15,299,375	59,294,481	74,593,856
2019	11,510,000	6,206,900	17,716,900	56,802,156	74,519,056
2020	11,475,000	5,804,050	17,279,050	56,592,913	73,871,963
2021	11,075,000	5,402,425	16,477,425	56,342,863	72,820,288
2022	11,100,000	5,014,800	16,114,800	56,080,694	72,195,494
2023	11,785,000	4,626,300	16,411,300	55,817,100	72,228,400
2024	14,425,000	4,213,825	18,638,825	52,797,156	71,435,981
2025	15,335,000	3,708,950	19,043,950	51,708,156	70,752,106
2026	6,525,000	3,172,225	9,697,225	60,670,569	70,367,794
2027	6,640,000	2,943,850	9,583,850	60,459,681	70,043,531
2028	6,635,000	2,711,450	9,346,450	60,386,894	69,733,344
2029	6,875,000	2,479,225	9,354,225	60,251,281	69,605,506
2030	6,905,000	2,238,600	9,143,600	60,134,594	69,278,194
2031	19,800,000	1,996,925	21,796,925	46,943,263	68,740,188
2032	17,775,000	1,303,925	19,078,925	46,069,300	65,148,225
2033	19,480,000	681,800	20,161,800	45,138,300	65,300,100
2034	-	-	-	66,714,488	66,714,488
2035	-	-	-	66,685,563	66,685,563
2036	-	-	-	66,656,063	66,656,063
2037	-	-	-	66,621,338	66,621,338
2038	-	-	-	66,529,213	66,529,213

JMH Financing

Shortly after the issuance of the Series 2011 Bonds, it is expected that the Virginia Issuer will issue its approximately $25,000,000 Hospital Facility Revenue Refunding and Improvement Bonds (Johnston Memorial Hospital Project), Series 2011 (the "JMH Bonds"), for the benefit of JMH. JMH is not a member of the Obligated Group and the Obligated Issuers will not be required to pay debt service on the JMH Bonds. The JMH Bonds are not included in the tables in the sections "Current and Pro Forma Long Term Debt" and "Estimated Annual Debt Service Requirements" above.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS

Special, Limited Obligations of the Issuers

The Series 2011 Tennessee Bonds will be issued under and secured by the Tennessee Bond Indentures and are payable from moneys received by the Tennessee Bond Trustee from the Alliance, as further described in "Trust Estate" below. The Series 2011 Virginia Bonds will be issued under and secured by the Virginia Bond Indentures and are payable from moneys received by the Virginia Bond Trustee from the Alliance, as further described in "Trust Estate" below.

Contemporaneously with the issuance of the Series 2011 Tennessee Bonds and the Series 2011 Virginia Bonds, the Alliance will issue the Series 2011 Taxable Bonds, which are secured on a parity with the Series 2011 Tax-Exempt Obligations.

Trust Estate

The Series 2011 Bonds of each Series are payable from the respective Trust Estates under the Bond Indentures, which consist of (i) payments or prepayments to be made on the Series 2011 Obligations, and any additional obligations of the Alliance to the respective Issuer to the extent such additional obligations may be pledged under the Bond Indentures in the future; (ii) other payments under the Loan Agreements (other than fees and expenses payable to the Issuers and the Issuers' rights to indemnification in certain circumstances); (iii) all moneys and investments held under the applicable Bond Indenture, but not including amounts required to be paid into the funds established under the applicable Bond Indenture; and (iv) in certain circumstances, proceeds from certain insurance and condemnation awards.

Pursuant to the Series 2011 Obligations, the Alliance is required to make payments to the applicable Bond Trustee for deposit into the Debt Service Fund established under the applicable Bond Indenture, at the times and in amounts sufficient to pay the principal of and interest on the Series 2011 Bonds.

Payment of principal and interest on the Series 2011 Bonds will not be secured by any encumbrance, mortgage or other pledge of any property of any Issuer. **The Series 2011 Bonds will not constitute a debt or indebtedness of any state or any political subdivision or agency thereof, including The Health and Educational Facilities Board of the City of Johnson City, Tennessee, and the Industrial Development Authority of Smyth County (Virginia) within the meaning of any constitutional or statutory provision or limitation. The Issuers do not have taxing power.**

Master Indenture Covenants

In the Master Indenture, the Alliance has made certain covenants, on behalf of itself and the Obligated Group (as defined in the Master Indenture), regarding maintenance of fees and rates, and any future Obligated Issuer would be required to make similar covenants upon joining the Obligated Group. These covenants provide, among other matters, that each Obligated Issuer (including the Alliance) will continue to impose such fees as are included within the Gross Revenues, operate on a revenue producing basis, and charge such fees and rates for its facilities and services and exercise such skill and diligence as to provide income from its property together with other available funds sufficient to pay promptly all payments of principal and interest on its indebtedness secured by the Master Indenture, all expenses of operation, maintenance, and repair of its property subject to the Master Indenture, and all other payments required to be made by it under the Master Indenture to the extent permitted by law. Each Obligated Issuer (including the Alliance) also covenants to use its best efforts to maintain in each Fiscal Year a ratio of total Income Available for Debt Service to Maximum Annual Debt Service for all Obligated Issuers at least equal to 1.30 to 1. Each Obligated Issuer (including the Alliance) further covenants that it will from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of the Master Indenture described in this paragraph. See Appendix D - "SUMMARY OF THE FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Rates and Charges."

The Master Indenture defines "Income Available for Debt Service" of the Alliance or other Obligated Issuer to mean, with respect to any period of time, the excess of revenues over expenses, or, in the case of for-profit entities, net income after tax, as determined in accordance with generally accepted accounting principals, to which shall be added, in either case, (i) depreciation, (ii) amortization, (iii) interest expense on Long-Term Indebtedness (as defined in the Master Indenture) and (iv) to the extent not already included, contributions and donations and from which shall be excluded any extraordinary items, any impairment losses, any gain or loss resulting from either the extinguishment of indebtedness or the sale, exchange or other disposition of assets not made in the ordinary course of business, provided, however, that (a) no determination of Income Available for Debt Service will take into account any gains or losses resulting from the periodic valuation of investments or Hedge Agreements that do not involve the sale, transfer or other disposition of any such investment or Hedge Agreement or the termination of any Hedge Agreement and (b) a person may include in its net income such person's share of the net income of any

person controlled by such person or in whom such person has a legal interest. The Master Indenture contains provisions relating to the calculation of Maximum Annual Debt Service that provides for reallocation of amounts due on balloon indebtedness and assumptions as to the interest rates on variable rate indebtedness and payment of guaranties. For financial information of the Alliance, see Appendix A and the Alliance's audited consolidated financial statements for the fiscal year ended June 30, 2010 and June 30, 2009, included as Appendix B and its unaudited consolidated financial statements for the fiscal year ended June 30, 2011, included as Appendix C. For a more complete description of the covenants under the Master Indenture, see "SUMMARY OF THE FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Rates and Charges" in Appendix D.

Only Obligated Issuers are obligated to make payments on the Series 2011 Bonds and to abide by the covenants under the Master Indenture. The audited and unaudited financial statements included as Appendices B and C reflect the assets and operations of entities that are not Obligated Issuers. See Appendix A − "CONDENSED SUMMARY OF REVENUE AND EXPENSES; FINANCIAL STATEMENTS."

Amendment of Master Indenture

By purchasing the Series 2011 Bonds, the initial holders thereof will consent to an amendment to the definition of "Debt Service Requirement" in the Master Indenture. Such amendment will not become effective immediately and will become effective only upon receipt of the consent of the required percentage of bondholders and credit enhancers under the terms of the Master Indenture.

Both the existing definition and the proposed amended definition are set forth in Appendix D, "SUMMARY OF THE FINANCING DOCUMENTS - DEFINITIONS OF CERTAIN TERMS." The definition of "Debt Service Requirement" is utilized in calculations under both the additional debt test and the rate covenant under the Master Indenture, and such amendment may in certain circumstances increase or decrease the amount of the Debt Service Requirement in any required calculation. See "Additional Long-Term Indebtedness" and "Rates and Charges" in "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE" in Appendix D.

Pledged Assets; Mortgage

Currently, the Series 2011 Bonds are secured by the applicable Trust Estate, including the assignment of the applicable Series 2011 Obligation. As security for its Master Obligations, the Alliance has granted to the Master Trustee a security interest in its Pledged Assets, subject to Permitted Liens. The Pledged Assets consist of: Receivables, Inventory, Equipment, General Intangibles, Contracts and Contract Rights, Government Approvals, Fixtures and other personal property, goods, instruments, chattel paper, documents, credits, claims, demands and assets. For a definition of these terms see Appendix D - "SUMMARY OF THE FINANCING DOCUMENTS - DEFINITIONS OF CERTAIN TERMS." Financing statements will be filed in the appropriate records of the Office of the Tennessee Secretary of State to perfect the security interest in Pledged Assets and Equipment to the extent possible by such filing. Continuation statements meeting the requirements of the Uniform Commercial Code of Tennessee (the "UCC") must be filed every five years to continue the perfection of such security interest. The security interest in the Pledged Assets and Equipment is subject to Permitted Liens that exist prior to or may be created subsequent to the time the security interest granted by the Master Indenture attaches.

The security interest in any item of inventory will be inferior to the interest of a buyer in the ordinary course of business and will be inferior to a purchase money security interest, as defined in the UCC, perfected in connection with the sale to an Obligated Issuer of such item. The lien on certain other Pledged Assets may not be enforceable against third parties unless such other Pledged Assets are transferred to the Master Trustee (which transfer Obligated Issuers are not required by the Master Indenture to make prior to an Event of Default thereunder and which transfer may be set aside if it occurs within 90 days of the filing of a petition in bankruptcy) and is subject to exception under the UCC. The federal government may in the future proscribe or restrict the assignment of rights arising out of Medicare, Medicaid or other federal programs.

As a condition to becoming a Member of the Obligated Group, an entity must grant to the Master Trustee a security interest in its Pledged Assets.

Pursuant to the Master Indenture, the Obligated Issuers agree that they will not create or suffer to be created or exist any Lien other than Permitted Liens, as defined under "SUMMARY OF THE FINANCING DOCUMENTS - DEFINITIONS OF CERTAIN TERMS" in Appendix D, upon any of their facilities now owned or hereafter acquired.

The Series 2011 Obligations are also secured by a mortgage on the Johnson City Medical Center located in Johnson City, Tennessee, and the Sycamore Shoals Hospital facility in Elizabethton, Tennessee (together, the "Mortgaged Property"). Such mortgage secures all Master Obligations issued under the Master Indenture.

Subject to certain conditions, in case of the failure of the Obligated Issuers to make any payment on the Master Obligations when due or upon any other event of default under the Master Indenture, the Master Trustee may, after such notice as is required by the Master Indenture and the applicable security instruments, take possession of Mortgaged Property or, upon such public notice as required by Tennessee statute, sell the Mortgaged Property, and apply the proceeds to payment of principal of and interest on the Master Obligations (and thereby on the Series 2011 Bonds) on a parity basis with any other Master Obligation.

Additional Indebtedness

The Alliance has certain debt outstanding under the Master Indenture. The Master Indenture permits the Alliance and any other members of the Obligated Group to incur Additional Indebtedness (including Guaranties), all upon the terms and subject to the conditions specified therein. Such Additional Indebtedness may, but need not, be evidenced or secured by a Master Obligation. Additional Indebtedness may be issued to the Issuer or to persons other than the Issuer.

The reimbursement obligations of the Alliance with respect to the Letters of Credit will also be secured under the Master Indenture.

Except as noted in the preceding paragraph, the Master Indenture, the Alliance and each other Obligated Issuer agrees that it will not incur other Additional Indebtedness unless it can demonstrate that certain coverage ratios have been and will be met between debt service obligations and Income Available for Debt Service. Under the Master Indenture, Additional Indebtedness may be Long-Term Indebtedness or Short-Term Indebtedness. The Master Indenture allows any future Obligated Issuer to incur Additional Indebtedness under the Master Indenture as a Master Obligation constituting the joint and several obligation of the Alliance and all other Obligated Issuers and subject to cross-guarantees of all Obligated Issuers, including the Alliance. Except to the extent entitled to the benefits of additional security as permitted by the Master Indenture and except for Subordinated Indebtedness, all Master Obligations will be equally and ratably secured by the Master Indenture. See Appendix D - "SUMMARY OF THE FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE."

Subject to certain conditions set forth in the Master Indenture, Additional Indebtedness incurred by any Member of the Obligated Group may be secured by security which does not extend to any other Indebtedness. Such security may include Liens on the Property (including health care facilities) of the Members of the Obligated Group, letters or lines of credit or insurance, and could also consist of Liens on cash or securities deposited or held in any depreciation reserve, debt service or interest reserve, debt service or similar fund established pursuant to the terms of any Supplemental Master Indenture, Related Bond Indenture or Related Loan Document. The Master Indenture provides that Supplemental Master Indentures pursuant to which one or more series of Master Obligations entitled to additional security are issued may provide for such amendments to provisions of the Master Indenture, including the provisions thereof relating to the exercise of remedies upon the occurrence of an event of default, as are necessary to provide for such security and to permit realization upon such security solely for the benefit of the Master Obligation secured thereby.

Defeasance

If the interest on, and the principal or redemption price (as the case may be) of a Series of the Series 2011 Bonds have been paid, or the required amount of money and/or Defeasance Investment (see "SUMMARY OF THE

FINANCING DOCUMENTS - DEFINITIONS OF CERTAIN TERMS" in Appendix D) have been deposited with the applicable Bond Trustee to provide sufficient amounts to pay the principal of, and premium, if any, and interest due and to become due on such Series of Series 2011 Bonds on or prior to the redemption date or maturity date thereof, such Series of Series 2011 Bonds shall no longer be deemed outstanding under the applicable Bond Indenture and will no longer be secured thereby. If all Series 2011 Bonds of a Series have been so provided for, the applicable Bond Trustee shall cancel and discharge the applicable Bond Indenture. See "SUMMARY OF THE FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE - Defeasance" in Appendix D.

Bankruptcy

The lien on the Pledged Assets and Equipment given for the benefit of holders of Master Obligations (and thereby the Series 2011 Bonds) are generally superior to the claims of other creditors (subject to the limitations set forth above). However, bankruptcy and similar proceedings and usual equity principles may affect the enforcement of rights to such security. If such security is inadequate for payment in full of the Bonds, bankruptcy proceedings and usual equity principles may also limit any attempt by the Master Trustee to seek payment from other property of the Alliance or future Obligated Issuers. In particular, federal bankruptcy law permits adoption of a reorganization plan even though it has not been accepted by the holders of a majority in aggregate principal amount of the Bonds if the holders are provided with the benefit of their original lien or the "indubitable equivalent." In addition, if the bankruptcy court concludes that the holders have "adequate protection," it may (1) substitute other security for the security subject to the lien of the holders and (2) subordinate the lien of the holders to claims by entities or persons supplying post petition financing to the Alliance after bankruptcy. Furthermore, the reasonable and necessary costs and expenses of preserving or disposing of the Pledged Assets and Equipment in a bankruptcy may, in certain circumstances, reduce the value of the lien on the Pledged Assets and Equipment to the extent such costs and expenses benefit the Master Trustee (and holders). In the event of the bankruptcy of the Alliance, the amount realized by the holders might depend on the bankruptcy court's interpretation of "indubitable equivalent" and "adequate protection" under the then existing circumstances, which may result in a reduction in the security for or proceeds available to the holders.

THE LETTERS OF CREDIT

Terms of the Letters of Credit

The timely payment of the principal of and interest on the Series 2011 Bonds and the purchase price of each Series of the Series 2011 Bonds will be secured by a corresponding irrevocable transferable direct-pay letter of credit (each, a "Letter of Credit") issued by the respective Bank in a stated amount equal to the aggregate principal amount of the respective Series 2011 Bonds outstanding at any time plus 37 days' interest thereon, calculated at the rate of 12% per annum (the "Maximum Rate"). Each Letter of Credit will be issued pursuant to a Reimbursement Agreement dated as of October 19, 2011 (each a "Reimbursement Agreement" and, together, the "Reimbursement Agreements"), among the Obligated Issuers and the respective Bank and any syndicate lenders. The obligations on the part of the Alliance to reimburse the Bank for draws made under each respective Letter of Credit, and to pay to the Bank all other amounts due under the Reimbursement Agreement, will be evidenced by Obligations (as defined in the Master Indenture) issued and secured under the Master Indenture.

Each respective Letter of Credit will expire on October 19, 2014, unless otherwise terminated or extended. Each Letter of Credit shall expire earlier than such expiration date upon the first to occur of (a) the Business Day following a Conversion Date (b) the date of receipt by the Bank of notice from the Trustee that a Substitute Letter of Credit, as described below, has been issued in substitution for the Letter of Credit; (c) the date on which the Bank honors the final drawing or drawings available; and (d) the date on which the Trustee certifies that no Series 2011 Bonds of the Series are outstanding. At the request of the Alliance, and the consent of the Bank and any syndicate lenders, the term of the respective Letter of Credit may be extended by one year. Such consent shall be at the sole discretion of the Bank and any syndicate lenders, subject to earlier termination or extension at the option of the Bank. Pursuant to the Indentures and subject to certain conditions described herein, prior to the expiration of the Letter of Credit or any other Letter of Credit, the Alliance may deliver to the Trustee a substitute Letter of Credit. Each respective Letter of Credit and any substitute Letter of Credit are herein referred to as a "Letter of Credit"; the Bank and the issuer of any other Letter of Credit are herein referred to as a "Letter of Credit Provider."

In the case of a drawing to pay the principal or the purchase price of the Series 2011 Bonds of a Series, the stated amount of the Letter of Credit will be reduced by the principal amount of such drawing plus a corresponding amount of the interest portion of the Letter of Credit. In the case of a drawing to pay principal of the Series 2011 Bonds of a Series, the stated amount of the Letter of Credit will be reduced to the extent of any such drawing thereunder. Reductions in the Letter of Credit resulting from a drawing to pay the purchase price of Series 2011 Bonds of a Series shall be reinstated upon receipt by the Trustee of remarketing proceeds or other funds sufficient to reimburse the Bank for such drawing. Drawings to pay interest on the Series 2011 Bonds on an Interest Payment Date shall be automatically reinstated in an amount equal to the amount of such drawing following the honoring of such drawing.

Trustee Draws on Letters of Credit

The Indentures provide that, while any Letter of Credit is in effect, the Trustee shall draw moneys under such Letter of Credit in the following circumstances:

(i) on or before 4:00 p.m., New York City time, on the Business Day prior to any date any payment referred to in this paragraph is required to be made under the Indenture, the Trustee shall, without making any prior demand or claim upon the Alliance, make a drawing under and in accordance with the Letter of Credit so as to receive moneys thereunder on the next Business Day in an amount which will be sufficient for the payment in full of (i) accrued interest on the Series 2011 Bonds on any Interest Payment Date, (ii) the principal of and accrued interest on the Series 2011 Bonds upon the Stated Maturity of the Series 2011 Bonds, and (iii) the principal of and accrued interest on the Series 2011 Bonds upon the redemption of the Series 2011 Bonds.

(ii) on or before 11:30 a.m., New York City time, on the Business Day any payment referred to in this paragraph is required to be made under the Indenture, the Trustee shall, without making any prior demand or claim upon the Alliance, make a drawing under and in accordance with the Letter of Credit so as to receive moneys thereunder on such Business Day in an amount which will be sufficient, together with any proceeds of the remarketing of the Series 2011 Bonds by the Remarketing Agent then in the Bond Purchase Fund and available for application to the Series 2011 Bonds, for the payment in full of the purchase price (including, if applicable, accrued interest due in connection with a purchase on a Mandatory Tender Date or an Optional Tender Date, as the case may be) of all Series 2011 Bonds to be purchased under the terms of the Indenture.

(iii) on or before 4:00 p.m., New York City time, on the Business Day prior to the payment date of the Series 2011 Bonds upon acceleration of the Series 2011 Bonds after an event of default under the Indenture, the Trustee shall, without making any prior demand or claim upon the Alliance, make a drawing under and in accordance with the Letter of Credit so as to receive moneys thereunder in an amount which will be sufficient for the payment in full of the principal of and interest due on the Series 2011 Bonds on such payment date.

The Alliance has agreed pursuant to the Reimbursement Agreement to reimburse the Bank for amounts paid under and otherwise owing with respect to the Letters of Credit.

Extensions of Letter of Credit and Substitute Letter of Credit

Pursuant to the Loan Agreement for each Series of Series 2011 Tax-Exempt Bonds, and pursuant to the Thirtieth Supplement for the Series 2011 Taxable Bonds, the Alliance is required to maintain with the Trustee during the Weekly Rate Periods a Letter of Credit in an amount at least equal to the aggregate principal amount of Series 2011 Bonds then Outstanding plus 37 days' interest thereon. Prior to the expiration of a Letter of Credit, the Alliance shall deliver to the Trustee a Substitute Letter of Credit or cause an extension of such Letter of Credit. The extension of a Letter of Credit may be effected by the Bank's allowance of the Letter of Credit to renew automatically, delivery of an amendment to the Letter of Credit or by the delivery of a new Letter of Credit in the same form as the expiring Letter of Credit with an extended expiration date. The Alliance may also deliver a Substitute Letter of Credit to the Trustee at any time prior to the Conversion Date in the manner described below.

The Series 2011 Bonds shall be subject to mandatory tender for purchase on any Substitution Tender Date. A Substitute Letter of Credit must be an irrevocable letter of credit, having a term of at least one year, issued by a commercial bank organized or doing business in the United States, the terms of which shall in all material respects be the same as the initial Letter of Credit. Pursuant to the Indenture, the Trustee shall accept a Substitute Letter of Credit and surrender the previously held Letter of Credit if the Trustee receives (a) the Substitute Letter of Credit, (b) an Opinion of Counsel to the effect that the Substitute Letter of Credit has been duly authorized, executed and delivered by the issuer thereof and is a valid and binding obligation of the issuer thereof and (c) in the case of a Series of Series 2011 Tax-Exempt Bonds, an Opinion of Bond Counsel that the delivery of such Substitute Letter of Credit will not adversely affect the exclusion from gross income of interest on such Series of Series 2011 Tax-Exempt Bonds for federal income tax purposes. Upon the date the Trustee is permitted to draw under such Substitute Letter of Credit, the Trustee shall promptly surrender the previously held Letter of Credit to the issuer thereof for cancellation. At least 40 days prior to the effective date of such substitution, the Alliance is required to give the Trustee notice of such proposed substitution, and at least 30 days prior to the effective date of such substitution the Trustee will mail notice of such proposed substitution to the holders of all Series 2011 Bonds, advising them of the identity of the Bank giving the Substitute Letter of Credit.

THE BANKS

The timely payment of the principal of and interest on the Series 2011A Bonds and the Series 2011C Bonds and the purchase price thereof will be secured by irrevocable transferable direct-pay letters of credit issued by U.S. Bank National Association. For information on U.S. Bank National Association, see Appendix G-3.

The timely payment of the principal of and interest on the Series 2011B Bonds and the purchase price thereof will be secured by an irrevocable transferable direct-pay letter of credit issued by PNC Bank, National Association. For information on PNC Bank, National Association, see Appendix G-2.

The timely payment of the principal of and interest on the Series 2011D Bonds and the Series 2011 Taxable Bonds and the purchase price thereof will be secured by an irrevocable transferable direct-pay letter of credit issued by Mizuho Corporate Bank, Ltd. For information on Mizuho Corporate Bank, Ltd., see Appendix G-1.

INTEREST RATE SWAPS

The Alliance has various interest rate swaps and related derivatives currently in place, as described in Appendix A. Some of the existing arrangements have been entered into with affiliates of the Underwriters. The Alliance may in the future enter into swap agreements with respect to some or all of its obligations issued under the Master Indenture. See "MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE − Interest Rate Swaps and Derivatives" in Appendix A.

CERTAIN RISK FACTORS

The purchase of the Series 2011 Bonds involves certain risks that are discussed throughout this Official Statement. Each prospective purchaser of the Series 2011 Bonds should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision. Certain of these risks are described below.

General

The ability of the Obligated Group to make payments on the Series 2011 Bonds is dependent upon the ability of the Members thereof to generate revenue sufficient to cover collective operating expenses and debt service on the Series 2011 Bonds and other indebtedness of the Obligated Group. Health care providers, especially hospitals, face increasing economic pressures from both governmental health care programs and private purchasers of health care such as insurance companies and health maintenance organizations (collectively, "third-party payors"). The dependence of hospitals on governmental programs requires hospitals to accept both limitations on payments and regulations and other restrictions and requirements triggered by participation in such programs. Many

governmental and private third-party payors have required healthcare providers to accept "capitated" or other fixed payments, which have the affect of shifting significant economic risk to healthcare providers.

Health care, especially at the hospital level, is a highly regulated industry with complicated and frequently changing regulations arising both from payment programs and governmental police power generally. Health care providers are increasingly subject to audits, investigations, fines and litigation that may threaten access to governmental reimbursement programs, require substantial payments, generate adverse publicity and create significant legal and other transaction costs. See below "Health Care Revenues." In addition, because the Alliance and a number of its affiliates are tax-exempt charitable organizations under the Internal Revenue Code ("Exempt Organizations"), they are subject to increasing regulation and restrictions that may have adverse effects on their economic performance or threaten their tax-exempt status and the economic benefits derived from it. In particular, such regulations and restrictions may require the facilities of the Alliance or such affiliates to provide health care services for which they do not receive payment. In addition, Congress is likely to consider imposing additional regulations and restrictions on Exempt Organizations.

Future economic and other conditions, including inflation, demand for health care services, the ability of the Alliance and other members of the Obligated Group to provide the services required or requested by patients, physicians' confidence in the Alliance, economic developments in the applicable service areas, employee relations and unionization, competition, the level of rates or charges, increased costs, availability of professional liability insurance, casualty losses, third-party reimbursement and changes in governmental regulation may adversely affect revenues and, consequently, the ability of the Alliance and other members of the Obligated Group to generate revenues sufficient for the payment of the principal of and interest on the Series 2011 Obligations.

Certain more specific factors that could affect the Series 2011 Bonds and the future financial condition of the Alliance and any future members of the Obligated Group are described below. This discussion of risk factors is not intended to be exhaustive.

Discretion of the Board and Management

The Master Indenture does not significantly restrict the ability of the Alliance to enter into transactions that could materially affect the business, organizational structure and control of the Alliance and any future members of the Obligated Group. Such transactions could include, for example, such things as divestitures of Affiliates, substantial new joint ventures, and mergers, consolidations or other forms of affiliations in which control of the Alliance and any future members of the Obligated Group could be materially changed. As a substantial health system, the Alliance regularly considers and analyzes opportunities for such undertakings. The ability of the Alliance to generate revenues sufficient to pay debt service on the Series 2011 Obligations is dependent in large measure on the decisions of the Board of Directors and management of the Alliance with respect to such opportunities.

Voting Control Under Master Indenture

Certain amendments and waivers to the provisions of the Master Indenture may be made with the consent of the owners of 75% of the aggregate principal amount of the Master Obligations then outstanding. Certain other amendments may be made with the consent of the owners of two-thirds (2/3) in aggregate principal amount of Master Obligations related to bonds that are not the beneficiaries of certain municipal bond insurance policies and the consent of the provider of certain municipal bond insurance policies. Such amendments may adversely affect the security of the holders of the Series 2011 Bonds.

For a discussion of what actions may be taken with the consent or direction of a majority percent or more of the holders of outstanding Master Obligations under the Master Indenture, see the discussion under "SUMMARY OF THE FINANCING DOCUMENTS" in Appendix D.

Matters Relating to Enforceability of the Master Indenture

The practical realization of any rights upon any default under the Loan Agreements or under the Master Indenture may depend upon the exercise of various remedies specified in such instruments, as restricted by federal and state laws. The federal bankruptcy laws may adversely affect the ability of the Trustees and the owners of the Series 2011 Bonds to enforce their claims granted by the Bond Indentures, the Loan Agreements or the Master Indenture. The obligation of the Alliance on the Series 2011 Obligations and other Master Obligations will be limited to the same extent as the obligations of debtors typically are affected by bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium or other similar laws affecting the enforcement of creditors' rights and by the availability of equitable remedies.

The remedies available to the Bond Trustees, the Master Trustee, the Issuers or the owners of the Series 2011 Bonds upon an event of default under the Master Indenture, the Bond Indentures, the Loan Agreements or the Series 2011 Obligations are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including, specifically, Title 11 of the United States Code (the "Bankruptcy Code"), the remedies provided in the Master Indenture, the Bond Indentures, the Loan Agreements and the Series 2011 Obligations and other Master Obligations may not be readily available or may be limited.

There is no clear precedent in the law as to whether transfers from an Affiliate in order to pay debt service on the Master Obligations issued for the benefit of another Affiliate may be voided by a trustee in bankruptcy in the event of a bankruptcy of the transferring Affiliate or by third-party creditors in an action brought pursuant to state fraudulent conveyances statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under state fraudulent conveyances statutes, 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 state fraudulent conveyances statutes, or the guarantor is undercapitalized.

Limited Value at Foreclosure

The Mortgaged Property was constructed for the provision of hospital care. The number of entities that could be expected to purchase or lease the Mortgaged Property are limited, and thus, the ability of the Master Trustee to realize funds from the sale or rental of the Mortgaged Property upon an event of default may be limited.

Bond Ratings

There is no assurance that the ratings assigned to the Series 2011 Bonds 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 2011 Bonds. See the information in "RATINGS."

Market for the Series 2011 Bonds

The relative buying and selling interest of market participants in securities such as the Series 2011 Bonds, and in the market for such securities as a whole, will vary over time, and such variations may be affected by, among other things, news relating to the Alliance and the other Obligated Issuers, the attractiveness of alternative investments, the perceived risk of owning the security (whether related to credit, liquidity or any other risk), the tax treatment accorded the instruments, the accounting treatment accorded such securities, reactions to regulatory actions or press reports, financial reporting cycles and marketing sentiment generally. Shifts of demand in response to any one or simultaneous particular events cannot be predicted and may be short-lived or exist for longer periods. See below "Tax Matters."

Health Care Revenues

There are a number of factors that could adversely affect both revenues and expenses of the Alliance. Some but not all such factors are discussed briefly below. Governmental payment provisions, regulations and other restrictions change frequently and may be altered or expanded while the Series 2011 Bonds are outstanding.

Dependence on Governmental and Other Third-Party Payors. The Alliance receives a substantial portion of its revenues from Medicare, Medicaid, TennCare and other third-party health care programs. See in Appendix A - "SOURCES OF REVENUE." Receipt of such revenues subjects the Alliance to extensive regulation and the risks of enforcement as described below. Both governmental payment programs and private third-party payors such as insurance and managed care programs have increasingly imposed limitations on the payment for services. These limitations often require hospitals to provide certain services below cost. Congress in the past has imposed substantial restrictions on federal health care programs that have adversely affected the financial condition of hospitals, and it may do so in the future.

TennCare. In 1994, the State of Tennessee, with the approval of the federal government, withdrew from the Medicaid program and began providing services to Medicaid eligible and uninsurable or uninsured persons through TennCare. Like traditional Medicaid programs, TennCare is funded with a combination of federal and State of Tennessee funds. The federal government has approved the TennCare Program through June 30, 2010. The Alliance is a significant provider of health care services to TennCare enrollees and as a result thereof has incurred substantial losses serving beneficiaries of the program. Approximately 8.3% of the Alliance's gross patient service charges for the fiscal year ended June 30, 2011, was derived from patients covered by TennCare.

Because of problems with managed care organizations through which TennCare operates, the State assumed total medical risk for the program in 2002 and implemented changes designed to reduce costs and fraud. The State of Tennessee initiated a plan to disenroll 323,000 individuals statewide from TennCare and to institute significant benefit cuts resulting in the disenrollment of 28,000 individuals in the Alliance's market and a decrease in the level of benefits for 40,000 individuals in the Alliance's market. The disenrollment changes took place on August 1, 2005, however, the benefit cuts have not been implemented.

On April 1, 2007, the State of Tennessee began placing the managed care organizations back at risk, starting with the Middle Tennessee Region. The State of Tennessee placed the East Tennessee Region's managed care organizations (where the Alliance operates its Tennessee facilities) back at risk on January 1, 2009. It cannot be predicted whether the funding sources for TennCare or other states' Medicaid programs will be adequate to meet the funding needs of such programs. In addition, it cannot be predicted whether funding pressures or other factors will lead to decreased TennCare and Medicaid reimbursement to providers, including the Members of the Obligated Group, or to an increase in uninsured patients seeking care from the Members of the Obligated Group.

A number of proposals have been made for changes in funding for TennCare, some of which could substantially reduce the amounts payable to the Alliance's facilities in Tennessee. There remains substantial risk that TennCare will continue to impose substantial financial burdens on the Alliance or that changes in the program could lead to further burdens or increase the cost of uncompensated care provided by the Alliance.

Virginia Medicaid Program. The hospitals of the Alliance located in Virginia receive a substantial portion of their revenues under the federal Medicare Program. Reimbursement under this program is controlled by extensive regulations and procedures. Under the current Medicare payment system payment for inpatient hospital services is been tied to predetermined amounts based on national averages of costs for categories of treatments and conditions known as diagnosis related groups ("DRGs"). DRG reimbursement may provide a hospital less than its actual costs in providing services. The Medicare Program reimburses for outpatient hospital services through a similar prospective payment system based on ambulatory payment classifications ("APCs") of clinically-related and resource-similar items and services. Reimbursement for outpatient services under the APC system and for other services provided by the hospitals of the Alliance may not reflect the actual costs incurred in providing such services or items.

Medicare reimbursement in recent years has been subject to changes that have adversely affected hospitals, and the Alliance cannot predict how future limitations, cutbacks or modifications by Congress or regulatory agencies to such reimbursement may affect the financial condition of the Alliance.

Hospital Regulation. The operation of hospitals is extensively regulated by the federal and state governments. These regulations affect virtually every aspect of hospital operations, including (1) imposing procedures that increase costs (including complicated billing and other record-keeping procedures), (2) requiring the provision of services free or below cost, (3) limiting the ability to make decisions based on economic best interest and (4) restricting the ability to pursue advantageous business opportunities with physicians and other health care providers.

Significant restrictions include (1) the Physicians Self-Referral ("Stark") and "Anti-Kickback" laws, which severely restrict financial relationships with and referrals by private physicians; (2) the Emergency Medical Treatment and Active Labor Act ("EMTALA"), imposing operating requirements on emergency rooms; and (3) the federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and the Health Information Technology for Economic and Clinical Health Act (HITECH), enacted as part of the American Recovery and Reinvestment Act of 2009 and both affecting the privacy and security of personal health information. Compliance with HIPAA, HITECH and related regulations has imposed substantial financial burdens on the Alliance and related entities in such areas as electronic billing and other electronic transactions and in implementing procedures and altering facilities to promote privacy of patient records.

Federal and state governments have a range of criminal, civil and administrative sanctions available to penalize and remediate violations of existing laws and regulations, including criminal fines, civil monetary penalties, repayment of erroneously paid claims, prison terms and exclusion from the Medicare, Medicaid, TennCare and/or other governmental payment programs. Because of the complexity of the regulations and the increased enforcement, there are numerous circumstances where alleged violations may trigger investigations, audits and inquiries that could result in expensive and prolonged enforcement actions against the Alliance. Enforcement actions may be initiated and prosecuted by one or more government entities and/or private individuals, and in some circumstances more than one of the available penalties may be imposed for each violation. An exclusion from participation in Medicare, Medicaid, TennCare or other governmental health programs likely would result in a loss of substantial revenues.

National Healthcare Reform

Comprehensive health care reform legislation was enacted by the federal government in March 2010 through the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively referred to as the "Healthcare Reform Act"). The Healthcare Reform Act provides for fundamental changes to the health care system and the manner in which services are provided and paid for generally, including substantial increases in health care insurance for persons not currently covered, new requirements on employers who provide health benefits to their employees, reimbursement reductions and methodology changes, and the imposition of further restrictions and requirements adversely affecting tax-exempt hospitals such as the Alliance and its related entities.

Implementation of the Healthcare Reform Act is to take place over an eight year time horizon, and over that time the Healthcare Reform Act is likely to have a variety of effects on both the operations and financial performance of all hospitals. In particular, extension of health insurance to those not currently insured and the costs associated therewith may result in (1) inadequate reimbursement to cover costs under such new coverage, (2) offsetting reductions in reimbursements for the provision of services under Medicare, Medicaid and other federally funded programs and (3) increased costs of compliance generally. In addition to its direct effects on the Alliance and related hospitals, the Healthcare Reform Act is likely to have significant indirect effects on the Alliance and related hospitals as a result of the Act's effects on other healthcare industry participants, including pharmaceutical and medical device companies, health insurers, and others with which the Alliance and related hospitals do business.

The Healthcare Reform Act imposes substantial and costly additional requirements on nonprofit hospitals. Failure of any hospital with 501(c)(3) status to comply with such requirements will result in significant penalties

including, but not limited to, the loss of tax-exempt status. See below "Tax Matters − Tax Exemption for Non-profit Corporations."

The future of the Healthcare Reform Act is uncertain. The Healthcare Reform Act has been subject to numerous legal challenges in federal court, some but not all of which have been successful at the District Court and the Court of Appeals levels. Moreover, the 2010 Congressional elections, which resulted in a Republican majority in the U.S. House of Representatives, have resulted in legislative efforts to repeal the Healthcare Reform Act, to amend or defund it, or otherwise to block its implementation.

Thus, it is impossible to predict the extent to which the Healthcare Reform Act will be implemented or the effects the Healthcare Reform Act will have to the extent it is implemented. The current uncertainties are likely to continue at least until the 2012 elections and the final resolution of the constitutional challenges to the Healthcare Reform Act by the United States Supreme Court.

Competition. The Alliance faces competition not only from other area hospitals (see in Appendix A -"SERVICE AREA, MARKET SHARE AND COMPETITION"), but also from other forms of health care providers, including health maintenance organizations, preferred provider organizations, specialty hospitals, home health agencies, surgical centers, rehabilitation and therapy centers, physician group practices and other alternative delivery systems and non-hospital providers of medical services. Increasing costs of health care services are likely to stimulate additional forms of competition. Many new forms of health care providers may not be subject to the restrictions imposed on the Alliance by its participation in governmental health care programs and as part of a tax-exempt organization. The application of federal and state antitrust laws to health care is still evolving, and enforcement and other developments in this area could adversely affect the Alliance's competitive position.

Other Economic Developments. Other economic developments that could adversely affect operations at the Alliance include (1) unexpected increases in costs of labor and equipment (including new technologies) that cannot be recovered through charges, (2) increased costs of maintaining malpractice and general liability insurance, and (3) availability of, or the cost of, required specialty employees, including nurses and other health care professionals.

Tax Matters

Tax Exemption for Non-profit Corporations

Loss of tax-exempt status by the Alliance could result in loss of tax exemption for interest on the Series 2011 Bonds and of other tax-exempt debt issued for the benefit of the Alliance, and defaults in covenants regarding the Series 2011 Bonds and other tax-exempt debt would likely be triggered. Such an event would have material adverse consequences on the financial condition of the Alliance.

The maintenance by the Alliance of its tax-exempt status and that of its related entities depends, in part, upon its maintenance of status as an organization (an "Exempt Organization") described in Section 501(c)(3) of the Code. The maintenance of such status is contingent upon compliance with provisions of the Code and related regulations and administrative interpretations regarding the organization and operation of tax-exempt entities, including its operation for charitable and educational purposes and its avoidance of transactions that may cause its assets to inure to the benefit of private individuals.

The Internal Revenue Service (the "IRS") has announced that it intends to closely scrutinize transactions between Exempt Organizations and for-profit entities and has issued audit guidelines for tax-exempt hospitals. In March 1998, the IRS issued a revenue ruling that places restrictions upon the participation of Exempt Organizations (including hospitals) in joint venture arrangements with for-profit entities. Although specific activities of hospitals, such as medical office building leases and compensation arrangements and other contracts with physicians, have been the subject of interpretations by the IRS in the form of Private Letter Rulings, many activities have not been addressed in any official opinion, interpretation or policy of the IRS. Because the Alliance conducts large-scale and diverse operations involving private parties, there can be no assurances that certain of its transactions would not be challenged by the IRS.

The IRS has taken the position that hospitals that violate the federal Anti-kickback Law may also be subject to revocation of their tax-exempt status. As a result, tax-exempt hospitals, such as those of the Alliance, which have and will continue to have, extensive transactions with physicians are subject to an increased degree of scrutiny and perhaps enforcement by the IRS.

Periodically, Congress considers options and recommendations in the area of taxation of unrelated business income of Exempt Organizations. The scope and effect of legislation, if any, that may be adopted at the federal and state levels with respect to unrelated business income cannot be predicted at this time. However, any such legislation could have the effect of subjecting a portion of the income of the Alliance to federal or state income taxes.

In addition to the foregoing proposals with respect to income by Exempt Organizations, various state and local governmental bodies have challenged the tax-exempt status of such institutions and have sought to remove the exemption of property from real estate taxes of part or all of the property of various nonprofit institutions on the grounds that a portion of such property was not being used to further the charitable purposes of the institutions or that the institutions did not provide sufficient care to indigent persons so as to warrant exemption from taxation as a charitable institution. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of Exempt Organizations. There can be no assurance that future changes in the laws and regulations of federal, state or local governments, or the interpretation of such laws by courts or other governmental entities, will not materially adversely affect the operations and financial condition of the Alliance by requiring any of its entities to pay income or local property taxes.

Tax-Exempt Status of the Series 2011 Tax-Exempt Bonds

Any failure by the Alliance or related entities to remain qualified as tax-exempt under Section 501(c)(3) of the Code could affect the amount of funds that would be available to pay debt service on the Series 2011 Bonds. If the Alliance or the respective Issuer fails to comply continuously with certain covenants contained in the Bond Indentures and the Loan Agreements after delivery of the Series 2011 Tax-Exempt Bonds, interest on the Series 2011 Tax-Exempt Bonds could become taxable from the date of delivery of the Series 2011 Tax-Exempt Bonds regardless of the date on which the event causing such taxability occurs.

In recent years, the IRS has undertaken an extensive audit program that involves review of both the general tax-exempt status of non-profit hospitals and the tax-exempt status of bonds issued for their benefit.

Legislative Proposals

Current and future legislative proposals, if enacted into law, could cause interest on the Series 2011 Tax-Exempt Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent owners thereof from realizing the full current benefit of the tax-exempt status of such interest. On September 12, 2011, the Obama Administration announced a legislative proposal, the "American Jobs Act of 2011," (the "Jobs Act"). If enacted in the form proposed, the Jobs Act would limit the exclusion from gross income of interest on obligations like the Series 2011 Tax-Exempt Bonds for individual taxpayers whose income is subject to higher marginal tax rates. The enactment of the Jobs Bill or similar provisions could adversely affect the tax treatment of interest on the Series 2011 Tax-Exempt Bonds for holders thereof and adversely affect the market price of the Series 2011 Tax-Exempt Bonds.

Other Risk Factors Generally Affecting Health Care Facilities

In the future, the following factors, among others, may adversely affect the operations of the Alliance to an extent that cannot be determined at this time:

1. Health care systems are major employers, combining a complex mix of professional, quasi-professional, technical, clerical, housekeeping, maintenance, dietary and other types of workers in a single

operation. As with all large employers, the Alliance bears a wide variety of risks in connection with its employees. These risks include strikes and other related work actions, contract disputes, discrimination claims, personal tort actions, work-related injuries, exposure to hazardous materials, interpersonal torts (such as between employees, between physicians or management and employees, or between employees and patients), and other risks that may flow from the relationships between employer and employee or between physicians, patients and employees. Many of these risks are not covered by insurance, and certain of them cannot be anticipated or prevented in advance. The Alliance is subject to all of the risks listed above. Such risks, alone or in combination, could have material adverse consequences to the financial condition or operations of the Alliances.

2. Competition from other health care systems and other competitive facilities now or hereafter located in the respective service areas of the Alliance's facilities may adversely affect revenues. Development of health maintenance and other alternative health delivery programs could result in decreased usage of inpatient hospital facilities and other facilities operated by the Alliance.

3. Cost and availability of any insurance, such as malpractice, fire, automobile, and general comprehensive liability, that hospitals and other health care facilities of similar size and type as the facilities generally carry may adversely affect revenues, as would any losses that exceed amounts covered.

4. The occurrences of natural disasters may damage some or all of the facilities, interrupt utility service to some or all of the facilities, significantly increase the demand on some or all of the facilities or otherwise impair the operation of some or all of the facilities or the generation of revenues from some or all of the facilities.

5. Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety and outpatient health care delivery may reduce utilization and revenues of the facilities. Technological advances in recent years have accelerated the trend toward the use by hospitals of sophisticated and costly equipment and services for diagnosis and treatment. The acquisition and operation of certain equipment or services may continue to be a significant factor in hospital utilization, but the ability of the Alliance 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.

6. Reduced demand for the services of the Alliance that might result from decreases in population in the services areas of facilities operated by the Alliance.

7. Increased unemployment or other adverse economic conditions in the service areas of the Alliance that would increase the proportion of patients who are unable to pay fully for the cost of their care.

8. Any increase in the quantity or cost of indigent care provided that is mandated by law or required due to increase needs of the community in order to maintain the charitable status of the Alliance.

9. Regulatory actions that might limit the ability of the Alliance to undertake capital improvements to their respective facilities or to develop new institutional health services.

LITIGATION

There is no action, suit, or proceeding pending or, to the knowledge of the Issuers, threatened restraining or enjoining the execution or delivery of the Series 2011 Bonds, or in any way contesting or affecting the validity of the Series 2011 Bonds, the Bond Indentures, the Master Indenture, or any proceedings of the Issuers or the Alliance, as applicable, taken with respect thereto. No securities of any Issuer have been in default as to principal or interest payments or in any other material respect, and no agreements or legal proceedings of any Issuer relating to its securities have been declared invalid or unenforceable since the formation of each Issuer. Each Issuer will provide a certificate to this effect at the time of delivery of the Series 2011 Bonds.

There is no action, suit, or proceeding pending or threatened restraining or enjoining the execution or delivery of the Series 2011 Obligations, or in any way contesting or affecting the validity of the Series 2011 Obligations, the Master Indenture, the Loan Agreements or any proceedings of the Alliance taken with respect thereto. No securities of the Alliance have been in default as to principal or interest payments or in any other material respect, and no agreements or legal proceedings of the Alliance relating to its securities have been declared

invalid or unenforceable since the original formation of the corporation now called Mountain States Health Alliance. The Alliance will provide a certificate to this effect at the time of delivery of the Series 2011 Bonds.

For other litigation matters involving the Alliance, see "HISTORY AND OVERVIEW - Insurance; Litigation" in Appendix A hereto.

LEGAL MATTERS

Legal matters relating to the authorization and issuance of the Series 2011 Tax-Exempt Bonds are subject to the approving opinion of Bass, Berry & Sims PLC of Nashville and Knoxville, Tennessee, as Bond Counsel, which will be delivered with the Series 2011 Bonds. Bond Counsel's opinion with respect to the Series 2011 Virginia Bonds is being given in reliance on the opinion of Hunton & Williams LLP with respect to certain matters of Virginia law. Certain legal matters relating to the Series 2011 Bonds will also be passed upon by Samuel B. Miller, Esq., Johnson City, Tennessee, as counsel to the Tennessee Issuer, by Gwyn & Tate, Marion, Virginia, as counsel to the Virginia Issuer, and by Anderson, Fugate & Givens, Johnson City, Tennessee, as counsel to the Alliance. Certain legal matters will be passed upon by Thompson Coburn LLP, St. Louis, Missouri, as counsel to the Banks. Certain legal matters will be passed upon by Hunton & Williams LLP, as counsel to the Underwriters.

TAX MATTERS

Tennessee State Tax Exemption

Under existing law, the Series 2011 Tennessee Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Series 2011 Tennessee Bonds during the period the Series 2011 Tennessee Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership doing business in the State, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Series 2011 Tennessee Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State.

Virginia State Tax Exemption

In the opinion of Bond Counsel, under current law, interest on the Series 2011 Virginia Bonds is exempt from income taxation by the Commonwealth of Virginia.

Series 2011 Tax-Exempt Bonds

General. Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Series 2011 Tax-Exempt Bonds. Bond Counsel is the opinion that, under existing law, relying on certain statements by the Alliance and assuming compliance by the Alliance with certain covenants, interest on the Series 2011 Tax-Exempt Bonds is:

- an S corporation,
- not a preference item for a bondholder under the federal alternative minimum tax; but
- however, taken into account in determining the adjusted current earnings of certain corporations for purposes of the federal corporate alternative minimum tax.

The Code imposes requirements on the Series 2011 Tax-Exempt Bonds that the Alliance must continue to meet after the Series 2011 Tax-Exempt Bonds are issued. These requirements generally involve the way that Series 2011 Tax-Exempt Bond proceeds must be invested and ultimately used. If the Alliance does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2011 Tax-Exempt Bonds in its federal gross income on a retroactive basis to the date of issue. The Alliance has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Series 2011 Tax-Exempt Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit, or
- a borrower of money to purchase or carry the Series 2011 Tax-Exempt Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Series 2011 Tax-Exempt Bonds or affect the market price of the Series 2011 Tax-Exempt Bonds.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2011 Tax-Exempt Bonds, or under state, local or foreign tax law.

Possible Legislative Changes. Certain recent legislative proposals, if enacted, could adversely affect both the market value of the Series 2011 Tax-Exempt Bonds and the treatment of interest thereon for holders of the Series 2011 Tax-Exempt Bonds. See above "CERTAIN RISK FACTORS − Tax Matters − Legislative Proposals."

Series 2011 Taxable Bonds

***Disclaimer*. Any discussion of the tax issues relating to the Series 2011 Taxable Bonds in this Official Statement was written to support the promotion or marketing of the Series 2011 Taxable Bonds. Such discussion was not intended or written to be used, and it cannot be used, by any person for the purpose of avoiding any tax penalties that may be imposed on such person. Each investor should seek advice with respect to the Series 2011 Taxable Bonds based on its particular circumstances from an independent tax advisor.**

General. The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 2011 Taxable Bonds. The summary is based upon the provisions of the Code, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. The summary generally addresses Series 2011 Taxable Bonds held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, those holding such bonds as hedge against currency risks or as a position in a "straddle" for tax purposes, or those whose functional currency is not the United States dollar. Potential purchasers of the Series 2011 Taxable Bonds should consult their own tax advisors in determining the federal, state or local consequences to them of the purchase, ownership and disposition of the Series 2011 Taxable Bonds.

Interest on the Series 2011 Taxable Bonds is not excluded from gross income for federal income tax purposes. Purchasers other than those who purchase Series 2011 Taxable Bonds in the initial offering at their stated principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Series 2011 Taxable Bonds. In general, interest paid on the Series 2011 Taxable Bonds and accrual of market discount, if any, will be treated as ordinary income to an owner of Series 2011 Taxable Bonds and, after adjustment for the foregoing, principal payments will be treated as a return of capital.

Market Discount. Any owner who purchases a Series 2011 Taxable Bond at a price which includes market discount in excess of a prescribed de minimis amount (*i.e.*, at a purchase price that is less than its adjusted issue price in the hands of an original owner) will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount

not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Series 2011 Taxable Bond as ordinary income to the extent of any remaining accrued market discount (under this caption) or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

An owner who acquires a Series 2011 Taxable Bond at a market discount also may be required to defer, until the maturity date of such Series 2011 Taxable Bond or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2011 Taxable Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Series 2011 Taxable Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2011 Taxable Bonds for the days during the taxable year on which the owner held the Series 2011 Taxable Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2011 Taxable Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral does not apply if the bondowner elects to include such market discount in income currently as described above.

Bond Premium. A purchaser who purchases a Series 2011 Taxable Bond at a cost greater than its then principal amount will have amortizable bond premium. If the holder elects to amortize the premium under Section 171 of the Code (which election will apply to all bonds held by the holder on the first day of the taxable year to which the election applies, and to all bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of any Series 2011 Taxable Bonds who acquire such Series 2011 Taxable Bonds at a premium should consult with their own tax advisors with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state and local tax consequences of owning such Series 2011 Taxable Bonds.

Sale or Redemption of Series 2011 Taxable Bonds. A bondowner's tax basis for a Series 2011 Taxable Bond is the price such owner pays for the Series 2011 Taxable Bond plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified stated interest" payments) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 2011 Taxable Bond, measured by the difference between the amount realized and the basis of the Series 2011 Taxable Bond as so adjusted, will generally give rise to capital gain or loss if the Series 2011 Taxable Bond is held as a capital asset (except as discussed above under "Market Discount"). The legal defeasance of Series 2011 Taxable Bonds may result in a deemed sale or exchange of such Series 2011 Taxable Bonds under certain circumstances; owners of such Series 2011 Taxable Bonds should consult their tax advisors as to the federal income tax consequences of such an event.

Backup Withholding. A bondowner may, under certain circumstances, be subject to "backup withholding" (currently the rate of this withholding obligation is 28%, but the rate may change in the future) with respect to interest or original issue discount on the Series 2011 Taxable Bonds. This withholding generally applies if the owner of a Series 2011 Taxable Bond (a) fails to furnish the Registration Agent or other payor with its taxpayer identification number; (b) furnishes the Registration Agent or other payor an incorrect taxpayer identification number; (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide the Registration Agent or other payor with certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that holder is not

subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to bondowners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents. Owners of the Series 2011 Taxable Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

Backup withholding is not an additional tax. Any amount paid as backup withholding would be credited against the bondholder's U.S. federal income tax liability, provided that the requisite information is timely provided to the Internal Revenue Service. The amount of "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to payments on the Series 2011 Taxable Bonds will be reported to the bondowners and to the Internal Revenue Service.

***Nonresident Borrowers*.** Under the Code, interest and original issue discount income with respect to Series 2011 Taxable Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons ("Nonresidents") generally will not be subject to the United States withholding tax (or backup withholding) if the Borrower (or other who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Series 2011 Taxable Bond is a Nonresident. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident bondowner, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

Interest on the Series 2011 Taxable Bonds is not tax-exempt under either federal or state law.

RATINGS

Moody's Investors Services, Inc. ("Moody's") and Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. ("S&P") have assigned the Series 2011A Bonds and the Series 2011C Bonds the respective ratings set forth below:

Moody's:	Aa2/VMIG1
Standard & Poor's:	AA-/A-1+

Moody's and S&P have assigned the Series 2011B Bonds the respective ratings set forth below:

Moody's:	A1/VMIG1
Standard & Poor's:	A+/A-1

Moody's and S&P have assigned the Series 2011D Bonds and the Series 2011E Bonds the respective ratings set forth below:

Moody's:	Aa3*/VMIG1
Standard & Poor's:	A+/A-1

* The long-term ratings of Series 2010D Bonds and the Series 2011E Bonds are on review for downgrade in connection with Moody's ongoing review of Mizuho Corporate Bank, Ltd.

Each such rating is based on the availability of the Letters of Credit and reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating should be obtained from the applicable rating agency itself. Certain materials and information relating to the Series 2011 Bonds, the Banks and the Alliance that may not be described in this Official Statement were furnished to the rating agencies in connection with the issuance of the ratings. Generally, rating agencies base their ratings on such materials and information and on their own investigations, studies and assumptions. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant.

No information is provided regarding the ratings of other outstanding bonds issued for the benefit of the Alliance and related entities.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and U.S. Bank Municipal Securities Group, a division of U.S. Bank National Association ("US Bancorp" and, together with Merrill Lynch, the "Underwriters") have agreed to purchase (1) the Series 2011A Bonds at a price of $64,998,960, representing the par amount of the Series 2011A Bonds less an underwriters' discount of $261,040 (0.40% of the principal amount thereof); and (2) the Series 2011C Bonds at a price of $49,675,000, representing the par amount of the Series 2011C Bonds less an underwriters' discount of $199,500 (0.40% of the principal amount thereof). Merrill Lynch and U.S. Bancorp are committed to take and pay for all of the Series 2011A Bonds and the Series 2011C Bonds if any are taken.

Merrill Lynch has agreed to purchase (x) the Series 2011B Bonds at a price of $19,920,000, representing the par amount of the Series 2011B Bonds less an underwriters' discount of $80,000 (0.40% of the principal amount thereof); (y) the Series 2011D Bonds at a price of $60,462,180, representing the par amount of the Series 2011D Bonds less an underwriters' discount of $242,820 (0.40% of the principal amount thereof); and (z) the Series 2011 Taxable Bonds at a price of $15,896,160, representing the par amount of the Series 2011 Taxable Bonds less an underwriters' discount of $63,840 (0.40% of the principal amount thereof). Merrill Lynch is committed to take and pay for all of the Series 2011B Bonds, the Series 2011D Bonds and the Series 2011 Taxable Bonds if any are taken.

The prices at which the Series 2011 Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices. In addition, the Underwriters may allow commissions or discounts to dealers and others from the initial offering prices appearing on the cover page of this Official Statement. From time to time, the Underwriters may enter into other transactions with the Alliance, including interest rate swaps and options, for which it receives other compensation.

"US Bancorp" is the marketing name of U.S. Bancorp and its subsidiaries, including (1) U.S. Bank Municipal Securities Group, a division of U.S. Bank National Association ("USB MSG"), which is serving as Co-Manager of the Series 2011A Bonds and the Series 2011C Bonds, (2) U.S. Bancorp Investments, Inc. ("USBII"), which, along with USB MSG, is serving as Remarketing Agent for the Series 2011C Bonds, and (3) U.S. Bank National Association ("USBNA"), which is providing the Letter of Credit for the Series 2011A Bonds and the Series 2011C Bonds.

INDEPENDENT AUDITORS

The consolidated financial statements of the Alliance as of and for the years ended June 30, 2010 and 2009, included in Appendix B to this Official Statement, have been audited by Pershing Yoakley & Associates, P.C.

CONTINUING DISCLOSURE AGREEMENT

The Agreement

To permit compliance by the Underwriters with the continuing disclosure requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the Alliance will execute a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") at closing pursuant to which the Alliance will agree to provide certain quarterly and annual financial information and material event notices required by the Rule. Such information will be filed through the Electronic Municipal Market Access System ("EMMA") maintained by the Municipal Securities Rulemaking Board and may be accessed through the Internet at emma.mrsb.org. The proposed form of the Continuing Disclosure Agreement is set forth in Appendix F. It requires the Alliance to provide **only limited information at specific times, and the information provided may not be all the information necessary to value the Series 2011 Bonds at any particular time.** The Alliance may from time to time disclose certain information and data in addition to that required by the Continuing Disclosure Agreement. If

the Alliance chooses to provide any additional information, the Alliance shall have no obligation to continue to update such information or to include it in any future disclosure filing.

Failure by the Alliance to comply with the Continuing Disclosure Agreement is not an Event of Default under the Loan Agreements. The Continuing Disclosure Agreement provides that the only remedy for its violation is a lawsuit seeking specific performance.

Prior Undertakings

In connection with the issuance of previous bonds, the Alliance has entered into continuing disclosure undertakings similar to the Continuing Disclosure Agreement. Prior to July 1, 2009, the Alliance's filings under such undertakings were made through the then existing national recognized municipal securities information repositories. Since then filings have been made through EMMA.

The Alliance failed to make certain filings previously scheduled under previous continuing disclosure undertakings. In November, 2008, the Alliance submitted Annual Financial Information for the fiscal years ended June 30, 2000 through June 30, 2008 and Quarterly Financial Information for the quarters ended March 31, 2000 through June 30, 2008. Such filings were not timely under the Alliance's existing continuing disclosure undertakings. The Alliance has made timely filings of the Quarterly Financial Information for the quarters September 30, 2008, through June 30, 2011. The Alliance believes it has now made all filings required under all of its continuing disclosure undertakings.

RELATIONSHIPS OF PARTIES

As noted above, the Alliance or its affiliates have entered into interest rate swaps and other financial transactions with affiliates of the Underwriters.

From time to time, Bond Counsel and Hunton & Williams LLP (1) have represented the Alliance in other matters, and may do so in the future and (2) have represented and continue to represent certain of the Banks in unrelated matters. Bond Counsel also has represented one or more of the Underwriters in unrelated transactions. Anderson, Fugate & Givens, counsel to the Alliance, receives a substantial portion of its annual legal fee income from the Alliance. The Alliance typically engages in bidding to select the contractors for its capital projects. Whether or not such projects are bid, from time to time the contractor selected may be one in which members of the board of directors of either of the Issuers or the Alliance have an interest.

MISCELLANEOUS

This Official Statement and its distribution and use by the Underwriter have been duly authorized and approved by the Issuers and by the Alliance. This Official Statement has been executed and delivered by the Chairman of each Issuer on behalf of each Issuer and by the Senior Vice President and Chief Financial Officer of the Alliance on behalf of the Alliance.

So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

The Appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement.

THE HEALTH AND EDUCATIONAL FACILITIES BOARD OF THE CITY OF JOHNSON CITY, TENNESSEE

By: /s/ *W. Hanes Lancaster*
Chairman

INDUSTRIAL DEVELOPMENT AUTHORITY OF SMYTH COUNTY

By: */s/ Clarence F. Smith*
Chairman

MOUNTAIN STATES HEALTH ALLIANCE

By: */s/ Marvin H. Eichorn*
Senior Vice President and Chief Financial Officer

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APPENDIX A

MOUNTAIN STATES HEALTH ALLIANCE

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HISTORY AND OVERVIEW

Background

Mountain States Health Alliance (the "Alliance"), a Tennessee not-for-profit corporation headquartered in Johnson City, Tennessee, was originally incorporated as Memorial Hospital on April 12, 1945. In January 1951, the corporation acquired Appalachian Hospital and Training School, an 82-bed acute care facility in Johnson City, and simultaneously opened a 120-bed acute care facility in Johnson City. By 1977 its facilities had expanded to include 369 acute care beds and a 52-bed nursing home. In September 1980, the facilities were relocated and began operating as the Johnson City Medical Center ("JCMC"). In 1983 the corporation changed its name to the Johnson City Medical Center Hospital, Inc. The corporation has been determined to be an organization described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended.

In 1998, the Alliance purchased the assets and assumed certain liabilities of five hospitals and related assets from Columbia/HCA (the "1998 Acquisition") located in Johnson City, Kingsport and Elizabethton, Tennessee. In 1999, the corporation changed its name to Mountain States Health Alliance. On May 1, 2005, the Alliance purchased the assets of Woodridge Hospital, a 75-bed, acute inpatient psychiatric facility. On November 1, 2006, the Alliance purchased an 80% membership interest in Smyth County Community Hospital, which owns a 279-bed general acute care and long-term care facility in southwest Virginia. On October 31, 2007, the Alliance purchased a 50.1% membership interest in Norton Community Hospital, which owns and operates both Norton Community Hospital and Dickenson County Community Hospital in Southwest Virginia. On January 31, 2008, the Alliance acquired the assets and liabilities of Russell County Medical Center in Lebanon, Virginia. On April 1, 2009, the Alliance acquired a 50.1% interest in Johnston Memorial Hospital, which owns a 116-bed facility in Abingdon, Virginia. Listed below are facilities currently owned or controlled by the Alliance:

Facility	Location	Licensed Beds
Johnson City Medical Center ("JCMC")*	Johnson City, TN	514
James H. & Cecile Quillen Rehabilitation Hospital ("Quillen") *	Johnson City, TN	60
Woodridge Hospital ("Woodridge")*	Johnson City, TN	84
Franklin Woods Community Hospital ("Franklin Woods")	Johnson City, TN	80
Indian Path Medical Center ("Indian Path")	Kingsport, TN	261
Sycamore Shoals Hospital ("Sycamore Shoals")	Elizabethton, TN	121
Johnson County Community Hospital ("Johnson County Community ")	Mountain City, TN	2
Smyth County Community Hospital ("Smyth County Community") (1)	Marion, VA	279
Norton Community Hospital ("Norton Community") (2)	Norton, VA	129
Dickenson Community Hospital ("Dickenson Community") (2)	Clintwood, VA	25
Russell County Medical Center ("Russell")	Lebanon, VA	78
Johnston Memorial Hospital ("Johnston Memorial") (2)	Abingdon, VA	116
		1,749

*JCMC, Quillen and Woodridge are operated under a single 658-bed hospital license.
(1) 80% membership interest held by the Alliance.
(2) 50.1% membership interest held by the Alliance.

In addition to the above-described hospital facilities, the Alliance owns directly or through wholly-owned subsidiaries, medical office buildings, physician practices, undeveloped land and outpatient surgery centers.

Operations of the Alliance

The facilities of the Alliance are naturally divided geographically into two groupings: (i) the "Tennessee Facilities," which include JCMC, Quillen, Woodridge, and Franklin Woods Community Hospital, all in Washington County; Indian Path, in Sullivan County; Sycamore Shoals, in Carter County; and Johnson County Community, in Johnson County; and (ii) the "Virginia Facilities," which include Smyth County Community, in Smyth County; Norton Community, in the City of Norton; Dickenson Community, in Dickenson County; Russell, in Russell County; and Johnston Memorial, in Washington County. All of the Tennessee hospital facilities and Russell County Medical Center are owned by the Alliance, which is an Obligated Issuer under the Master Indenture. Smyth County Community is owned by Smyth County Community Hospital, and Norton Community is owned by Norton Community Hospital, both of which corporations will become Obligated Issuers upon the issuance of the Series

2011 Bonds. The remaining Virginia hospital facilities are all owned by entities that are not Obligated Issuers. The only other Obligated Issuer is Blue Ridge Medical Management Corporation, which is described further below.

Johnson City Medical Center is a 514 licensed bed, general acute care facility located on a 75-acre site on State of Franklin Road, a major regional thoroughfare in Johnson City. JCMC provides a wide array of acute care services on an inpatient and outpatient basis, including a complete range of cardiovascular, neurology, oncology, skilled nursing, and rehabilitation services. JCMC also operates a 69 licensed bed children's hospital with the region's only pediatric-specific emergency department. JCMC is designated as a Level III Perinatal Center and a Level I trauma center. JCMC earned international recognition as a Magnet Hospital by the American Nurses Credentialing Center. On or adjacent to JCMC's main campus are seven physician office buildings providing office space for approximately 75 physicians.

The James H. & Cecile C. Quillen Rehabilitation Hospital (formerly Northeast Tennessee Rehabilitation Hospital) is a 60 licensed bed rehabilitation and skilled nursing hospital in Johnson City, operated under the JCMC license. This facility provides a complete array of skilled nursing services as well as rehabilitative services for individuals with brain injury, stroke, or spinal cord injury. These rehabilitative services include respiratory, occupational and physical therapy, as well as outpatient services. The facility was constructed in 1991.

Woodridge Hospital is an 84 licensed bed, acute-care facility located in Johnson City, offering psychiatric and substance abuse services. This facility was purchased in May, 2005 and is operated under the JCMC license.

Franklin Woods Community Hospital is an 80 licensed bed facility offering a full array of primary care and some specialty services. Franklin Woods opened in July 2010 (replacing Johnson City Specialty and North Side) and was the first "green" hospital in the state.

Indian Path Medical Center is a 261 licensed bed facility in Kingsport. This facility provides a complete range of medical/surgical, acute care, psychiatric and skilled nursing services on an inpatient basis and a full complement of outpatient services. The facility is located on an 80 acre campus that also includes nine medical office buildings. Indian Path Medical Center was constructed in 1974.

Sycamore Shoals Hospital is a 121 licensed bed general acute care hospital in Elizabethton, Tennessee (Carter County). The facility provides inpatient, geropsychiatric, and outpatient services for acute care and medical/surgical patients. Sycamore Shoals was founded in 1955 as Carter County Memorial Hospital. It was moved to a newly constructed facility in 1986. A medical office building constructed in 2010 is also located on the main campus.

Johnson County Community Hospital is a facility located in Mountain City with two licensed beds and critical access designation. Johnson County offers inpatient care, emergency care and outpatient services.

Smyth County Community Hospital is a 279 licensed bed, general acute, skilled and long term care hospital in Marion, Virginia, owned by Smyth County Community Hospital (the "Smyth County Corporation"), a Virginia non-stock corporation in which the Alliance owns an 80% interest. The current facility was built in 1945, and provides a full range of acute inpatient and outpatient care, including OB/GYN, general surgery, urology, ENT, orthopedics, cardiology, oncology, and skilled nursing services. Nursing home services provided by Francis Marion Manor, a 109 licensed bed long term care facility, are included as part of Smyth County Community's bed complement. Smyth County Corporation will be joining the Obligated Group upon the issuance of the Series 2011 Bonds.

A new Smyth County Community Hospital facility is under construction off U.S. Interstate 81 at Exit 47 along Highway 11. The new facility will have 44 private rooms (30 acute care beds and 14 rehabilitation beds). The new facility will offer all of the services offered at the current facility with some improvements, including three modern surgery rooms. The new facility is expected to open in the spring of 2012 and meet U.S. Green Building Council's LEED standards to create a "green" facility.

Norton Community Hospital, located in the City of Norton, Virginia, is a 129 licensed bed, acute-care facility, serving Southwest Virginia and Southeastern Kentucky since 1949. Norton Community is owned and operated by Norton Community Hospital (the "Norton Corporation"), a Virginia non-stock corporation in which the Alliance owns a 50.1% interest. The largest healthcare facility in the coalfield region, Norton Community provides

a wide array of services through highly trained physicians and support staff. Norton Community is a member of the Virginia Hospital and Healthcare Association and is accredited by the American Osteopathic Association. Norton Community was the first AOA accredited teaching facility in the state of Virginia. The Norton Corporation will be joining the Obligated Group upon the issuance of the Series 2011 Bonds.

Dickenson Community Hospital, located in Clintwood, Virginia, opened in November 2003. It is a 25 licensed bed critical access hospital owned and operated by the Norton Corporation. A recent expansion included a 5,700 square foot physician office building on the hospital campus. Dickenson Community offers laboratory, imaging, inpatient acute care and a wide array of therapy services. Dickenson Community is not an Obligated Issuer.

Russell County Medical Center is a 78-bed acute care hospital located in Lebanon, Virginia, which includes a 20-bed inpatient psychiatric unit. Russell offers cardiac, home health, hospice, surgical and behavioral healthcare services. Russell is wholly owned by the Alliance, which is an Obligated Issuer.

Johnston Memorial Hospital is a 116 licensed bed, general acute care hospital in Abingdon, Virginia, which can trace its history back to a 12 bed facility started in 1905. Johnston Memorial provides a wide array of healthcare services in a newly constructed facility that opened in 2011. Johnston Memorial is owned and operated by Johnston Memorial Hospital, Inc. (the "Johnston Corporation"), in which the Alliance owns a 50.1% interest. Simultaneously with the issuance of the Series 2011 Bonds, the Industrial Development Authority of Smyth County will issue its Hospital Facility Revenue Refunding and Improvement Bonds (Johnston Memorial Hospital Project), Series 2011 (the "JMH Bonds"), for the benefit of Johnston Memorial. The Johnston Corporation is not a member of the Obligated Group and the Obligated Issuers are not required to pay debt service on the JMH Bonds.

Operations of Subsidiary and Other Affiliates

The Alliance directly owns and operates the hospital facilities listed above that are located in Tennessee, and directly owns and operates Russell in Lebanon, Virginia. It has controlling membership interests in the corporations that own Smyth County Community, Norton Community, Dickinson Community and Johnston Memorial. Additionally, the Alliance owns or otherwise controls a number of for-profit and not-for-profit affiliates that provide complementary health care services and help support the health care needs of the region. The principal affiliates are Mountain States Foundation, Inc., Mountain States Health Alliance Auxiliary and Blue Ridge Medical Management Corporation ("Blue Ridge").

Blue Ridge is a Tennessee for profit stock corporation, and the Alliance owns 100% of its stock. Blue Ridge in turn owns all of the stock or other ownership interest in the following entities (collectively, the "Blue Ridge Affiliates"): Mountain States Physician Group, Inc., Mountain States Properties, Inc., Mediserve Medical Equipment of Kingsport, Inc., Wilson Pharmacy, Inc., and Synergy Health Group LLC. While Blue Ridge is an Obligated Issuer under the Master Indenture along with the Alliance, none of the Blue Ridge Affiliates are an Obligated Issuer. Blue Ridge provides, directly or through Blue Ridge Affiliates, management services for 36 primary care facilities, 40 specialty care facilities, five urgent care and occupational management services facilities in 81 separate locations in ten counties. Through the 81 sites, Blue Ridge provides management services to a total of 181 practicing physicians, 50 nurse practitioners, nine physician assistants and five nurse anesthetists. Blue Ridge has various levels of ownership in five surgery centers and owns and/or manages a total of 26 medical office buildings, six of which are held in condominium-ownership form.

Inpatient Bed Complement

The following table shows the Alliance's licensed bed capacity by service line as of September 1, 2011:

Service	Licensed Beds	Distribution
Medical/Surgical	1,110	63%
OB/GYN	85	5
Critical Care	133	8
Neonatal	51	3
Psychiatry	136	8
Rehabilitation	55	3
Skilled Nursing / Nursing Home	179	10
Total	1,749	100%

Source: The Alliance.

Educational Programs

Pursuant to an agreement with the Division of Health Sciences at East Tennessee State University ("ETSU"), the Alliance provides JCMC as a site for clinical and other training of medical students and residents from ETSU's James H. Quillen College of Medicine ("QCM"), nursing students at the associate, baccalaureate and master's level from the School of Nursing and students from the School of Public and Allied Health. Woodridge provides sites for clinical training for QCM psychiatric residents. Approved medical residencies are offered by ETSU in Family Medicine, Internal Medicine/Psychiatry, OB/GYN, Pathology, Pediatrics, Cardiology, Infectious Disease, Pulmonary/Critical Care, Sleep and General Surgery. Approved fellowships are offered by ETSU in Gastroenterology and Medical Oncology. JCMC is also a clinical site for various health professional and allied health programs located in Tennessee, Kentucky, Virginia and North Carolina.

QCM, which is located adjacent to JCMC, has made a commitment to promote medical educational programs in Johnson City, Tennessee. With QCM's location adjacent to JCMC and the Veteran Affairs Medical Center at Mountain Home, a large portion of QCM's clinical training occurs at JCMC. An ETSU facility housing clinical training programs is located across the street from JCMC. QCM's presence promotes the presence of substantial numbers of physicians in private practice. Additionally, the concentration of medical specialists, researchers and medical educators in Johnson City make the Alliance competitively stronger in patient care opportunities in the region and also provides a good source of nurses for Alliance facilities.

Licenses and Accreditation

The Tennessee Facilities are licensed by the State of Tennessee Department of Health and Environment; the Virginia Facilities are licensed by the Virginia Department of Health; Norton Community Hospital and Dickenson Community Hospital are accredited through the Healthcare Facilities Accreditation Program ("HFAP") and all other facilities are accredited by The Joint Commission ("TJC"). Norton and Quillen are accredited by the Commission of Accreditation of Rehabilitation Facilities. The Alliance facilities are accredited by the College of American Pathologists. JCMC is also accredited by the American College of Surgeons Commission on Cancer and is designated as a Regional Perinatal Center by the Tennessee Department of Health and Environment.

Employees

As of August 31, 2011, the Alliance employs a staff of 9,146 persons (equal to approximately 7,758 full-time equivalent employees), including 2,275 registered/licensed practical nurses. The Alliance's employees are covered for a variety of employee benefits, including a qualified defined contribution pension plan, health and dental insurance, life insurance and vacation, holiday and sick time benefits. Certain employees at Norton Community and Dickenson Community are represented by a union. The Alliance has never experienced a strike or other work stoppage by its employees. The Alliance considers its employee relations to be excellent.

Pension Plan

The Alliance has a qualified defined contribution pension plan covering substantially all of its employees. Benefits payable to an employee under the terms of the pension plan are determined at the time of employee retirement. Contributions to the pension plan are current.

Insurance; Litigation

The Alliance is self-insured and has established self-insurance reserves to provide for professional and general liability claims and related expenses in amounts based upon an annual actuarial valuation. The self-insurance program currently has the following limits: $10,000,000 per claim; with an annual aggregate of $15,000,000. The Alliance has never had a claim to exceed the self-insurance limits. The Alliance maintains a $25,000,000 excess/umbrella policy, which attaches over the self-insurance fund's $10,000,000 per claim, $15,000,000 annual aggregate retention.

Additionally, the Alliance is self-insured for employee health and worker's compensation claims for the Tennessee Facilities. For the Virginia Facilities, the Alliance is self-insured for employee health and maintains a large deductible policy for worker's compensation claims with limits of $750,000 per employee per accident, $2,500,000 aggregate, $5,000,000 all covered bodily injury aggregate maximum for the policy period. The Alliance recognizes expense each year based upon actual claims paid and an estimate of claims incurred, but not yet paid. The Alliance has established a reserve for reported and unreported worker's compensation claims based upon an annual actuarial valuation.

The Alliance and related entities are defendants in litigation relating to medical malpractice, worker's compensation and other claims arising in the ordinary course of business. Based on an evaluation of pending and threatened actions, management of the Alliance does not believe that any existing litigation, individually or collectively, would materially and adversely affect the financial resources of the Alliance or the business or continuous operation of the Alliance. Furthermore, the Alliance has accrued amounts in its self-insurance reserves at levels that it believes are sufficient to provide for payments reasonably projected to be due in connection with pending and potential claims and liabilities of the Alliance.

MEDICAL SERVICES

The Alliance provides a wide range of general and specialty medical services for the residents of Northeast Tennessee and Southwest Virginia and the surrounding states of Kentucky and North Carolina. The majority of tertiary care provided by the Alliance is concentrated at Johnson City Medical Center. Some highlights of the medical services and programs offered by the Alliance are described below.

Surgical Services. The Alliance has approximately 60 operating rooms located in eight facilities. The Alliance's surgical facilities are equipped with state-of-the-art technologies to meet the health care needs of the region. The Alliance provides services in all major surgical specialties including orthopedics, vascular, cardiothoracic, neurological, general, gynecological, laparoscopic, laser, urological, oncological, pediatric, plastic, ear, nose and throat, dental and transplant services.

Cardiovascular Services. The Alliance offers comprehensive regional cardiac services and highly advanced equipment for the detection, treatment, care and rehabilitation of those with heart problems. Advanced services include a wide range of non-invasive tests, cardiac catheterization, angioplasty and open-heart surgery. The Center for Cardiovascular Health at JCMC is known throughout the region for its medical expertise in cardiac care and has been recognized as the region's top hospital for cardiovascular services by US News and World Report in 2010 and 2011. Indian Path provides cardiovascular services including interventional cardiology and Johnston Memorial has recently expanded services to include cardiac catherization.

Pulmonary Medicine. Respiratory therapy services are provided at each of the Alliance's facilities. The Center for Pulmonary Medicine at JCMC diagnoses and manages disorders of the respiratory and the pulmonary vascular systems, including emphysema and black-lung disease. A state-of-the-art metabolic laboratory assesses heart and respiratory problems. Pulmonary outreach services are provided at JCMC.

Comprehensive Wound Care is provided at JCMC, Norton Community, and Johnston Memorial. JCMC is the home to three hyperbaric oxygen chambers and Norton Community and Johnston Memorial each have one chamber

Women's Services. The Alliance provides specially designed women's services equipped to meet the unique health needs of women. Locations for obstetric and newborn care include The Family Birth Centers at JCMC, Franklin Woods, Indian Path, Sycamore Shoals, Norton Community, and Johnston Memorial. Gynecologic care is provided at each of the preceding facilities as well as Smyth County Community. The complement of women's services includes: routine and high-risk obstetrical care, gynecological surgery, breast disease diagnosis and treatment, fertility services, laser and microscopic surgery, plastic surgery, wellness/fitness programs, and educational sessions covering a wide spectrum of women's concerns. The Family Birth Center at JCMC includes the region's only State-designated Perinatal Center for pregnancy and newborn medical complications and a transport team to bring critically ill infants to JCMC.

Children's Services. The Niswonger Children's Hospital at JCMC is the only children's hospital in northeast Tennessee. More than 20 pediatric subspecialties provide specialty care through this 69 licensed bed "hospital within a hospital" and pediatric emergency department. The Children's Hospital has met stringent criteria to become a member of the National Association of Children's Hospitals and Related Institutions (NACHRI), linking providers and staff with more than 130 of the nation's leading pediatric facilities. Also located on the campus of JCMC is the region's only *Ronald McDonald House*, with the mission of meeting the support needs of pediatric patients and family members. In addition, in October 1999, the Alliance entered into a clinical affiliation with St. Jude's Children's Research Hospital to provide pediatric cancer and other catastrophic disease treatment services.

Diabetes Services. The Alliance provides diabetes management programs with specialized healthcare providers able to address the needs of the diabetic patient. The diabetes services emphasizes the importance of patient education and support with both patient and family involvement in the treatment process and provides education in all aspects of diabetes management.

Rehabilitation Services. The James H. and Cecile C. Quillen Rehabilitation Hospital provides a complete range of physical rehabilitative services for the region, including specialized rehabilitative services for individuals with brain injuries, strokes and spinal cord injuries. The Alliance also provides outpatient physical, occupational, and speech therapies at eight locations for individuals with physical disabilities.

Cancer Services. The Alliance provides comprehensive cancer treatment services throughout the system with four tertiary care facilities in Johnson City, Kingsport, Abingdon, and Marion. The Regional Cancer Center at JCMC serves as a referral center and education host for students, and is the only facility within several hours travel time with specialized infrastructure capable of supporting the treatment of complex cases such as pediatric cancers and acute leukemia. The St. Jude's Children's Research Hospital, Tri-Cities Affiliate, is located on JCMC's campus. It is a collaborative effort between the Alliance, East Tennessee State University, and St. Jude's Children's Research Hospital in Memphis to provide pediatric oncology services in the region. Regional Cancer Centers at Indian Path, Johnston Memorial, and Smyth County Community provide surgical and chemotherapy treatments to patients from northeast Tennessee and southwest Virginia. Outpatient radiation services are provided at Regional Cancer Centers at Indian Path and Johnston Memorial. The program emphasizes the use of market-leading facility design, multi-specialty team-based care, highly trained and certified sub-specialty staff and an emphasis on patient-centered care.

Behavioral Health Services. Respond/Crisis Line provides information, assessment, and referral assistance to patients in need of psychiatric services. Services are provided at three locations. Woodridge provides inpatient care for children, adolescents, adults, and geriatric populations and outpatient services, including Intensive Outpatient Program for adults. Sycamore Shoals provides inpatient Geropsych services. Russell provides inpatient acute psychiatry and outpatient services for adults.

In addition to the services described above, the Alliance offers many other services throughout the region including emergency departments and urgent care centers, skilled nursing facilities, and the medical air transport service called *WINGs Air Rescue*.

Medical Staff

As of June 30, 2011, there were 1,027 physicians and dentists on the Alliance's active, courtesy and consulting medical staffs. Of the 1,027 physicians on staff, 880 are board certified in their specialty. The average age of the medical staff is 49 years.

Medical staff appointment is available to licensed physicians, dentists, podiatrists and certain other professionals who are licensed to practice in the State of Tennessee or Virginia, as applicable, and who meet other specific requirements of the medical staff by-laws. Appointments and re-appointments are made by the Alliance Board of Directors upon the recommendations of the various medical staffs and the Alliance's administrative staff. Associate staff members are persons who have applied for active staff membership, but have been on the staff for less than two years.

The Alliance conducts a recruitment program to support the recruiting efforts of the affiliated medical staff. Recruiting assistance is provided to both private and university affiliated physicians as requested, and includes contracting and interaction with recruiting firms, receipt and screening of candidates' curriculum vitae, candidate site visit, and relocation and initial practice management assistance to the new physicians.

GOVERNANCE AND MANAGEMENT

Board of Directors

The management of the Alliance's affairs is vested in a Board of Directors consisting of not less than 9 and not more than 14 members, including the President/CEO, who serves as an ex-officio member. Except for the ex-officio member, directors serve for staggered three-year terms. Standing committees of the Board of Directors include Executive, Governance/Nominating, Corporate Audit and Compliance, and Quality. Special committees may be appointed by the Chairman of the Board for specific assignments. Current officers and members of the Board of Directors and their occupations and dates of expiration of their terms are set forth below:

Name and Office Held	Business Affiliation	Term Expiration
Robert Feathers Chairperson	President Workspace Interiors, Inc	2012
Barbara Allen Vice Chairperson	Owner, Manager Stowaway Storage	2013
Clem Wilkes, Jr. Treasurer	Financial Advisor Raymond James Financial Services	2014
Joanne Gilmer Secretary	Retired General Shale	2014
Don Jeanes Past-Chair	Retired Milligan College	2015
Sandra Brooks, M.D.	Pathologist Watauga Pathology Associates	2012
Mike Christian	Retired Banker	2012
Jeff Farrow, M.D.	Pulmonologist Johnson City Medical Center	2015
Tom Fowlkes	General Counsel The United Company	2015
Linda Garceau	Dean, College of Business & Technology East Tennessee State University	2015
David May, M.D.	Anesthesiologist Sycamore Shoals Anesthesia Assoc.	2014
Gary Peacock	Retired Royal Mouldings Ltd.	2014
Dennis Vonderfecht *Ex-Officio*	President and CEO Mountain States Health Alliance	n/a

Further, five community-based boards serve as advisory boards for the Alliance's Board of Directors. The community-based boards represent the communities serviced by the following facilities: (1) Sycamore Shoals), (2) Johnson County Community, (3) Russell, (4) Indian Path and (5) Franklin Woods and JCMC. Four governing boards serve the Alliance's joint-ventured facilities and include: (1) Dickenson Community, (2) Johnston Memorial, (3) Norton Community, and (4) Smyth County Community. One other governing board oversees the operations of Blue Ridge Medical Management Corporation. The bylaws of the community boards are rooted in the Alliance's bylaws and the remaining boards are distinguished through separate bylaws. The bylaws of each of the community boards provide that their boards consist of no fewer than nine and no more than 18 persons. No more than thirty-three percent of the directors of each Community Board may consist of physicians. Terms vary for the remaining boards, but are predominately staggered for three-year terms.

Management of the Corporation

The President and Chief Executive Officer, selected by the Board of Directors, manages the Alliance's administrative staff and has the authority and responsibility of system-wide direction of the Alliance's facilities, subject to policies adopted by the Board of Directors or any of its committees to which it has delegated power for such action. The principal members of the administrative staff of the Alliance are described below.

Dennis Vonderfecht (60) – President and Chief Executive Officer. Mr. Vonderfecht has served as President and CEO since January 1990. Prior to joining the Alliance, he was employed by Research Health Services System in Kansas City, Missouri, where he held the position of Regional Vice President. Mr. Vonderfecht worked for Humana, Inc. for approximately eight years in capacities such as: Administrative Specialist at Humana Hospital, Greensboro, North Carolina; Associate Administrator at Gibson General Hospital, Trenton, Tennessee; Associate Executive Director for Humana Hospital, Brandon, Florida; Associate Executive Director, Humana Hospital, Greensboro, North Carolina; Project Manager for Parkway Medical Center, Cary, North Carolina; and as Executive Director, Humana Hospital, Newnan, Georgia. Mr. Vonderfecht's undergraduate study was at Colorado State University, and the University of Nebraska, where he was awarded a B.S. degree in Business Administration. He obtained two master's degrees from the University of Missouri, one in Business Administration and the other in Hospital Administration. He also holds an honorary doctorate from Milligan College. He presently serves on the Boards of Directors of Premier, Inc., ETSU Foundation, Tennessee Hospital Association, Tennessee Business Roundtable, Tennessee Valley Corridor Inc., and the Tennessee Center for Performance Excellence. Mr. Vonderfecht currently serves as Chairman of the Board for the Tennessee Center for Performance Excellence and has previously served as Chairman of the Tennessee Hospital Association Board of Directors and Chairman of the Board of Hospital Alliance of Tennessee. Mr. Vonderfecht is a Fellow in the American College of Healthcare Executives. He has been the recipient of the Distinguished Service Award and the Meritorious Service Award from the Tennessee Hospital Association and was awarded the American College of Healthcare Executives Regent's Award. He has also been recognized with the Health Care Heroes Award, as well as the Cup of Kindness Award through the Tri-Cities Business Journal. In addition, Mr. Vonderfecht was presented with a "Leaders in Christian Service" award by Milligan College and has received recognition as an "Honorary Alumni" by East Tennessee State University.

Marvin Eichorn (55) - Senior Vice President and Chief Financial Officer. Mr. Eichorn has served the Alliance since August 1998, when he joined as Senior Vice President/Regional Operations. He was named Chief Financial Officer in January 1999. As Senior Vice President/Chief Financial Officer, he is responsible for all of the financial operations and services of the Alliance as well as managed care and physician operation activities for the Alliance. Prior to joining the Alliance, he was employed by Covenant Health/Fort Sanders Health System in Knoxville, Tennessee in various positions over a 14 year period including Executive Vice President/Non-Hospital Operations and Executive Vice President/Chief Financial Officer. Mr. Eichorn is a Certified Public Accountant and is a member of various health care and finance organizations. His educational background includes a bachelor's degree in finance from the University of West Florida and a master's degree in business administration from Milligan College. In 2000, Mr. Eichorn received the Meritorious Service Award for an Executive Staff member from the Tennessee Hospital Association. He also serves on the board or key committees of various national and regional healthcare related organizations.

Candace Jennings (57) **-** Senior Vice President for Tennessee Operations. Ms. Jennings joined the Alliance in 2007 as Vice President and Chief Operating Officer for Washington County, Tennessee operations. Her current responsibilities include the strategy development and operation of the Alliance's eight Tennessee hospitals, including a critical access hospital (Johnson County Community Hospital), a children's hospital (Niswonger

Children's Hospital) and a new, LEED certified hospital, Franklin Woods Community Hospital which opened in July 2010. Prior to joining Mountain States Health Alliance, she was Chief Nursing Officer for St. John's Hospital in Springfield, Illinois. As a consultant with Ernst and Young, she led organizations through transformational change specializing in organizational resizing and patient focused care. She has served as a health care leader for over 20 years in tertiary teaching hospitals in Alabama, Texas, Illinois and Tennessee. Her educational background includes bachelors and master's degrees in Nursing and a master's in Health Services Administration from the University of Alabama at Birmingham (UAB). Ms. Jennings has been a Fellow in ACHE since 2001.

Ann Fleming (63) – Senior Vice President of Virginia Operations and System Cardiovascular and Oncology Strategic Service Units. Since joining the Alliance in March 2007, Ms. Fleming has served as an examiner for the Tennessee Center for Performance Excellence and a board member for the Senate Productivity and Quality Award. Prior to joining the Alliance, Ms. Fleming most recently served as VP Clinical Service Lines, Merrillville Hospital Administrator and Chief Nursing Officer at The Methodist Hospitals Inc., Gary and Merrillville, Indiana. As part of her work there, she launched the Cardiovascular, Oncology, Rehabilitation/Ortho/Neuro, Women's and Children Service Lines. Ms. Fleming also served as Rehabilitation Consultant at Porter Memorial Hospital, Valparaiso, Indiana, and served as an operating room nurse with the 475th MASH during Operation Desert Storm in Saudi Arabia and Iraq. She received a bachelor's degree in nursing from the University of Kentucky, and a master's degree in Public Administration from Kentucky State University. Ms. Fleming is a member of the American College of Health Care Executives, the Association of Nursing Executives and the Medical Group Management Association. She received the Army Commendation Medal in 1991. Ms. Fleming is a Registered Nurse, currently licensed in Tennessee, Kentucky, Virginia and Indiana.

Morris Seligman (55) – Senior Vice President and Chief Medical Officer. Dr. Seligman joined the Alliance in January 2010, and has responsibility on a system-wide basis for Medical Staff Services, Graduate Medical Education, Continuing Medical Education, Patient Resource Management (case management), Clinical Research, Accreditation, Infection Prevention, Patient Safety, Quality, Information Systems, Telecommunications, and Clinical Informatics. Prior to joining the Alliance, Dr. Seligman was employed by Trinity Regional Health System Quad Cities-Senior Affiliate of Iowa Health System, Illinois and Iowa, where he served as the Chief Medical Officer and Vice President for Physician Services. Dr. Seligman is a diplomat of the American Board of Quality Assurance Utilization Review Physicians, a Fellow of the American Institute of Healthcare Quality certified in Healthcare Quality Management (CHCQM), a Fellow of the American College of Physicians (FACP), a Fellow of the American College of Healthcare Executives (FACHE), and a Certified Physician Executive (CPE). Dr. Seligman also has a two year degree in Engineering Sciences. Dr. Seligman is a board certified internist by training and has practiced Internal Medicine, Emergency Medicine and Occupational Medicine. Dr. Seligman received his MD from the University of Missouri-Columbia and his BSBA/MBA from Washington University. Dr. Seligman also earned his CPA Certificate and previously worked at Arthur Andersen & Co.

John Schario (53), Senior Vice President, Consumer Health Services/Innovation. Prior to joining the Alliance in July 2011, Mr. Schario most recently served as Chief Executive Officer of Nueterra Holdings LLC, a privately held health care equity and management company that specializes in acquiring and developing ambulatory surgery centers, surgical hospitals and physical therapy centers. Under Mr. Schario's leadership, the company grew from nine surgical facilities to 62 surgical facilities and 30 physical therapy clinics over a ten year period. Prior to Mr. Schario's involvement with Nueterra, he held various junior and senior level management positions over a twenty-one year period with Health Midwest, a large integrated health care system in Kansas City. These positions included leadership of various business development enterprises, including mobile services, clinical outreach services, diagnostic imaging services, and employer health services. During his tenure with Health Midwest, he also served as administrator of a small, rural hospital and Vice President of the large, flagship tertiary hospital with responsibilities for cardiology, neurology, radiology, laboratory, pharmacy, physical therapy, occupational therapy and respiratory therapy. Mr. Schario holds bachelors and master's degrees from Rockhurst University in Kansas City.

SERVICE AREA, MARKET SHARE AND COMPETITION

Patient Origin

The Alliance operates hospital facilities located in the Counties of Washington, Sullivan, Carter, and Johnson in the northeastern region of Tennessee. In the southwestern region of Virginia, the Alliance operates facilities in the Counties of Smyth, Wise, Dickenson, Russell and Washington, and in the City of Norton. The core service area for the Alliance (the "Core Service Area") consists of Washington, Sullivan, Carter, Johnson, Greene,

Hawkins, and Unicoi Counties in Tennessee and Smyth, Russell, Wise (including the City of Norton), Dickenson, Scott, and Washington Counties (including Bristol City) in Virginia. Approximately 93.3% of the Alliance's discharges originated from the Core Service Area for the fiscal year ended June 30, 2010. The patient origin analysis from all service areas (i.e., both the Core Service Area and the Non-Core Service Area, as defined below) as a percent of the Alliance's discharges for fiscal years 2007, 2008, 2009 and 2010 is presented in the following table:

Alliance Facilities Patient Origin
By Fiscal Year (June 30)

	2007		2008		2009		2010	
	Discharges	Percent	Discharges	Percent	Discharges	Percent	Discharges	Percent
Core Counties								
Washington, TN	16,435	34.2%	16,455	30.3%	15,196	26.6%	16,167	26.9%
Sullivan, TN	8,121	16.9	8,092	14.9	7,312	12.8	7,753	12.9
Carter, TN	6,728	14.0	6,625	12.2	5,884	10.3	6,371	10.6
Wise, VA [1]	865	1.8	4,453	8.2	4,170	7.3	4,327	7.2
Greene, TN	2,643	5.5	2,661	4.9	2,514	4.4	2,644	4.4
Smyth, VA	2,307	4.8	2,498	4.6	3,485	6.1	3,606	6.0
Unicoi, TN	2,259	4.7	2,172	4.0	1,942	3.4	1,863	3.1
Johnson, TN	2,018	4.2	2,009	3.7	1,771	3.1	1,923	3.2
Hawkins, TN	1,730	3.6	1,738	3.2	1,542	2.7	1,503	2.5
Russell, VA	192	0.4	1,303	2.4	3,142	5.5	3,306	5.5
Dickenson, VA	240	0.5	1,195	2.2	1,200	2.1	1,442	2.4
Scott, VA	865	1.8	923	1.7	914	1.6	902	1.5
Washington, VA [2]	673	1.4	760	1.4	4,170	7.3	4,207	7.0
Core Subtotal	45,076	93.8%	50,886	93.7%	53,242	93.2%	56,015	93.2%
Non-Core Subtotal	1,874	3.9%	2,444	4.5%	2,856	5.0%	3,005	5.0%
Other Areas Subtotal	1,105	2.3%	978	1.8%	1,028	1.8%	1,082	1.8%
Total	48,055	100.0%	54,307	100.0%	57,127	100.0%	60,102	100.0%

Source: The Alliance – Fiscal year data excludes normal newborns. Acquired facilities have been included from date of acquisition forward.
(1) Includes City of Norton, Virginia, data.
(2) Includes City of Bristol, Virginia, data.

The Alliance has a strong extended market encompassing numerous counties in northeastern Tennessee, western North Carolina, southwestern Virginia, and southeastern Kentucky (the "Non-Core Service Area" and, together with the Core Service Area, the "Service Area"), as shown in the map in "Service Areas and Facility Locations" herein. As the table above shows, approximately 5.0% of discharges for the fiscal year ended June 30, 2010, were from the Non-Core Service Area, and approximately 1.8% of discharges were from beyond the Service Area. With the addition of Smyth County Community, Norton Community, Dickenson Community, Russell, and Johnston Memorial, the percentage of discharges from Virginia has increased. The Alliance is also a referral center for numerous advanced services such as high-risk obstetrics, perinatology, neonatology, cardiology, oncology and medical surgeries (including transplants and laparoscopies), and therefore serves many patients from outside the Service Area and outside Tennessee.

Service Area Facilities

The principal competitor of the Alliance in the Core Service Area is Wellmont Health System ("Wellmont"), which operates six of its eight hospitals within the Alliance's Core Service Area: Holston Valley Medical Center, in Kingsport, Tennessee; Bristol Regional Medical Center, in Bristol, Tennessee; Hawkins County Memorial Hospital, in Rogersville, Tennessee; Lonesome Pine Hospital, in Big Stone Gap, Virginia; Mountainview Regional, in Norton, Virginia; Hancock County Hospital, in Sneedville, Tennessee; and Takoma Adventist Hospital, in Greeneville, Tennessee. Certain operating statistics for the facilities of the Alliance and Wellmont located within Tennessee are set forth below:

Tennessee Service Area Hospitals and Related Facilities – Fiscal 2010

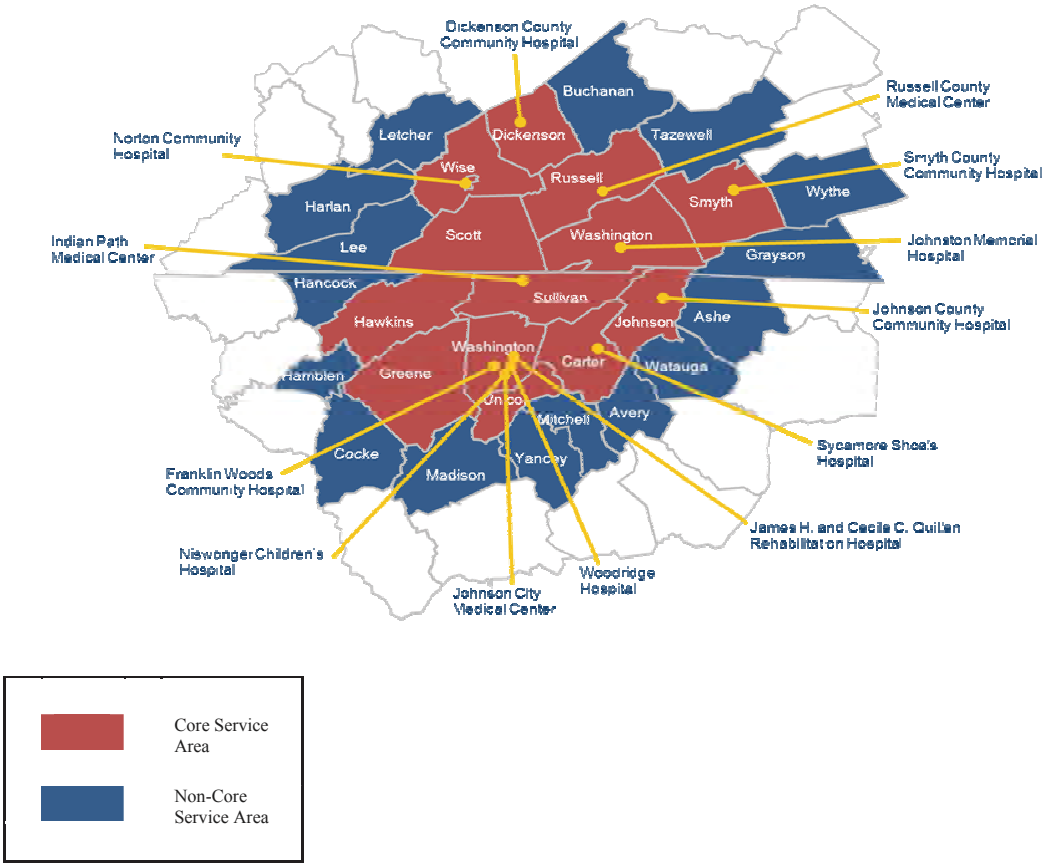
	County in Tennessee	Licensed Beds	Staffed Beds	Total Discharges	Total Patient Days	Average Daily Census
Mountain States Health Alliance						
Johnson City Medical Center	Washington	514	514	27,129	138,664	380
Quillen Rehabilitation Hospital	Washington	60	60	691	9,923	27
Woodridge Hospital	Washington	84	84	3,310	19,572	54
North Side Hospital	Washington	91	72	1,885	15,980	44
Johnson City Specialty Hospital	Washington	23	23	1,077	2,346	6
Indian Path Medical Center	Sullivan	261	191	6,549	28,532	78
Indian Path Pavilion	Sullivan	61	48	17	59	0
Sycamore Shoals Hospital	Carter	121	79	3,448	15,334	42
Johnson County Community Hospital	Johnson	2	2	29	69	0
MSHA Subtotal		**1,217**	**1,073**	**44,135**	**230,479**	**631**
Wellmont Health System						
Holston Valley Medical Center	Sullivan	455	339	19,531	87,488	240
Bristol Regional Medical Center	Sullivan	312	261	14,827	62,531	171
Hawkins County Memorial Hospital	Hawkins	50	46	1,710	5,165	14
Hancock County Hospital	Hancock	10	10	327	1,003	3
Takoma Regional Hospital	Greene	121	100	2,606	12,274	34
Wellmont Subtotal		**948**	**756**	**39,001**	**168,461**	**462**
Other Core Service Area Facilities						
Laughlin Memorial Hospital	Greene	140	140	4,531	18,302	50
Healthsouth Rehabilitation Hospital	Sullivan	50	50	947	14,500	40
Unicoi County Memorial Hospital	Unicoi	48	25	1,223	4,499	12
Other Core Service Area Facilities		**238**	**215**	**6,701**	**37,301**	**102**
Core Service Area Total		**2,403**	**2,044**	**89,837**	**436,241**	**1,195**

Source: 2010 Tennessee Joint Annual Reports.

Service Areas and Facility Locations

The Alliance's Core and Non-Core Service Areas are depicted in the map set forth below:

Mountain States Health Alliance
Service Area



Market Share

Market share represents the proportion of service area residents discharged from each of the service area hospitals. Market share by hospital for the defined service area was calculated using data published by the Tennessee Hospital Association, the Virginia Hospital and Healthcare Association and the North Carolina Hospital Association. Hospital specific discharges are divided by service area specific discharges to estimate market share for each of the service area hospitals.

The Alliance maintains the largest market share of its core service area, capturing over 51.8% of the market for the calendar year ended 2010. Wellmont's facilities had a market share for the same period of approximately 37.8%. The following tables present calendar years 2006, 2007, 2008, 2009, and 2010, Core Service Area and total Service Area market share information for facilities currently owned or controlled by the Alliance and Wellmont.

Core Service Area Market Share Summary

		Calendar 2006		Calendar 2007		Calendar 2008		Calendar 2009		Calendar 2010	
System	Hospital Name	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
MSHA	Johnson City Medical Center	24,520	24.3%	24,427	24.3%	25,095	24.9%	25,168	25.9%	25,048	25.8%
	Indian Path Medical Center	5,495	5.4	5,340	5.3	5,867	5.8	5,526	5.7	6,035	6.2
	Sycamore Shoals Hospital	4,062	4.0	4,031	4.0	3,724	3.7	3,206	3.3	3,225	3.3
	Franklin Woods Community Hospital	3,515	3.5	3,106	3.1	2,655	2.6	2,384	2.5	2,683	2.8
	Johnson County Community Hospital	34	0.0	40	0.0	44	0.0	31	0.0	24	0.0
	Smyth County Community Hospital	2,115	2.1	2,139	2.1	2,113	2.1	2,164	2.2	1,958	2.0
	Norton Community Hospital	5,170	5.1	4,793	4.8	4,139	4.1	3,980	4.1	3,636	3.8
	Dickenson Community Hospital	805	0.8	757	0.8	366	0.4	7	0.0	2	0.0
	Russell County Medical Center	2,582	2.6	2,270	2.3	2,242	2.2	2,298	2.4	2,099	2.2
	Johnston Memorial Hospital	4,612	4.6	4,979	4.9	5,656	5.6	5,496	5.6	5,534	5.7
MSHA Total		52,910	52.4%	51,882	51.5%	51,901	51.4%	50,260	51.7%	50,244	51.8%
Wellmont	Wellmont Holston Valley Medical Center	15,693	15.5	16,556	16.4	16,057	15.9	16,260	16.7	16,724	17.3
	Wellmont Bristol Regional Medical Center	11,851	11.7	12,288	12.2	12,676	12.6	12,455	12.8	12,831	13.2
	Wellmont Lonesome Pine Hospital	2,630	2.6	2,745	2.7	2,656	2.6	2,181	2.2	2,005	2.1
	Wellmont Hawkins County Memorial Hospital	1,517	1.5	1,699	1.7	1,778	1.8	1,639	1.7	1,521	1.6
	Wellmont Hancock County Hospital	9	0.0	11	0.0	9	0.0	10	0.0	10	0.0
	Takoma Regional Hospital	2,103	2.1	2,227	2.2	2,320	2.3	2,093	2.2	1,827	1.9
	Lee Regional Medical Center	146	0.1	136	0.1	151	0.1	153	0.2	146	0.2
	Mountain View Regional Medical Center	1,915	1.9	1,880	1.9	2,058	2.0	1,597	1.6	1,601	1.7
Wellmont Total		35,864	35.5%	37,542	37.3%	37,705	37.4%	36,388	37.4%	36,665	37.8%
All Other		12,194	12.1%	11,271	11.2%	11,272	11.2%	10,628	10.9%	10,022	10.3%
Grand Total		100,968	100.0%	100,695	100.0%	100,878	100.0%	97,276	100.0%	96,931	100.0%

Source: Tennessee Hospital Association, the Virginia Hospital and Healthcare Association, and the North Carolina Hospital Association.
Notes:
Information based on calendar year and excludes normal newborns, psych, substance abuse, and rehab.
Acquired facilities are fully included retrospectively.
JCMC, Quillen, and Woodridge are reported together as "Johnson City Medical Center" because they operate under a single license.
Franklin Woods reflects historical values for North Side Hospital and Johnson City Specialty Hospital prior to June 2010.

Total Service Area Market Share Summary

		Calendar 2006		Calendar 2007		Calendar 2008		Calendar 2009		Calendar 2010	
System	Hospital Name	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
MSHA	Johnson City Medical Center	25,755	17.1%	25,677	17.2%	26,404	17.6%	26,472	18.2%	26,259	18.3%
	Indian Path Medical Center	5,658	3.8	5,547	3.7	6,091	4.1	5,711	3.9	6,242	4.4
	Sycamore Shoals Hospital	4,078	2.7	4,048	2.7	3,736	2.5	3,214	2.2	3,239	2.3
	Franklin Woods Community Hospital	3,563	2.4	3,133	2.1	2,686	1.8	2,398	1.7	2,714	1.9
	Johnson County Community Hospital	35	0.0	40	0.0	46	0.0	31	0.0	24	0.0
	Smyth County Community Hospital	2,374	1.6	2,417	1.6	2,348	1.6	2,399	1.7	2,197	1.5
	Norton Community Hospital	5,531	3.7	5,085	3.4	4,337	2.9	4,174	2.9	3,807	2.7
	Dickenson Community Hospital	814	0.5	765	0.5	369	0.2	7	0.0	2	0.0
	Russell County Medical Center	2,870	1.9	2,563	1.7	2,478	1.7	2,587	1.8	2,368	1.7
	Johnston Memorial Hospital	4,960	3.3	5,342	3.6	6,094	4.1	5,978	4.1	5,928	4.1
MSHA Total		55,638	37.0	54,617	36.5	54,589	36.4	52,971	36.5	52,780	36.8
Wellmont	Wellmont Holston Valley Medical Center	17,333	11.5	18,504	12.4	17,984	12.0	18,155	12.5	18,723	13.1
	Wellmont Bristol Regional Medical Center	12,635	8.4	13,160	8.8	13,831	9.2	13,696	9.4	14,102	9.8
	Wellmont Lonesome Pine Hospital	3,183	2.1	3,377	2.3	3,266	2.2	2,681	1.8	2,421	1.7
	Wellmont Hawkins County Memorial Hospital	1,581	1.1	1,808	1.2	1,866	1.2	1,704	1.2	1,597	1.1
	Wellmont Hancock County Hospital	237	0.2	375	0.3	360	0.2	303	0.2	243	0.2
	Takoma Regional Hospital	2,274	1.5	2,358	1.6	2,441	1.6	2,219	1.5	1,935	1.3
	Lee Regional Medical Center	2,565	1.7	2,768	1.9	2,509	1.7	2,370	1.6	2,398	1.7
	Mountain View Regional Medical Center	1,996	1.3	1,977	1.3	2,132	1.4	1,652	1.1	1,661	1.2
Wellmont Total		41,804	27.8%	44,327	29.6%	44,389	29.6%	42,780	29.5%	43,080	30.0%
All Other		52,771	35.1%	50,651	33.9%	51,003	34.0%	49,314	34.0%	47,553	33.2%
Grand Total		150,213	100.0%	149,595	100.0%	149,981	100.0%	145,065	100.0%	143,413	100.0%

Source: Tennessee Hospital Association, the Virginia Hospital and Healthcare Association, and the North Carolina Hospital Association.
Notes:
JCMC, Quillen, and Woodridge are reported together as "Johnson City Medical Center" because they operate under a single license.
Franklin Woods reflects historical values for North Side Hospital and Johnson City Specialty Hospital prior to June 2010.

Demographic and Socio-Economic Characteristics of the Service Area

The following table provides information on major employers in the region:

Major Employers in the PSA/SSA

Rank	Employer	Headquarters	Estimated Employees	Industry
1	K-VA-T Food Stores	Abingdon, VA	12,600	Retail Supermarkets
2	Mountain States Health Alliance	Johnson City, TN	9,000	Health Care
3	Eastman Chemical Co.	Kingsport, TN	6,800	Manufacturer
4	Wellmont Health System	Kingsport, TN	6,500	Health Care
5	East Tennessee State University	Johnson City, TN	2,330	Higher Education
6	James H. Quillen VA Medical Center	Mountain Home, TN	2,000	Gov't Health Care Facility
7	Sullivan County Dept. of Ed	Blountville, TN	1,646	Public Education
8	Advanced Call Center Technologies	Berwyn, PA	1,500	Call Center
9	Washington County Dept. of Ed	Jonesborough, TN	1,300	Public Education
10	Hawkins County Board of Ed	Rogersville, TN	1,200	Public Education
11	DTR Tennessee, Inc.	Midway, TN	1,195	Manufacturer
12	A.O. Smith	Johnson City, TN	1,140	Manufacturer
13	Kingsport City Schools	Kingsport, TN	1,050	Public Education
14	Frontier Health	Johnson City, TN	996	Health Care
15	Bristol Compressors	Bristol, VA	950	Manufacturer

Source: 2010 Book of Lists (A supplement to The Business Journal).

SOURCES OF REVENUE

Patient service payments are made to the Alliance by commercial insurance carriers, the federal government under the Medicare program, the State of Tennessee under the TennCare program and surrounding states under their Medicaid programs. The table below shows the percentage of gross patient revenues received by the Alliance from each program and from private pay.

Gross Patient Revenues by Source of Payment (Payor Mix)

	Audited Fiscal Years Ended June 30				Unaudited June 30
	2007	2008	2009	2010	2011
Medicare	40.7%	41.3%	42.0%	43.4%	43.7%
TennCare/Medicaid	15.7	15.3	15.0	14.2	13.7
Managed Care/ Commercial and Other	36.6	36.4	35.7	34.2	34.2
Private Pay	7.0	7.0	7.3	8.2	8.4
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: The Alliance.

Medicaid and Medicare

Approximately 44% and 14% of the gross patient service charges of the Alliance for the fiscal year ended June 30, 2011, were derived from the Medicare and TennCare/Medicaid programs, respectively. Medicare provides certain health care benefits to beneficiaries who generally are 65 years of age and older, are long term disabled, or qualify for the end stage renal disease ("ESRD") program. Medicare Part A covers, among other things, inpatient hospital services, skilled nursing care, hospice and some home health care. Medicare Part B covers, among other things, physician services, outpatient hospital services and some supplies. TennCare/Medicaid is designed to pay providers for care given to the medically indigent and others who receive federal aid.

TennCare/Medicaid

The State of Tennessee transferred a portion of its Medicaid program to a managed care program ("TennCare") under a Section 1115 Waiver effective January 1, 1994. The long term care and ESRD Medicaid programs were not transferred to TennCare. The TennCare program also covers a number of uninsured non-Medicaid beneficiaries.

Medicare

Medicare pays acute care hospitals for most services provided to inpatients under a payment system known as the Prospective Payment System ("PPS"). Separate PPS payments are made for inpatient operating costs and inpatient capital costs.

Inpatient Operating Costs. Under PPS, acute care hospitals are reimbursed for inpatient operating costs on a per-discharge basis at fixed rates established for identified Diagnosis Related Groups ("DRGs"). DRG classification is based on the diagnosis at discharge and major procedures and other factors for each particular Medicare patient. The amount to be paid for each DRG is established prospectively by the Centers for Medicare and Medicaid Services ("CMS"), an agency of the United States Department of Health and Human Services ("HHS"), and is not related to a hospital's actual costs. For certain Medicare beneficiaries who have unusually costly hospital stays (referred to as "outliers"), CMS will provide additional payments above those specified for the DRG.

The prospective payment rate is updated annually based upon the hospital "market basket" index, which generally measures changes in the cost of providing health care services. Future adjustments are subject to change by Congress. There is no assurance that these or any future increases in the prospective payment rates will keep pace with the increases in the cost of providing hospital services.

CMS reviews and publishes changes in the DRG classification system at least annually. This process is intended to ensure that each DRG is clinically coherent and represents an acceptable range of resource consumption. There is no assurance that the Alliance will be paid amounts which will reflect adequately changes in the cost of providing health care or in the cost of health care technology being made available to patients.

Costs of Medical Education. Medicare pays for certain direct and indirect costs associated with medical education. Payment for the indirect costs of medical education will be made as an adjustment to the federal rate for capital-related costs during the transition to PPS for inpatient capital-related costs. The indirect medical education adjustment for capital-related costs is based in part on the ratio of a hospital's number of full-time equivalent ("FTE") residents to its average daily census. Medicare also adjusts the inpatient operating PPS payment for indirect costs of medical education. This adjustment is based in part on the ratio of FTE residents to beds. Payment for direct medical education is based on a per resident rate adjusted by inflation and the number of current-year reimbursable resident positions.

Disproportionate Share. Section 402 of the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) provided for payments to hospitals serving a large number of low-income patients which qualifies them for a Medicare Disproportionate Share ("DSH") payment adjustment. Payment is based on the SSI% plus Medicaid Eligible Patient Days to Total Patient Days. There is no assurance in the future that the Alliance will be paid amounts to adequately offset the cost of providing services to low income patients to Acute and Rehabilitation services.

Costs of Outpatient Services. Ambulatory payment classifications ("APCs") form the basis for outpatient PPS. Services in each APC are similar clinically and with respect to the resources necessary to provide the services. Generally, the primary classification variable under the APC system is the procedure performed rather than the patient's diagnosis, as is the case with the DRG system. Each APC is assigned a payment rate based on median (or, if the Secretary of HHS so chooses, mean) hospital costs for procedures performed, weighted by procedure volume. Beneficiary coinsurance amounts are established for each APC based on 20 percent of the national median of charges for APC services. The APC payment and beneficiary's coinsurance amounts for outpatient services will be adjusted to reflect geographic wage variations and other factors determined to be necessary by the Secretary of HHS. Annual payment updates are based on the hospital market basket index. As with inpatient hospital services,

there is no assurance that future increases in the prospective payment rates will reflect adequately the changes in the costs of providing outpatient services.

Costs of Inpatient Rehabilitation Facilities (IRF). Under IRF PPS, Federal rates are adjusted to reflect patient case mix, resource intensity associated with the patients clinical condition, and facility characteristics. Cases are grouped into case-mix groups (CMGs) and are further classified into 4 tiers driven by conditions that are secondary to the principal diagnosis. Rates are paid to reflect all costs of furnishing IRF services for routine, ancillary, and capital. There is no assurance that the alliance will be paid amounts that will sufficiently match all costs associated with care.

Costs of Psychiatric Facilities (IPF). Under the IPF PPS, services are reimbursed under Federal Per Diem rates to include Operating and Capital costs. Payment is based on Geographic factors, patient characteristics (DRG, age, length of stay and presence of specified comorbidities), facility characteristics, and services for received in a qualified Emergency Department and also Electroconvulsive Therapy.

Costs of Skilled Nursing Facilities. Medicare reimbursed for skilled nursing facility ("SNF") stays are also based on a prospective payment system which requires "bundling" of virtually all SNF services, similar to the current practice for hospital inpatient services. A SNF therefore is responsible for providing or arranging to provide all Medicare services (subject to certain exceptions) needed by a SNF patient, and could potentially receive less than it costs the SNF to provide or arrange to provide those services. Accordingly, there can be no assurance that the aggregate amount of payments under SNF PPS will be sufficient to cover all of the Alliance's actual costs of providing SNF services to Medicare beneficiaries.

Physician Services. Physicians are reimbursed under Medicare based on their professional services according to the lesser of the actual charge or the amount determined from a resource-based relative value scale (RBRVS) fee schedule. The fee schedule is subject to update by the Secretary of HHS and Congress on an annual basis.

Electronic Health Records (EHR) Costs. The American Recovery Act of 2009 provides for incentive payments for Medicare and Medicaid Eligible Professionals and Hospitals to purchase and implement meaningful use certified EHR technology. Payments provide an incentive for the "meaningful use" of certified EHR technology and to achieve health care and efficiency goals. The incentive payment will be paid out over a period of 5 years, which offsets the costs of purchase and implementation of the products. There is no indication that future rule making will extend payments beyond the five years.

Audits, Exclusions, Fines and Enforcement Action. Hospitals participating in Medicare are subject to audits and retroactive audit adjustments by a Medicare Audit Contractor under the Medicare program. From an audit, a Medicare Audit Contractor may conclude, for example, that a patient has been discharged under an incorrect DRG, that services may not have been provided under the direct supervision of a physician (to the extent so required), that a patient should not have been characterized as an inpatient, that certain services provided prior to an admission as an inpatient should not have been billed as outpatient services or that certain required procedures or processes were not satisfied. As a consequence, payments may be retroactively disallowed. Under certain circumstances, payments made may be determined to have been made as a consequence of improper claims subject to the federal False Claims Act or other federal statutes, subjecting the hospital to civil or criminal sanctions. Generally, the Alliance maintains limited reserves for anticipated or proposed audit adjustments which are likely to be contested. Nevertheless, such adjustments may exceed such reserves and may be substantial. Medicare regulations also provide for withholding Medicare payment in certain circumstances, and such withholdings could have a substantial adverse effect on the financial condition of the Alliance.

Management of the Alliance is not aware of any situation in which reserves are inadequate or a material amount of Medicare payments is being withheld. The Alliance utilizes internal and external resources to review and audit practice compliance with policies, procedures, applicable laws and regulations. Whenever such reviews identify practice deviation from policies, procedures, applicable rules and regulations, management is obligated to refund any overpayments as part of the Alliance's continuous improvement processes. Currently, management is unaware of any deviations that may have a material adverse effect on the results of the operations or financial condition of the Alliance.

Commercial Managed Care and Other

The Alliance contracts with certain private third party payors. Contractual agreements with these payors include reimbursement arrangements such as discounted charges, per diem amounts and capitated payments. The Alliance actively manages these contracts and negotiates terms that are in the best interest of the Alliance and its patients. While not participating in all commercial contracts, the Alliance participates in the vast majority of contracts covering the population of its primary service area.

Additionally, the Alliance treats patients with no insurance coverage. Those meeting certain income requirements are treated at no cost to the patient. Those not qualifying for this classification are classified as "self-pay" and reimburse the Alliance privately for the services rendered.

HISTORICAL UTILIZATION INFORMATION

The table below provides a historic system-wide patient utilization for the Alliance for the fiscal years ended June 30, 2007 through 2011. The number reflects the inclusion of the following facilities as of the following dates: Smyth County Community - 11/1/06; Norton Community - 11/1/07; Dickenson Community - 11/1/07; Russell - 1/31/08; and Johnston Memorial - 4/1/09.

	2007	2008	2009	2010	2011
Occupancy Rate (licensed)	46%	49%	45%	46%	47%
Patient Days	246,572	268,965	283,555	291,986	288,167
Admissions	48,055	54,307	57,127	60,102	61,035
Average Daily Census	676	735	777	800	789
Avg Length of Stay (days)	5.1	5.0	5.0	4.9	4.7
Outpatient Visits	953,704	1,239,440	1,511,699	1,604,036	1,590,962
ER Visits	160,972	190,771	219,983	250,942	242,677
Surgical Cases	31,061	35,988	38,812	39,313	39,230
Births	3,849	4,270	4,371	4,684	4,511
Newborn Days	7,616	8,504	8,569	9,112	9,287
Licensed Beds	1,467	1,699	1,841	1,789	1,749

Source: The Alliance.

CONDENSED SUMMARY OF REVENUE AND EXPENSES; FINANCIAL STATEMENTS

The following Condensed Summary of Revenue and Expenses (the "Condensed Summary") for each of the five Fiscal Years ended June 30, 2006 through 2010, is derived from the Alliance's audited financial statements for those Fiscal Years. The annual financial statements were audited by Pershing Yoakley & Associates, P.C. The financial information for the twelve month period ended June 30, 2011, is unaudited and reflects, in the opinion of the Alliance, all adjustments necessary to summarize fairly the results for such period on a basis consistent with that used in preparing the annual financial statements for the years ended June 30, 2006, 2007, 2008, 2009, and 2010. The financial statements include the assets and liabilities and reflect the revenue and expenses of the Alliance and all consolidated entities, including those that are not Obligated Issuers.

The Condensed Summary as well as the audited financial statements included in Appendix B and the unaudited financial statements included as Appendix C are for all entities consolidated with the Alliance for accounting purposes (the "Consolidated Entities") and therefore reflect the assets, liabilities, revenues and expenses of entities that are not Obligated Issuers (see "THE ALLIANCE" in the front half of this Official Statement). For the fiscal year ended June 30, 2011, the Obligated Issuers (excluding the Smyth Corporation and the Norton Corporation, which will not become Obligated Issuers until the issuance of the Series 2011 Bonds) accounted for approximately 83% of the total assets and 75% of the total revenue of the Consolidated Entities.

The following Condensed Summary of Consolidated Revenue and Expenses should be read in conjunction with the audited financial statements and notes contained in Appendix B hereto.

Condensed Summary of Revenue and Expenses

	Audited Fiscal Years Ended June 30 (In Thousands)					(Unaudited) Fiscal Year Ended June 30 (In Thousands)
	2006	2007	2008	2009	2010	2011[9]
Revenues:						
Net patient service revenue	$586,155	$661,744	$726,542	$822,898	$928,270	$960,129
Other revenue	14,969	16,711	16,098	17,046	16,009	15,871
Total Revenue, Gains and Support	601,124	678,455	742,640	839,944	944,279	976,000
Expenses:						
Operating expenses	508,600	580,059	633,842	719,193	804,865	822,435
Depreciation and Amortization	42,702	49,807	60,048	68,523	81,559	90,058
Interest and Taxes	38,230	44,387	44,581	45,225	42,264	45,233
Total Expenses	589,532	674,252	738,471	832,941	928,688	957,726
Operating Income (loss)	11,592	4,203	4,169	7,003	15,591	18,274
Net non-operating gains (losses)[1]	49,320[2]	67,184[3]	(74,343)[4]	(89,683)[5]	29,084[6]	66,809[7]
Excess of Revenue, Gains and Support Over Expenses and Losses[8]	$ 60,912	$ 71,387	$ (70,174)	$ (82,680)	$ 44,675	$ 85,083

Source: The Alliance.

(1) Net non-operating gains and losses include the change in fair value of derivatives and realized and unrealized gains and losses on investments. Recent clarification to generally accepted accounting principles require the unrealized gains and losses on certain investments to be included as part of the Excess of Revenue, Gains and Support over Expenses and Losses and such approach was used for the audited financial statements for fiscal years 2008, 2009, 2010, and unaudited 2011. For ease of comparison, management has reclassified such unrealized gains and losses for fiscal years 2006 and 2007 in a manner consistent with the clarification.

(2) Includes $14.2 million of unrealized gains on derivatives.

(3) Includes $2.1 million of unrealized gains on derivatives.

(4) Includes $20.6 million of unrealized losses on derivatives, and $57.7 million loss on early extinguishment of debt and $33.4 million of unrealized losses on investments.

(5) Includes $42.1 million of unrealized losses on derivatives and $62.6 million of unrealized losses on investments.

(6) Includes $8.6 million of unrealized losses on derivatives, and $15.0 million of unrealized gains on investments.

(7) Includes $21.2 million of unrealized gains on derivatives and $22.2 million of unrealized gains on investments.

(8) An entry was posted in the 2008, 2009, 2010, and 2011 financial statements to eliminate certain employee health related patient service revenue and employee benefits expense (approximately $12.9 million in 2008, $14.9 million in 2009, $20.0 million in 2010, and $23.1 million in 2011). The eliminating entry had no effect on the Excess of Revenue, Gains and Support Over Expenses and Losses in these periods. The 2006 and 2007 financial data does not reflect this eliminating entry.

(9) In Fiscal 2011, the Alliance adopted Financial Accounting Standards Board ASC 350, which requires goodwill be tested for impairment annually. Management is in the process of performing the initial impairment testing on its recorded goodwill, totaling approximately $151.6 million as of June 30, 2011. The unaudited financial results for Fiscal 2011 do not include the impact of goodwill impairment losses, if any, related to the adoption of this standard.

TRENDS IN UNRESTRICTED LIQUIDITY AND LEVERAGE

The following table provides information on unrestricted liquidity and leverage for the fiscal years ended June 30, 2006 through 2011.

	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Unaudited Fiscal 2011
Total Unrestricted Cash ($ in Thousands)	$343,946	$452,225	$466,478	$515,066	$551,608	$592,920
Total Days' Cash on Hand	230	264	246	249	240	253
Unrestricted Net Assets ($ in Thousands)	342,777	416,850	349,081	272,049	317,433	399,347
Net Long Term Debt to Capitalization[(1)]	57.7%	53.6%	68.0%[(2)]	74.7%	71.2%	67.6%

(1) For purposes of calculating the ratio, Net Long-Term Debt is determined net of debt service reserve funds and moneys held in principal and interest funds.

(2) The increase in Net Long Term Debt to Capitalization in Fiscal Year 2008 was due in part to the $57.7 million loss on early extinguishment of debt. The Net Long Term Debt to Capitalization, excluding the loss on early extinguishment of debt, was 65.1%.

MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE

Overview

The Alliance has maintained a positive operating income for each of the last six fiscal years, reflecting rises in net patient service revenues that have generally kept pace with increases in expenses. However, non-operating losses from derivatives and other investments resulted in deficits of revenue, gains, and support over expenses for Fiscal 2008 and 2009. The losses from derivatives are discussed further below. The losses from other investments resulted from losses in market value reflecting primarily the general market decline in the value of securities in the Alliance's investment portfolio. Beginning in Fiscal 2007, operating income or losses for recent acquisitions is included (Fiscal 2007: Smyth County - 8 months, Fiscal 2008: Norton/Dickenson – 8 months and Russell 5 months, Fiscal 2009: Johnston Memorial – 3 months).

Fiscal 2009

The Operating Income for Fiscal 2009 was $7.003 million, reflecting increases in net patient service revenue and expenses resulting primarily from the addition of Johnston Memorial Hospital in April, 2009. This resulted in an Operating Margin (net operating income as a percentage of total operating revenue) of 0.8%. However, an overall loss, i.e. an excess of expenses and losses over revenue, gains and support, resulted from net non-operating losses totaling $89.683 million. The non-operating losses reflected primarily (1) $62.582 million of unrealized losses on investments and (2) $42.128 million of losses derived from interest rate swaps and derivatives, as discussed below in "Interest Rate Swaps and Derivatives." Such losses resulted in a deficit of revenue, gains, and support over expenses of $82.680 million.

Fiscal 2010

The Operating Income for Fiscal 2010 was $15.591 million compared with $7.003 million for the same period in Fiscal 2009. The Operating Margin for Fiscal, 2010 was 1.7%, compared with 0.8% for the same period in Fiscal 2009. This reflected among other things increases in revenues and expenses resulting from the addition of Johnston Memorial (April, 2009) that are included for a full year in the Fiscal 2010 but included for only three months in Fiscal 2009. Moreover, net non-operating gains of $29.084 million, reflecting primarily $24.083 million of income realized from investments, $15.018 million of unrealized income from investments, and $8.607 million in losses derived from interest rate swaps and derivatives, produced a $44.675 million excess of revenue, gains and support over expenses.

Fiscal 2011

The Operating Income for Fiscal 2011 was $18.274 million compared with $15.591 million for the same period in Fiscal 2010. The Operating Margin for Fiscal 2011 was 1.9%, compared with 1.7% for the same period in Fiscal 2010. Moreover, net non-operating gains of $66.809 million, reflecting primarily $23.216 million of income realized from investments, $22.168 million of unrealized income from investments, and $21.165 million in gains derived from interest rate swaps and derivatives, produced a $85.083 million excess of revenue, gains and support over expenses.

Interest Rate Swaps and Derivatives

The Alliance has utilized several forms of derivative financial instruments, including interest rate swaps, constant maturity swaps, total return swaps and swaptions, in order to lower the cost of debt and reduce interest rate risk.

As of August 31, 2011, the Alliance had a total of approximately $592,400,000 (notional amount) of total return swaps, basis swaps, and constant maturity basis swaps with Bank of America, which swaps have been implemented as part of a carefully managed program. Through this program, the Alliance has realized approximately $37,400,000 of savings since 2001. In January and May of 2011, the Alliance "locked in" approximately $16,000,000 of future cash payments through April 2014 on $438,000,000 (notional amount) of the constant maturity basis swaps. In January 2011, the Alliance converted two fixed payor swaps, totaling $132,000,000 (notional amount), to basis swaps. As of August 31, 2011, the market value of all these swaps was ($14,200,000). The amount of collateral posted to Bank of America, as of August 31, 2011, was $330,000. Funds that have been posted as collateral are not included in the reporting of unrestricted cash and investments.

In August 2011, the Alliance entered into two forward starting interest rate swaps with Bank of America, totaling $96,800,000 (notional amount). The counterparties expect that the swaps will terminate on or about November 4, 2011 and May 3, 2012 with any related termination payment to be made by the owing party on or about January 1, 2012 and July 1, 2012 respectively. As of August 31, 2011, the market value of these swaps was $282,000.

Additionally, the Alliance has $106,000,000 (notional amount) of total return and fixed payor swaps with Lehman Brothers Special Financing, Inc. ("Lehman"). As of August 31, 2011, the Alliance had posted $13,800,000 of collateral under the Lehman swap agreements. In the Fall of 2008, the Alliance was notified by Lehman that these transactions were going to be terminated as of January 1, 2009. The termination did not occur, due to a dispute between counterparties regarding the amount of the cost of the termination. The Alliance believes that the amount of the collateral that has been posted is sufficient to pay the cost of the termination. In late 2011 or 2012, the counterparties may schedule a mediation to settle the termination amount.

In 2003 and 2004, the Alliance implemented $224,400,000 (notional amount) of swaptions with Bear Stearns Capital Markets, now J.P. Morgan, as part of a synthetic refunding of its Series 2000 outstanding debt. Amounts received by the Alliance as upfront payments on the swaptions and related forward sale agreements were deposited in a guaranteed investment contract ("GIC") with Bear Stearns, now J.P. Morgan, that served as collateral under the related agreements. On October 13, 2011, the Alliance terminated the swaptions using the entire proceeds of the GIC. No additional funds of the Alliance were utilized. The forward sale agreements remain in place. As of August 31, 2011, the mark-to-market of the forward sale agreements with J.P. Morgan was ($15,891,644). The Alliance is required to post collateral to J.P. Morgan only if the total mark-to-market exposure exceeds $17,500,000.

Additional Indebtedness

The Alliance has several significant capital expenditures planned or in process for the near future. Some of the larger projects include a new surgical services facility at JCMC. Funding for these projects is expected to come from cash flow and the proceeds of this and a future revenue bond issue.

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APPENDIX B

AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

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MOUNTAIN STATES HEALTH ALLIANCE

Audited Consolidated Financial Statements
(and Supplemental Schedules)

Years Ended June 30, 2010 and 2009

MOUNTAIN STATES HEALTH ALLIANCE

Audited Consolidated Financial Statements (and Supplemental Schedules)

Years Ended June 30, 2010 and 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mountain States Health Alliance:

We have audited the accompanying consolidated balance sheets of Mountain States Health Alliance and subsidiaries (the Alliance) as of June 30, 2010 and 2009 and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Alliance's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Alliance's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mountain States Health Alliance and subsidiaries as of June 30, 2010 and 2009 and the results of their operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental schedules, as listed in the accompanying index, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Knoxville, Tennessee
October 25, 2010

Pershing Yoakley & Associates, P.C.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Balance Sheets
(Dollars in Thousands)

	June 30, 2010	June 30, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 234,526**	$ 239,836
Current portion of investments	**28,467**	27,317
Patient accounts receivable, less estimated allowances for uncollectible accounts of $45,941 in 2010 and $42,587 in 2009	**125,580**	128,812
Other receivables, net	**17,926**	16,108
Inventories and prepaid expenses	**29,163**	27,135
TOTAL CURRENT ASSETS	**435,662**	439,208
INVESTMENTS, less amounts required to meet current obligations	**586,756**	597,440
PROPERTY, PLANT AND EQUIPMENT, net	**695,598**	590,569
OTHER ASSETS		
Goodwill, net of accumulated amortization of $95,760 in 2010 and $84,687 in 2009	**151,352**	162,620
Net deferred financing, acquisition costs and other charges, less current portion	**30,819**	31,473
Other assets	**29,313**	34,765
TOTAL OTHER ASSETS	**211,484**	228,858
	$ 1,929,500	$ 1,856,075

	June 30, 2010	June 30, 2009
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued interest payable	$ **16,039**	$ 12,050
Current portion of long-term debt and capital lease obligations	**28,131**	31,306
Current portion of estimated fair value of derivatives	**10,740**	10,921
Accounts payable and accrued expenses	**99,227**	94,712
Accrued salaries, compensated absences and amounts withheld	**47,280**	49,569
Estimated amounts due to third-party payors, net	**10,155**	6,398
TOTAL CURRENT LIABILITIES	**211,572**	204,956
OTHER LIABILITIES		
Long-term debt and capital lease obligations, less current portion	**1,054,842**	1,040,944
Estimated fair value of derivatives, less current portion	**123,560**	115,296
Deferred revenue	**20,445**	21,078
Estimated professional liability self-insurance	**9,541**	10,012
Other long-term liabilities	**12,628**	13,885
TOTAL LIABILITIES	**1,432,588**	1,406,171
MINORITY INTERESTS	**168,410**	165,500
COMMITMENTS AND CONTINGENCIES - Notes D, F, G, and N		
NET ASSETS		
Unrestricted net assets	**317,434**	272,049
Temporarily restricted net assets	**10,941**	12,178
Permanently restricted net assets	**127**	177
TOTAL NET ASSETS	**328,502**	284,404
	$ **1,929,500**	$ 1,856,075

See notes to consolidated financial statements.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Operations and Changes in Net Assets
(Dollars in Thousands)

	Year Ended June 30,	
	2010	***2009***
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenue, gains and support:		
Net patient service revenue	**$ 928,270**	$ 822,898
Other operating revenue	**16,009**	17,046
TOTAL REVENUE, GAINS AND SUPPORT	**944,279**	839,944
Expenses:		
Salaries and wages	**325,663**	296,073
Physician salaries and wages	**54,489**	38,240
Contract labor	**6,546**	16,899
Employee benefits	**68,362**	61,134
Fees	**82,542**	71,896
Supplies	**175,469**	156,418
Utilities	**16,193**	15,548
Other	**67,640**	57,974
Depreciation	**68,436**	56,373
Amortization	**13,123**	12,150
Estimated provision for bad debts	**7,961**	5,011
Interest and taxes	**42,264**	45,225
TOTAL EXPENSES	**928,688**	832,941
OPERATING INCOME	**15,591**	7,003
Nonoperating gains (losses):		
Interest and dividend income	**17,298**	19,105
Net realized gains (losses) on the sale of securities	**2,385**	(6,552)
Net unrealized gains (losses) on securities	**15,018**	(62,582)
Derivative related income	**4,394**	4,772
Loss on termination of derivatives - Note D	**-**	(2,785)
Loss on early extinguishment of debt - Note F	**(3,029)**	-
Change in estimated fair value of derivatives	**(8,607)**	(42,128)
Other nonoperating gains (losses)	**512**	(306)
Net assets released from restrictions used for operations	**1,113**	793
NET NONOPERATING GAINS (LOSSES)	**29,084**	(89,683)

	Year Ended June 30, 2010	2009
EXCESS (DEFICIT) OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES, BEFORE DISCONTINUED OPERATIONS AND MINORITY INTERESTS	**44,675**	(82,680)
Gain on sale of and deficit of revenue, gains and support over expenses and losses from discontinued operations	**-**	2,519
EXCESS (DEFICIT) OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES BEFORE MINORITY INTERESTS	**44,675**	(80,161)
Minority interest in consolidated subsidiaries' net (gain) loss	**(3,162)**	546
EXCESS (DEFICIT) OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	**41,513**	(79,615)
Other changes in unrestricted net assets:		
Pension and other defined benefit plan adjustments	**1,589**	(512)
Net assets released from restrictions used for the purchase of property, plant and equipment	**2,283**	3,095
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	**45,385**	(77,032)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Restricted grants and contributions	**2,159**	3,929
Net assets released from restrictions	**(3,396)**	(3,888)
(DECREASE) INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	**(1,237)**	41
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Net assets released from restrictions by donor	**(50)**	-
INCREASE (DECREASE) IN TOTAL NET ASSETS	**44,098**	(76,991)
NET ASSETS, BEGINNING OF YEAR	**284,404**	361,395
NET ASSETS, END OF YEAR	**$ 328,502**	$ 284,404

See notes to consolidated financial statements.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Year Ended June 30,	
	2010	*2009*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	**$ 44,098**	$ (76,991)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Provision for depreciation and amortization	**81,982**	68,967
Loss on early extinguishment of debt	**3,029**	-
Loss on termination of derivatives	**-**	3,245
Change in estimated fair value of derivatives	**8,607**	42,128
Equity in net income of joint ventures	**(1,117)**	(723)
Gain on sale of assets held for resale and disposal of assets	**(548)**	(568)
Amounts received on interest rate swap settlements	**(4,394)**	(4,772)
Minority interest in consolidated subsidiaries' net (gain) loss	**3,162**	(546)
Income recognized through forward sale agreements	**(864)**	(796)
Capital Appreciation Bond accretion and other	**2,071**	1,678
Restricted contributions	**(2,159)**	(3,929)
Pension and other defined benefit plan adjustments	**598**	512
Increase (decrease) in cash due to change in:		
Net patient accounts receivable	**3,232**	724
Other receivables, net	**(1,246)**	(4,107)
Inventories and prepaid expenses	**(4,640)**	1,843
Trading securities	**(13,368)**	183,450
Other assets	**(1,159)**	(4,144)
Accrued interest payable	**3,989**	1,900
Accounts payable and accrued expenses	**(855)**	8,551
Accrued salaries, compensated absences and amounts withheld	**(2,289)**	3,500
Estimated amounts due from/to third-party payors, net	**3,757**	6,492
Other long-term liabilities	**(201)**	(1,363)
Estimated professional liability self-insurance	**(471)**	(610)
Total adjustments	**77,116**	301,432
NET CASH PROVIDED BY OPERATING ACTIVITIES	**121,214**	224,441
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment, property held for resale and property held for expansion, net	**(172,240)**	(119,741)
Additions to goodwill	**-**	(16,097)
Net decrease (increase) in assets limited as to use	**50,362**	(28,152)
Purchases of held-to-maturity securities	**(28,175)**	-
Net sale or distribution from joint ventures and unconsolidated affiliates	**1,162**	384

	Year Ended June 30, 2010	2009
Proceeds from sale of property, plant and equipment and property held for resale	9,565	2,056
NET CASH USED IN INVESTING ACTIVITIES	(139,326)	(161,550)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt and capital lease obligations, including deposits to escrow	(226,315)	(36,820)
Payment of acquisition and financing costs	(3,565)	(3,214)
Proceeds from issuance of long-term debt and other financing arrangements	235,158	135,780
Net amounts received on interest rate swap settlements	4,394	4,772
Restricted contributions received	3,382	5,767
Distribution to minority shareholders and other	(252)	(158)
NET CASH PROVIDED BY FINANCING ACTIVITIES	12,802	106,127
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,310)	169,018
CASH AND CASH EQUIVALENTS, beginning of year	239,836	70,818
CASH AND CASH EQUIVALENTS, end of year	$ 234,526	$ 239,836

SUPPLEMENTAL INFORMATION AND NON-CASH TRANSACTIONS:		
Cash paid for interest	$ 38,666	$ 45,218
Cash paid for federal and state income taxes	$ 446	$ 664
Construction related payables in accounts payable and accrued expenses	$ 14,847	$ 9,246
Increase in receivable from sale of property	$ 1,483	$ -
Decrease in land held for expansion related to property exchange transaction	$ 3,432	$ -

During the years ended June 30, 2010 and 2009, the Alliance refinanced previously issued debt of $184,050 and $9,445, respectively.

As discussed in Note A, the Alliance acquired a 50.1% interest in Johnston Memorial Hospital, Inc. (JMH) in fiscal year 2009. JMH is consolidated within the accompanying financial statements as of the acquisition date, April 1, 2009. The consolidated cash flows include JMH's cash flows since the acquisition date.

See notes to consolidated financial statements.

NOTE A--ORGANIZATION AND OPERATIONS

Mountain States Health Alliance (the Alliance) is a tax-exempt entity with operations primarily located in Washington, Sullivan, and Carter counties of Tennessee and Smyth, Wise, Dickenson, Russell and Washington counties of Virginia. The initial funds for the establishment of the Alliance in 1945 were provided by individuals and various institutions. Membership of the Alliance consists of individuals and institutions who have contributed at least $100 to the capital fund of the Alliance and are entitled to vote at the annual election of the Board of Directors.

The primary operations of the Alliance consist of eleven acute and specialty care hospitals, as follows:

- Johnson City Medical Center (JCMC) - licensed for 645 beds
- Indian Path Medical Center (IPMC) - licensed for 322 beds
- Smyth County Community Hospital (SCCH) - licensed for 279 beds
- Johnston Memorial Hospital (JMH) - licensed for 135 beds
- Norton Community Hospital (NCH) - licensed for 129 beds
- Sycamore Shoals Hospital (SSH) - licensed for 121 beds
- North Side Hospital (NSH) - licensed for 91 beds
- Russell County Medical Center (RCMC) - licensed for 78 beds
- Johnson City Specialty Hospital (JCSH) - licensed for 23 beds
- Dickenson Community Hospital (DCH) - licensed for 25 beds
- Johnson County Community Hospital (JCCH) - licensed for 2 beds

Effective April 1, 2009, the Alliance acquired an interest in Johnston Memorial Hospital, Inc. (JMH), a 135 bed general acute care hospital located in Abingdon, Virginia. JMH is also the sole member of Abingdon Physician Partners (APP), a non-taxable corporation that owns and manages physician practices. The Alliance acquired a 50.1% interest in JMH by providing $132,000 to JMH (designated for capital). Johnston Memorial Healthcare Foundation, Inc. (JMHF), a hospital supporting organization, retained a 49.9% interest in JMH. The assets and liabilities of JMH at April 1, 2009 have been consolidated by the Alliance at their carrying value as of that date. The following is condensed, unaudited financial information related to JMH as of March 31, 2009:

Current Assets	$	23,516
Other Assets		139,576
Total	$	163,092
Liabilities	$	47,440
Net Assets (initial membership interest of JMHF)		115,652
	$	163,092

NOTE A--ORGANIZATION AND OPERATIONS - Continued

The activities and accounts of JMH since April 1, 2009 are included in the accompanying consolidated financial statements.

The Alliance has a 50.1% interest in NCH. NCH is also the sole member or shareholder of DCH and Norton Community Physician Services, LLC (NCPS), a taxable corporation that consists of physician practices and a pharmacy and; Community Home Care (CHC), a taxable corporation that provides home medical equipment. The activities and accounts of NCH are included in the accompanying consolidated financial statements.

The Alliance also has an 80% interest in SCCH. SCCH is the sole shareholder of Southwest Community Health Services, Inc. (SWCH), a taxable entity that operates a pharmacy and provides other health services. The activities and accounts of SCCH are included in the accompanying consolidated financial statements.

The Alliance is the sole shareholder of Blue Ridge Medical Management Corporation (BRMM), a for-profit entity that owns and manages physician practices and provides other healthcare services to patients in Tennessee and Virginia. BRMM also operates as a medical office real estate developer by owning, selling and leasing real estate to physician practices and other entities. BRMM is either the sole shareholder, a significant shareholder, or member of the following organizations:

Blue Ridge Physician Group, Inc. (BRPG): A company that contracts with physicians to provide services to BRMM physician practices.

Mountain States Properties, Inc. (MSPI): An entity that owns and manages certain real estate (primarily medical office buildings) and provides rehabilitation and fitness services. In addition, MSPI is a counter-party to various financing transactions, including interest rate swaps.

Mediserve Medical Equipment of Kingsport, Inc. (Mediserve): A company that provides durable medical equipment services.

Kingsport Ambulatory Surgery Center (KASC) (d.b.a. Kingsport Day Surgery): A joint venture operating as an outpatient surgery center which performs procedures primarily in otolaryngology, orthopedics, ophthalmology, and general surgery. BRMM has a 43% ownership of KASC at June 30, 2010 and 2009; however, BRMM maintains control over KASC. As such, the accounts and activities of KASC are included in the accompanying consolidated financial statements.

NOTE A--ORGANIZATION AND OPERATIONS - Continued

Piney Flats Urgent Care (PFUC): A for-profit entity that provides urgent care patient services.

The Alliance is the primary beneficiary of the activities of Mountain States Foundation, Inc. (MSF), a not-for-profit foundation formed to coordinate fundraising and development activities of the Alliance. The Alliance is also the beneficiary of Mountain States Health Alliance Auxiliary (Auxiliary), a not-for-profit organization formed to coordinate volunteer activities of the Alliance. The activities and accounts of MSF and the Auxiliary are included in the accompanying consolidated financial statements.

Prior to 2010, the Alliance was a majority shareholder of PHP of Tri-Cities, LLC (PHPT). PHPT's primary purpose was to hold an equity interest in another organization engaged in and related to the financing and/or delivery of healthcare services. During 2009, PHPT's equity interest in this other entity was reacquired by that entity (PHP Companies, Inc. (PHP)). PHPT sold the interest to PHP for a net gain of $2,519. The activities of PHPT and gain on sale are included in the accompanying 2009 consolidated financial statements as "discontinued operations". During 2009, PHPT was reorganized under the business name of Integrated Solutions Health Network, LLC (ISHN). Concurrent with the reorganization, the Alliance purchased the remaining ownership interest of Health Alliance PHO, Inc. (PHO), an entity in which the Alliance previously held a minority interest. The net assets of the PHO were merged into ISHN on June 30, 2009. The primary function of ISHN is to establish, operate and administer a provider-sponsored health care delivery network.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the Alliance and its subsidiaries after elimination of all significant intercompany accounts and transactions. The Alliance classifies those activities directly associated with its mission of providing healthcare services, as well as other activities deemed significant to its operations, as operating activities.

A minority interest is recorded to recognize the ownership or membership interests of third parties with respect to JMH, NCH, SCCH, KASC, PFUC and ISHN.

In 2011, the Alliance will adopt recently issued accounting standards, which change the accounting for, and the financial statement presentation of, noncontrolling interests in a subsidiary within consolidated financial statements. This new standard requires that a noncontrolling interest in the equity of a subsidiary be accounted for and reported as equity, provides revised guidance on the treatment of net income and losses attributable to the noncontrolling interest and changes in ownership interests in a subsidiary and requires additional disclosures that identify and distinguish between the interests of the controlling and noncontrolling owners. Management of the

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

Alliance is currently assessing the potential impact of the adoption of this new guidance on the consolidated financial statements.

Use of Estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Accounting Standards Codification: In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (GAAP) - a Replacement of FASB Statement No. 162.* This Statement modifies the GAAP hierarchy by establishing only two levels of GAAP, authoritative and nonauthoritative literature. Effective September 2009, the FASB Accounting Standards Codification (ASC), also known collectively as the "Codification," is considered the single source of authoritative U.S. accounting and reporting standards. FASB ASC 105-10, Generally Accepted Accounting Principles, became applicable during fiscal year 2010. All accounting references have been updated, and therefore SFAS references have been replaced with ASC references. The adoption of the ASC did not have an impact on the consolidated financial statements.

Cash and Cash Equivalents: Cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents designated as assets limited as to use or uninvested amounts included in investment portfolios are not included as cash and cash equivalents on the Consolidated Balance Sheets.

Investments: Investments as reported in the Consolidated Balance Sheets includes trading securities, held-to-maturity securities and assets limited as to use (Note C). FASB ASC 958-320, *Investments – Debt and Equity Securities*, allows not-for-profit organizations to report in a manner similar to business entities by identifying securities as available-for-sale or held-to-maturity and to exclude the unrealized gains and losses on those securities from the Performance Indicator (as defined below). Investments which the Alliance has the positive intent and ability to hold to maturity are considered as held-to-maturity. Substantially all other investments (including assets limited as to use) are considered as trading securities. Management annually evaluates the held-to-maturity investment portfolio and recognizes any "other-than-temporary" losses as deductions from the Performance Indicator. 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 at June 30, 2010.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

Within the trading securities portfolio, all debt securities and marketable equity securities with readily determinable fair values are reported at fair value based on quoted market prices. Investments without readily determinable fair values are reported at fair market value pursuant to FASB ASC 825, *Financial Instruments*. Guaranteed investment contracts are reported at contract value.

Realized gains and losses on trading securities and assets limited as to use are computed using the specific identification method for cost determination. Interest and dividend income is reported net of related investment fees.

Investments in joint ventures are reported under the equity method of accounting, which approximates the Alliance's equity in the underlying net book value, unless the ownership structure requires consolidation. Other assets include investments in joint ventures of $2,418 and $2,463 at June 30, 2010 and 2009, respectively.

Inventories: Inventories, consisting primarily of medical supplies, are stated at the lower of cost or market.

Property, Plant and Equipment: Property, plant and equipment is stated on the basis of cost, or if donated, at the fair value at the date of gift. Generally, depreciation is computed by the straight-line method over the estimated useful life of the asset. Equipment held under capital lease obligations is amortized under the straight-line method over the shorter of the lease term or estimated useful life. Amortization of equipment held under capital lease is shown as a part of depreciation expense and accumulated depreciation in the accompanying consolidated financial statements.

Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The amount capitalized is net of investment earnings on assets limited as to use derived from borrowings designated for capital assets. Renewals and betterments are capitalized and depreciated over their useful life, whereas costs of maintenance and repairs are expensed as incurred.

The Alliance reviews capital assets for indications of potential impairment when there are changes in circumstances related to a specific asset. If this review indicates that the carrying value of these assets may not be recoverable, the Alliance estimates future cash flows from operations and the eventual disposition of such assets. If the sum of these undiscounted future cash flows is less than the carrying amount of the asset, a write-down to estimated fair value is recorded. The Alliance did not recognize any impairment losses during 2010 and 2009.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

Property held for resale and property held for expansion primarily represent land contributed to, or purchased by, the Alliance plus costs incurred to develop the infrastructure of such land. Other assets include property held for resale and property held for expansion of $9,135 and $12,542, respectively, at June 30, 2010 and 2009. Management annually evaluates its investment and records non-temporary declines in value when it is determined the ultimate net realizable value is less than the recorded amount. No such declines were identified in 2010 and 2009.

Goodwill: Goodwill represents the difference between the acquisition cost of assets and the estimated fair value of net tangible and any separately identified intangible assets. The Alliance amortizes goodwill associated with its not-for-profit subsidiaries under the straight-line method over various estimated useful lives. For goodwill acquired by its for-profit subsidiaries, the Alliance does not amortize the goodwill and annually performs impairment testing in accordance with FASB ASC 350, *Intangibles – Goodwill and Other*. At June 30, 2010, management does not believe any goodwill so tested to be impaired.

FASB ASC 350, *Intangibles - Goodwill and Other,* will require, among other things, that goodwill associated with not-for-profit entities be evaluated annually for impairment, including a transitional impairment test upon adoption, and that such goodwill no longer be amortized. The Alliance will be required to adopt this standard in 2011 and will perform such transitional testing as of July 1, 2010 prior to December 31, 2010. While the Alliance is evaluating the potential impact of the adoption of this standard, including the transitional impairment testing, it is currently not possible to determine the effects, if any, the adoption of this standard will have on the consolidated financial statements.

Deferred Financing, Acquisition Costs and Other Charges: Deferred financing costs are amortized over the life of the respective bond issue principally using the average bonds outstanding method. Other intangible assets include licenses and similar assets and are being amortized over the intangible's estimated useful life under the straight-line method.

Prior to 2009, the Alliance routinely financed interest rate swap and other derivative transaction issuance costs through modification of future settlement terms. As such, the unamortized issuance costs of these derivatives are included as deferred financing costs in the accompanying Consolidated Balance Sheets and are being amortized over the term of the respective derivative instrument. The unpaid issuance costs are included as a part of the estimated fair value of derivatives in the accompanying Consolidated Balance Sheets. Beginning in 2009, interest rate swap and derivative transaction issuance costs are expensed as incurred, in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures* (FASB ASC 820). No such costs were incurred in 2010 and 2009.

Derivative Financial Instruments: As further described in Note D, the Alliance is a party to interest rate swap and other derivative agreements. These financial instruments are not designated as hedges

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

and have been presented at estimated fair market value in the accompanying Consolidated Balance Sheets. These fair values are based on the estimated amount the Alliance would receive, or be required to pay, to enter into equivalent agreements at the valuation date. Due to the nature of these financial instruments, such estimates are subject to significant change in the near term.

Estimated Professional Liability Self-Insurance and Other Long-Term Liabilities: Self-insurance liabilities include estimated reserves for reported and unreported professional liability claims (Note G) and are recorded at the estimated net present value of such claims. Other long-term liabilities include contributions payable and obligations under deferred compensation arrangements, a defined benefit pension plan, a post-retirement employee benefit plan as well as other liabilities which management estimates are not payable within one year.

Net Patient Service Revenue/Receivables: Net patient service revenue is reported on the accrual basis in the period in which services are provided at the estimated net realizable amounts, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Alliance's revenue recognition policies related to self-pay and other types of payors emphasize revenue recognition only when collections are reasonably assured.

Patient accounts receivable are reported net of both an estimated allowance for uncollectible accounts and an estimated allowance for contractual adjustments. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, TennCare and other third-party payment programs. Current operations include a provision for bad debts in the Consolidated Statements of Operations and Changes in Net Assets estimated based upon the age of the patient accounts receivable, prior experience and any unusual circumstances (such as local, regional or national economic conditions) which affect the collectibility of receivables, including management's assumptions about conditions it expects to exist and courses of action it expects to take.

The Alliance's policy does not require collateral or other security for patient accounts receivable. The Alliance routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

Charity Care: The Alliance accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Alliance and various guidelines outlined by the Federal Government. These policies define charity as those services for

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

which no payment is anticipated and, as such, charges at established rates are not included in net patient service revenue.

In addition to the charity care services described above, the Alliance provides a number of other services to benefit the poor for which little or no payment is received. Medicare, TennCare and State indigent programs do not cover the full cost of providing care to beneficiaries of those programs. The Alliance also provides services to the community at large for which it receives little or no payment.

Excess (Deficit) of Revenue, Gains and Support Over Expenses and Losses: The Consolidated Statements of Operations and Changes in Net Assets includes the caption *Excess (Deficit) of Revenue, Gains and Support Over Expenses and Losses* (the Performance Indicator). Changes in unrestricted net assets which are excluded from the Performance Indicator, consistent with industry practice, include transfers of assets to and from affiliates and contributions of long-lived assets or amounts restricted to the purchase of long-lived assets, as well as pension and related adjustments.

Income Taxes: The Alliance is classified as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes has been made in the accompanying consolidated financial statements for the Alliance and its tax-exempt subsidiaries. Taxable entities account for income taxes in accordance with FASB ASC 740, *Income Taxes* (Note L). The Alliance has no significant uncertain tax positions at June 30, 2010 and 2009.

Temporarily and Permanently Restricted Net Assets: Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. When a donor or time restriction expires; that is, when a stipulated time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Statements of Operations and Changes in Net Assets as net assets released from restrictions. Permanently restricted net assets have been restricted by donors to be maintained by the Alliance in perpetuity.

Fair Value Measurement: In 2009, the Hospital adopted FASB ASC 820, *Fair Value Measurements and Disclosures,* which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurements. There was no significant impact on the consolidated financial statements as a result of adopting this standard (Note Q).

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820) - Improving Disclosures about Fair Value Measurements* (ASU 2010-06). ASU 2010-06 requires new disclosures regarding significant transfers in and out of Levels 1 and 2, as well as information about activity in Level 3 fair value measurements, including presenting information about purchases, sales, issuances and settlements on a gross versus a net basis in the Level 3 activity roll forward. In addition, ASU 2010-06 clarifies existing disclosures regarding input and valuation techniques, as well as the level of disaggregation for each class of assets and liabilities. The Alliance will adopt ASU 2010-06 in 2011, except for the disclosures related to purchases, sales, issuance and settlements, which will be effective for the Alliance beginning July 1, 2012. The adoption of ASU 2010-06 is not expected to have an impact on the Alliance's consolidated financial statements.

Subsequent Events: The Alliance evaluated all events or transactions that occurred after June 30, 2010, through October 25, 2010, the issuance date of the consolidated financial statements. During this period management did not note any material recognizable subsequent events that required recognition or disclosure in the June 30, 2010 consolidated financial statements, other than as discussed in Note D and in Note F.

Reclassifications: Certain 2009 amounts have been reclassified to conform with the 2010 presentation in the accompanying consolidated financial statements.

NOTE C--INVESTMENTS

Assets limited as to use are summarized by designation or restriction as follows at June 30:

	2010	2009
Designated or restricted:		
Under safekeeping agreements	$ 52,050	$ 40,604
Under guarantee agreements	89,486	86,364
By Board for capital improvements	2,776	-
Under bond indenture agreements:		
For debt service and interest payments	78,612	60,828
For capital acquisitions	76,241	161,731
	299,165	349,527
Less: amount required to meet current obligations	(25,092)	(22,492)
	$ 274,073	$ 327,035

NOTE C--INVESTMENTS- Continued

Assets limited as to use consist of the following at June 30:

	2010	2009
Cash, cash equivalents and money market funds	$ 170,897	$ 173,859
U.S. Government securities	1,795	1,795
U.S. Agency securities	12,319	18,827
Guaranteed investment contracts	114,154	155,046
	$ 299,165	$ 349,527

Trading securities consist of the following at June 30:

	2010	2009
Cash, cash equivalents and money market funds	$ 4,799	$ 14,622
U.S. Government securities	3,137	-
U.S. Agency securities	13,760	16,013
Corporate and foreign bonds	15,063	10,014
Municipal obligations	1,461	3,101
U.S. equity securities	142,816	161,284
Other	28,608	30,031
	209,644	235,065
Less: amount classified as current	(3,375)	(4,825)
	$ 206,269	$ 230,240

Held-to-Maturity securities consist of the following at June 30:

	2010	2009
Cash, cash equivalents and money market funds	$ 1,131	$ 452
Corporate and foreign bonds	103,968	39,504
Municipal obligations	1,315	209
	$ 106,414	$ 40,165

Held-to-maturity securities had gross unrealized gains and losses of $5,525 and $607, respectively, at June 30, 2010 and $831 and $110, respectively at June 30, 2009. At June 30, 2010, the Alliance held one security within the held-to-maturity portfolio with a fair value and unrealized loss of $591

NOTE C--INVESTMENTS- Continued

and $166, respectively, which had been at an unrealized loss position for over one year. At June 30, 2009, no securities held in the held-to-maturity portfolio had been in an unrealized loss position for over one year. At June 30, 2010, the contractual maturities of held-to-maturity securities were $13,389 due in one year or less, $48,447 due from one to five years and $44,578 due after five years. At June 30, 2009, the contractual maturities of held-to-maturity securities were $733 due in one year or less, $21,190 due from one to five years and $18,242 due after five years.

At June 30, 2010 and 2009, the Alliance held investments in certain limited partnerships and hedge funds of $28,608 and $30,031, respectively, that have a wide range of investment strategies with various levels of risk. These funds are included within trading securities and do not have readily determinable fair values. The funds are reported at fair market value pursuant to FASB ASC 825, *Financial Instruments*.

The Alliance has investments in several joint ventures and corporations which are accounted for under the equity method of accounting.

As a part of the acquisition of membership interests in JMH, SCCH and NCH, the Alliance has committed to invest $132,000, $48,100, and $45,000, respectively. Cumulative amounts expended at June 30, 2010 under these commitments are approximately $73,600.

NOTE D--DERIVATIVE TRANSACTIONS

The Alliance is a party to a number of derivative transactions. These derivatives have not been designated as hedges and, as such, are valued at estimated fair value in the accompanying Consolidated Balance Sheets. Management's primary objective in holding such derivatives is to introduce a variable rate component into its fixed rate debt structure. Under the terms of these agreements, changes in the interest rate environment could have a significant effect on the Alliance.

These derivative agreements require that the Alliance post additional collateral for the derivatives' fair market value deficits above specified levels. Such investments are included as assets limited as to use. As of June 30, 2010, management believes the Alliance was fully collateralized with respect to the derivative agreements and management does not believe such collateral is exposed to third-party credit risk. Further, certain of the agreements contain requirements regarding maintenance of financial and liquidity ratios. Management has represented the Alliance is in compliance with all such covenants at June 30, 2010.

Interest Rate Swaps: The Alliance is a party to six interest rate swap agreements with Merrill Lynch as the counterparty. A liability, representing the estimated fair value of these swaps, of $33,910 and $37,274 was recognized by the Alliance as of June 30, 2010 and 2009, respectively.

NOTE D--DERIVATIVE TRANSACTIONS - Continued

The following is a summary of five of these interest rate swap agreements at June 30, 2010:

Swap	*Notional Amount*	*Term*	*Payments by:*	
			Counterparty	*Alliance*
A	$ 170,000	4/2008-4/2026	0.51% through April 2011, then 71.10% of USD-ISDA Swap Rate	0.00% through April 2011, then USD-SIFMA Municipal Swap Index
B	95,000	4/2008-4/2026	0.52% through April 2011, then 71.18% of USD-ISDA Swap Rate	0.00% through April 2011, then USD-SIFMA Municipal Swap Index
C	173,030	4/2008-4/2034	0.53% through April 2011, then 72.35% of USD-ISDA Swap Rate	0.00% through April 2011, then USD-SIFMA Municipal Swap Index
D	82,055	12/2007-7/2033	USD-LIBOR-BBA through June 2012, then 67.00% USD-LIBOR-BBA	4.411% through June 2012, then 3.805%
E	50,000	2/2008-7/2038	67.00% of USD-LIBOR-BBA less 0.07%	3.41%

Deferred financing and acquisition costs, net of amortization, include $6,823 and $7,167 at June 30, 2010 and 2009, respectively, related to these swaps.

In addition to the swaps described above, the Alliance and Merrill Lynch are also parties to a total return swap in the notional amount of $23,900. No deferred financing and acquisition costs were recorded as a result of this transaction. The agreement consists of the following:

- An agreement that requires the Alliance to pay a variable rate of USD-SIFMA Municipal Swap Index through July 1, 2012 (or termination of the swap) on a notional amount equal to the outstanding 2001A Hospital Revenue and Improvement Bonds (the 2001A Reference Bonds). The Alliance receives a fixed rate of 6.25% on the outstanding 2001A Reference Bonds.

- A "total return provision" under which the Alliance will pay (or receive) an amount equal to the product of the outstanding 2001A Reference Bonds multiplied by the difference between the outstanding 2001A Reference Bonds and the 2001A Reference Bonds' market price at termination, as defined in the agreement. In the event the swap does not terminate prior to July 1, 2012, there would be no settlement of this component as there would be no outstanding 2001A Reference Bonds.

NOTE D--DERIVATIVE TRANSACTIONS - Continued

During 2009, the Alliance terminated an interest rate swap with a notional amount of $318,315 to which Merrill Lynch was the counterparty. As a result of the termination, the Alliance wrote-off deferred financing and issuance costs of $3,220 and recognized a gain on termination of $3,054, which are included in loss on termination of derivatives in the accompanying 2009 Consolidated Statement of Operations and Changes in Net Assets.

The Alliance is party to a total return swap with Lehman Brothers as the counterparty. Lehman Brothers filed for bankruptcy in September 2008. The Alliance subsequently received notification from Lehman Brothers Special Financing, Inc. indicating the intent of the counterparty to terminate this agreement effective January 1, 2009. As of October 25, 2010, the Alliance and Lehman Brothers Special Financing, Inc. have been unable to reach a settlement agreement. In September 2010, the Alliance was issued a subpoena to furnish certain documentation related to the transaction. A protocol has been put into place by the bankruptcy court whereby the parties are to undergo alternate dispute resolution. If a settlement is not reached through the alternate dispute resolution process, the matter will be subject to non-binding arbitration. Legal counsel has advised management that the court ordered process may take several years.

The fair value of these swaps is undeterminable at January 1, 2009, as prior to the termination date Lehman Brothers liquidated the underlying referenced securities, making a valuation not commercially viable. An estimated liability of $10,740 and $10,921 was recognized by the Alliance as of June 30, 2010 and 2009, respectively. Management believes that the liability as recorded at June 30, 2010 is sufficient to cover any exposure arising from litigation in this matter. However, it is reasonably possible management's estimate may change in the near term, although the amount of any change cannot be estimated. Due to the termination of this agreement, the estimated liability is included as a current liability in the accompanying Consolidated Balance Sheets.

A third party holds collateral with a fair market value of approximately $13,570 and $13,252, respectively, at June 30, 2010 and 2009, with respect to these derivative agreements. Such collateral is included as current assets limited as to use. Additionally, during 2009 the Alliance wrote-off deferred financing and issuance costs related to these swaps of $2,619 which is included in loss on termination of derivatives in the accompanying 2009 Consolidated Statement of Operations and Changes in Net Assets.

The arrangement consists of nine agreements each with three separate components (described below) with notional values of $23,600, $8,000, and $8,750 each. The swaps generally consist of the following:

NOTE D--DERIVATIVE TRANSACTIONS - Continued

- An arrangement that calls for the Alliance to pay a variable rate (SIFMA Municipal Swap Index) plus certain fixed payment amounts and receive a payment equal to the interest paid by the Alliance on a portion of its early extinguished, but still outstanding, 2000A and 2000B Hospital Mortgage Revenue Refunding Bonds (the Reference Bonds) (whose fixed rates range from 7.50% to 7.75%).

- An arrangement that requires the Alliance to pay a fixed rate of 4.211% through either July 1, 2025, 2029 or 2033 (or termination of the swap) on the outstanding Reference Bonds and receive a variable rate of 67% of USD-LIBOR-BBA on the outstanding Reference Bonds; and

- A "total return provision" under which the Alliance will pay (or receive) the difference between the outstanding Reference Bonds, multiplied by 132%, less the fair value of the Reference Bonds on the date of termination and any fixed interest payments made under the arrangements described above. In the event the swaps do not terminate prior to their stated termination dates (2025, 2029 or 2033), there would be no settlement of this component as there would be no outstanding Reference Bonds.

The swap also contains an agreement that consists of two separate components:

- An arrangement that requires the Alliance to pay a fixed rate of 2.98% through July 1, 2016 (or termination of the swap) on the outstanding, but previously defeased, 1991 Hospital Revenue and Improvement Bonds (the 1991 Reference Bonds) and receive a variable rate of 67% of USD-LIBOR-BBA on the outstanding 1991 Reference Bonds; and

- A "fixed payor provision" under which the Alliance will pay (or receive) the difference between the outstanding 1991 Reference Bonds multiplied by 100% and any fixed interest payments made as required under the agreement minus the outstanding 1991 Reference Bonds multiplied by the average market price at termination. In the event the swaps do not terminate prior to their stated termination date (2016), there would be no settlement of this component as there would be no outstanding 1991 Reference Bonds.

Interest Rate Swap Option: In June 2004, the Alliance entered into an agreement with Bear Stearns (acquired by JP Morgan) whereby Bear Stearns has purchased from the Alliance an option to enter into an interest rate swap agreement (swaption) with the Alliance on July 1, 2011, which is an optional redemption date related to the Alliance's early extinguished 2000A and 2000B Bonds (Note F). The purpose of this agreement was to effectively sell the call features related to the early extinguished Series 2000A and 2000B Bonds. As consideration under this agreement, the Alliance

NOTE D--DERIVATIVE TRANSACTIONS - Continued

received a total of $42,500 in upfront payments as the swaption premium. Such amounts were initially recorded as estimated fair value of derivatives in the Consolidated Balance Sheets. Beginning 30 calendar days prior to July 1, 2011 and terminating 30 calendar days prior to July 1, 2015, the counterparty has the periodic right to exercise the swaption.

The underlying interest rate swap transactions to which the swaption transaction relates have the following terms:

Swap	*Notional Amount*	*Term*	*Payments by:*	
			Counterparty	*Alliance*
2000A	Ranging from $148,170 through July 1, 2018 to $23,000 through July 2033	30 days following the exercise date through July 2033	64% of USD-LIBOR-BBA	Fixed amounts ranging from 7.13% upon execution to 7.50% through July 2033, based on notional amount
2000B	Ranging from $76,240 through July 1, 2021 to $8,800 through July 2033	30 days following the exercise date through July 2033	64% of USD-LIBOR-BBA	Fixed amounts ranging from 7.54% upon execution to 8.00% through July 2033, based on notional amount

Management anticipates the swaption will be settled by a payment of cash and not by the execution of an actual interest rate swap transaction, should the counterparty not elect to terminate.

The Alliance retains the right to terminate the swaption at any time prior to May 17, 2011 at its fair market value. A liability of $89,650 and $78,022, representing the estimated fair value of the swaption at June 30, 2010 and 2009, respectively, is included in estimated fair value of derivatives in the accompanying Consolidated Balance Sheets. As a derivative financial instrument, this swaption is extremely sensitive to changes in long-term interest rates and other elements in the financial marketplace. As such, estimates of fair value are subject to significant changes in the near term.

Deferred financing and acquisition costs include $434 and $868 at June 30, 2010 and 2009, respectively, related to the costs of this transaction. The change in estimated fair value of derivatives in the accompanying Statement of Operations and Changes in Net Assets for 2010 and 2009 includes an unrealized loss of $11,628 and $9,195, respectively, related to this derivative.

Forward Sale Agreements: In June 2004, the Alliance entered into two related forward sale agreements with the counterparty to the swaption agreements and the Master Trustee of the Series 2000 Bonds. The forward sale agreements originally related to the Debt Service Reserve Fund and to the Debt Service Fund, respectively, (collectively, the "Funds"), as established under provisions

NOTE D--DERIVATIVE TRANSACTIONS - Continued

of the Master Trust Indenture related to the issuance of the Series 2000 Bonds. In consideration of the future earnings on the Funds, the counterparty paid the Master Trustee a total of $30,000 during 2005, to be held on behalf of the Alliance. In June 2006, one of these agreements was amended to also relate to the Series 2000C, 2000D, 2006A and 2006B Bonds, and to remove the Series 2000A Bonds from consideration under the agreement. As the original intent of these Funds was to secure debt service payments under the above referenced Bonds, the agreement requires these funds to be held under a guaranty agreement as further described below.

In connection with the issuance of the Series 2007 Bonds and the derecognition of a portion of the Series 2000A Bonds, all of the outstanding Series 2000B Bonds, and all of the outstanding 2006B Bonds (Note F), one of these agreements as it relates to the Series 2000A and 2000B Bonds was partially terminated. As such, during 2008 the Alliance reduced its liability with respect to the portion related to the Series 2000A and 2000B Bonds, and paid the counterparty $6,186 under the terms of the agreement. Management has represented that the other agreement will be amended in fiscal year 2011 to include the Series 2010A Bonds and to remove the Series 2000B and 2006B Bonds. As such, the Alliance has not reduced its liability for the portion related to the Series 2000B or 2006B Bonds under this agreement.

A liability of $19,864 and $20,728 representing the unamortized payments from the counterparty is included as part of deferred revenue in the accompanying Consolidated Balance Sheets as of June 30, 2010 and 2009, respectively. Amounts are being recognized as investment income over the life of the agreements.

Pursuant to these agreements, the counterparty required that the Alliance's obligations under the swaption and forward sale agreements be collateralized under a guarantee agreement in favor of the counterparty. Due to various requirements of the Master Trust Indenture, the Alliance transferred to MSF a total of $42,500 that was in turn deposited with the counterparty as collateral in a Guaranteed Investment Contract (GIC). Amounts received under the forward sale agreements were also deposited into the GIC. All GIC deposits earn interest compounded at 4.14% for the first year, and at 3.5% thereafter through July 1, 2011. The GIC deposits as of June 30, 2010 and 2009 totaled $89,486 and $86,364, respectively.

In the event the counterparty does not exercise the swaption, the Alliance will realize the swaption premium, forward sale amounts, and earnings on the GIC when the swaption expires on July 1, 2015. In the event the Alliance settles with the counterparty, the Alliance would in effect lose the earnings on these funds.

NOTE E--PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30:

	2010	2009
Land	$ 60,351	$ 51,484
Buildings and leasehold improvements	404,790	407,063
Property and improvements held for leasing	84,421	96,457
Equipment	479,523	424,738
Equipment held under capital lease	22,679	25,032
	1,051,764	1,004,774
Less: Allowances for depreciation and amortization	(569,913)	(505,600)
	481,851	499,174
Construction in progress (Note N)	213,747	91,395
	$ 695,598	$ 590,569

Accumulated depreciation and amortization on property and improvements held for leasing purposes is $21,543 and $21,829 at June 30, 2010 and 2009, respectively. Net interest capitalized was $11,117 and $3,744 for the years ended June 30, 2010 and 2009, respectively.

The Alliance is constructing two new hospital facilities, including Franklin Woods Community Hospital (FWCH) in Washington County, Tennessee and a replacement facility for JMH and has plans to construct a replacement facility at SCCH which will commence in 2011. The Alliance is also performing various renovations on existing hospital facilities. These projects may have a significant impact on the remaining useful life of the existing hospital facilities. Where commitments to construct new facilities have been finalized, management has adjusted the estimated useful lives of existing hospital facilities.

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

Long-term debt and capital lease obligations consist of the following at June 30:

Description	Maturities	Rates	Outstanding Balance 2010	Outstanding Balance 2009
2010A Hospital Refunding Revenue Bonds, net of unamortized premium of $1,096 at June 30, 2010	$38,660 uninsured serially, through 2020	3.00% to 5.00%	$ 169,176	$ -
	$14,985 uninsured term bonds, due July 1, 2025	5.38%		
	$19,385 uninsured term bonds, due July 1, 2030	5.63%		
	$39,570 uninsured term bonds, due July 1, 2038	6.50%		
	$55,480 uninsured term bonds, due July 1, 2038	6.00%		
2010B Hospital Refunding Revenue Bonds, net of unamortized premium of $753 at June 30, 2010	$27,330 uninsured serially, through 2020	2.50% to 5.00%	36,688	-
	$4,355 uninsured term bonds, due July 1, 2023	5.00%		
	$4,250 uninsured term bonds, due July 1, 2028	5.50%		

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

Description	*Maturities*	*Rates*	*Outstanding Balance*	
			2010	*2009*
2009A Hospital Revenue Bonds, net of unamortized discount of $126 and $129 at June 30, 2010 and 2009, respectively	$725 uninsured term bonds, due July 1, 2019 $1,730 uninsured term bonds, due July 1, 2029 $3,105 uninsured term bonds, due July 1, 2038	7.25% 7.50% 7.75%	5,434	5,431
2009B Hospital Revenue Bonds	$5,535 uninsured term bonds, due July 1, 2038	8.00%	5,535	5,535
2009C Hospital Revenue Bonds, net of unamortized discount of $2,508 and $2,595 at June 30, 2010 and 2009, respectively	$21,100 uninsured term bonds, due July 1, 2019 $20,000 uninsured term bonds, due July 1, 2029 $74,855 uninsured term bonds, due July 1, 2038	7.25% 7.50% 7.75%	113,447	113,360
2008A Hospital Revenue Bonds	$13,245 uninsured term bonds, due July 1, 2038, subject to early redemption or tender	Variable, 0.91% at June 30, 2010	13,245	72,770
2008B Hospital Revenue Bonds	$54,050 uninsured term bonds, due July 1, 2038, subject to early redemption or tender	Variable, 0.91% at June 30, 2010	54,050	54,230
2007A Hospital Revenue Bonds	$4,305 uninsured term bonds, due July 1, 2038, subject to early redemption or tender	Variable, 0.91% at June 30, 2010	4,305	100,220
2007B Taxable Hospital Revenue Bonds	$314,190 uninsured term bonds, due July 1, 2033, subject to early redemption or tender	Variable, 2.42% at June 30, 2010	314,190	320,170
2007C Hospital Revenue Bonds	$1,900 uninsured term bonds, due July 1, 2032, subject to early redemption or tender	Variable, 0.91% at June 30, 2010	1,900	36,575
2006A Hospital First Mortgage Revenue Bonds, net of unamortized premium of $153 and $159 at June 30, 2010 and 2009, respectively	$7,265 uninsured serially, through 2019 $7,375 uninsured term bonds, due July 1, 2026 $20,505 uninsured term bonds, due July 1, 2031 $135,175 uninsured term bonds, due July 1, 2036	4.50% to 5.00% 5.25% 5.50% 5.50%	170,473	171,149
2001A Hospital First Mortgage Revenue Bonds	$23,900 term bonds, due July 1, 2026, subject to early redemption or tender	6.85%	23,900	24,600
2001 Hospital Refunding and Improvement Revenue Bonds (NCH), net of unamortized discount of $43 and $38 at June 30, 2010 and 2009, respectively	$675 insured term bonds, due December 1, 2010 $1,465 insured term bonds, due December 1, 2012 $1,635 insured term bonds, due December 1, 2014 $8,815 insured term bonds, due December 1, 2022	5.13% 5.75% 6.00% 6.00%	12,547	13,183
2000A Hospital First Mortgage Revenue Refunding Bonds	$28,417 insured Capital Appreciation Bonds, interest and principal due July 1, 2026 through 2030	6.63%	28,417	26,601
2000C Hospital First Mortgage Revenue Taxable Bonds	$35,335 insured term bonds, due July 1, 2026	8.50%	35,335	36,270
2000D First Mortgage Taxable Bonds	$15,225 insured term bonds, due July 1, 2026	8.50%	15,225	15,630
1998 Hospital Refunding and Improvement Revenue Bonds (JMH)	$1,125 uninsured serially, through 2011 $6,495 uninsured term bonds, due July 1, 2016 $7,620 uninsured term bonds, due July 1, 2028	5.00% 5.25% 5.38%	15,240	16,310
Capitalized lease obligations secured by buildings and equipment	Maturing through 2027	3.18% to 13.01%	16,715	17,211
Note payable secured by assets of Kingsport Ambulatory Surgery Center	Monthly principal and interest payments maturing through June 2010	5.50%	-	334
Note payable secured by property	Monthly principal and interest payments of $7 beginning March 2007 maturing February 2012. Note was paid-off in 2010	LIBOR + 1.25%	-	204
$7,500 promissory note secured by assets of Mediserve Medical Equipment of Kingsport, Inc.	Monthly principal and interest payments of $56 beginning February 2007 maturing December 2011; remaining principal of $6,473 due January 2012	LIBOR + 1.10%	6,064	6,647
Capitalized lease obligations secured by equipment	Various monthly payments of monthly principal and interest	Various	1,325	1,526
$7,482 promissory note secured by property and unsecured letter of credit	Monthly interest-only payments through maturity on December 31, 2010; paid off in 2010	$32 interest per month	-	7,450
Master installment payment agreement	$2,194 due August 1, 2010	Unspecified	2,194	3,140
$1,409 unsecured promissory note	Monthly principal and interest payments of $23 beginning July 2008 through September 2013; remaining principal and accrued interest due October 2014	LIBOR + 1.25%	920	1,202

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

Description	*Maturities*	*Rates*	*Outstanding Balance*	
			2010	*2009*
$1,800 note payable secured by property	Monthly interest-only payments through maturity in July 2009	3.74%	-	1,800
$10,221 note payable secured by property	Various annual principal and interest payments through April 2013	6.25%	7,836	10,221
$5,000 line of credit secured by investments	Payable on demand	LIBOR + 1.25%	-	5,039
$4,600 note payable secured by property	Monthly principal and interest payments of $50 beginning February 2009 maturing December 2013; remaining principal due January 2014. Note was paid-off in 2010	5.47%	-	4,377
$1,065 note payable secured by land	Monthly interest-only payments through April 2011; remaining principal and accrued interest due May 2011	5.50%	1,065	1,065
$6,332 promissory note secured by substantially all assets of the Alliance	Monthly principal payments of $35 plus accrued interest beginning July 2010 maturing June 2015; remaining principal due July 2015	LIBOR + 2.00%	6,332	-
$3,955 note payable secured by property	Monthly principal and interest payments of $27 beginning July 2010 maturing May 2015; remaining principal due June 2015	3.00%	3,955	-
Note payable under Master Financing Agreement, secured by Equipment	Monthly principal and interest payments of $166 beginning July 2010 maturing June 2017	4.62%	11,900	-
Note payable under Master Financing Agreement, secured by Equipment	Monthly principal and interest payments of $56 beginning July 2010 maturing June 2017	3.75%	4,100	-
$4,926 convertible construction loan secured by property and assigned rents	Monthly interest-only payments through January 2011 followed by monthly principal and interest payments of $25 maturing December 2014; remaining principal and accrued interest due January 2015	Prime (stated minimum and maximum interest rates of 3.75% and 6.75%, respectively)	1,195	-
$1,885 line of credit secured by property	Monthly interest-only payments through March 2011 followed by monthly principal and interest payments of $9 maturing February 2015; remaining principal and accrued interest due March 2015	Prime - 0.50% (stated minimum and maximum interest rates of 3.50% and 6.25%, respectively)	265	-
			1,082,973	1,072,250
	Less current portion		(28,131)	(31,306)
			$ 1,054,842	$ 1,040,944

Series 2010 Bonds: In April 2010, the Alliance issued $168,080 (Series 2010A) and $35,935 Series 2010B fixed rate Hospital Refunding Revenue Bonds (collectively, the Series 2010 Bonds). Proceeds of the Series 2010A and the Series 2010B Bonds were used to refinance outstanding indebtedness, specifically related to the Alliance's facilities in Tennessee and in Virginia, respectively, fund debt service reserve funds and pay costs of issuance. The Alliance recognized a $3,029 loss on early extinguishment of debt representing the write off of previously deferred and unamortized financing costs related to the refinanced Series 2008A and the Series 2007A and 2007C debt issues discussed below.

Series 2009 Bonds

In March 2009, the Alliance issued $5,560 (Series 2009A), $5,535 (Series 2009B) and $115,955 (Series 2009C) fixed rate Hospital Revenue Bonds (collectively, the Series 2009 Bonds). The proceeds of Series 2009 Bonds were used to refinance a portion of the outstanding Series 2006C

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

Taxable Notes, which were originally issued to finance a capital commitment to SCCH and purchase certain leased assets, finance the acquisition of a majority ownership in JMH, fund a debt service reserve fund and pay costs of issuance. The portion of the 2006C taxable notes which were not refinanced with the Series 2009 Bonds were repaid with cash on hand.

In connection with its acquisition of a majority ownership in JMH, the Alliance assumed the then outstanding long-term debt of JMH, totaling $33,906, including the JMH Series 1998 Hospital Refunding and Improvement Revenue Bonds as further described in the table above.

Series 2008 Bonds

In February 2008, the Alliance issued $72,770 (Series 2008A) and $54,230 (Series 2008B) variable rate Hospital Revenue Bonds (collectively, the Series 2008 Bonds). The proceeds of Series 2008 Bonds were primarily used to finance certain future capital projects for the Alliance's hospital facilities and for the repayment of previously issued 2008 Taxable Notes used for the acquisition of RCMC. The payment of principal and interest on the Series 2008 Bonds and the purchase price of any tendered bonds on each series are secured by a separate, irrevocable, transferable, direct-pay letter of credit (the Letters of Credit). The Letters of Credit entitle the Master Trustee to draw amounts equal to the principal amounts of the Series 2008 Bonds outstanding and up to 35 days interest at a rate of 12%. The Letters of Credit expire on December 14, 2012 unless renewed or replaced. A portion ($59,525) of the Series 2008A Bonds were repaid from proceeds of the Series 2010 Bonds.

The variable rate of interest on the Series 2008 Bonds is determined weekly by the Remarketing Agent (Merrill Lynch), as the rate equal to the lowest rate which, in regard to general financial conditions and other special conditions bearing on the rate, would produce as nearly as possible a par bid for the Series 2008 Bonds in the secondary market. In no event shall the variable rate on the Series 2008 Bonds during any period where interest is calculated weekly exceed the lesser of 12% annually or the maximum contract rate of interest permitted by the State of Tennessee for the Series 2008A Bonds or the Commonwealth of Virginia for the Series 2008B Bonds. The Alliance has the option, upon written approval of the holder of the Letters of Credit, the Remarketing Agent and others, to convert to a medium-term rate period or to a fixed rate.

The Series 2008 Bonds are subject to optional and mandatory tender for purchase prior to maturity at the option of the holder, upon conversion to a fixed rate, upon conversion to a medium-term rate period, prior to the effective date of any substitute letter of credit, or upon the termination of the Letters of Credit. The optional and mandatory tender provisions generally call for the Master Trustee to purchase the outstanding Series 2008 Bonds at a purchase price equal to the principal amount thereof plus accrued interest upon a stated date as described in the tender notice delivered to the bond holders.

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

Series 2007 Bonds

In December 2007, the Alliance issued $104,355 (Series 2007A), $327,170 (Series 2007B taxable) and $36,575 (Series 2007C) variable rate Hospital Revenue Bonds (collectively, the Series 2007 Bonds). The proceeds of Series 2007 Bonds were primarily used to early extinguish a portion of the outstanding Series 2000A Bonds, all of the outstanding 2000B Bonds, all of the outstanding Series 1994 Bonds, and all of the outstanding Series 2006B Bonds; to finance the acquisition of a majority ownership in NCH, and to finance certain capital improvements and equipment acquisitions for the Alliance's hospital facilities. The payment of principal and interest on the Series 2007 Bonds and the purchase price of any tendered bonds on each series are secured by a separate, irrevocable, transferable, direct-pay letter of credit (the Letters of Credit). The Letters of Credit entitle the Master Trustee to draw amounts equal to the principal amounts of the Series 2007 Bonds outstanding and up to 35 days interest at a rate of 12%. The Letters of Credit expire on December 14, 2012 unless renewed or replaced. A portion of the outstanding Series 2007A ($91,685) and Series 2007C ($32,840) Bonds were repaid from proceeds of the Series 2010 Bonds.

The variable rate of interest on the Series 2007 Bonds is determined weekly in the same manner as described above for the Series 2008 Bonds. In no event shall the variable rate on the Series 2007 Bonds during any period where interest is calculated weekly exceed the lesser of 12% annually or the maximum contract rate of interest permitted by the State of Tennessee for the Series 2007A and 2007B Bonds or the Commonwealth of Virginia for the 2007C Bonds. The Alliance has the option, upon written approval of the holder of the Letters of Credit, the Remarketing Agent and others, to convert to a medium-term rate period or to a fixed rate. Upon such conversion, the Series 2007 Bonds become subject to mandatory tender for purchase.

The Series 2007 Bonds are subject to optional and mandatory tender in the same manner as described above for the Series 2008 Bonds. In addition, the Series 2007B Bonds are subject to a special mandatory tender with respect to its conversion from taxable debt to tax-exempt debt.

Series 2006 Bonds

During 2006, the Alliance issued $173,030 Hospital First Mortgage Revenue Bonds (Series 2006A) and $66,500 Hospital First Mortgage Variable Rate Revenue Bonds (Series 2006B). The proceeds from the sale of the Series 2006A Bonds were used to finance certain future and prior capital projects for the Alliance's hospital facilities and to refund certain existing indebtedness, specifically the Series 2001B Bonds (discussed below) and certain existing short and intermediate term loans and leases, as well as fund a debt service reserve fund. The Series 2006B Bond proceeds were substantially used to refund the remaining outstanding principal of the Series 2001B Bonds and establish a debt service reserve fund.

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

Series 2001 Bonds

During 2001, the Alliance issued $26,000 Hospital First Mortgage Revenue Bonds (Series 2001A) and $60,175 Hospital First Mortgage Revenue Bonds (Series 2001B). The Series 2001A Bonds were subject to optional tender by Bond holders. Effective July 1, 2007, the Alliance entered into an agreement whereby the beneficial owners of the Series 2001A Bonds have irrevocably waived their rights to tender the Bonds under the provisions of the respective Bond Indenture. The waiver will continue in effect through the maturity of the 2001A Bonds. The Series 2001B Bonds were refunded and redeemed in 2006.

Series 2000 Bonds

The Hospital First Mortgage Revenue Refunding (Series 2000A Bonds) and First Mortgage Revenue Refunding Bonds (Series 2000B Bonds), were used to advance refund previously existing indebtedness as well as fund a required debt service reserve fund. The Hospital First Mortgage Revenue Bonds (Series 2000C Taxable Bonds) were intended to refinance certain mortgage indebtedness of BRMM, and to refund other previously existing indebtedness. The proceeds from the sale of the First Mortgage Bonds (Series 2000D Taxable Bonds) were used primarily to fund working capital for the Alliance.

The Series 2000A Bonds included at issue date $14,680 of insured Capital Appreciation Bonds. Such bonds bear a 0% coupon rate and have a yield of 6.625% annually. The Alliance recognizes interest expense and increases the amount of outstanding debt each year based upon this yield. Total principal and interest due at maturity (2026 through 2030) is $93,675.

The advance refunding of previously issued debt requires funds to be placed in irrevocable trusts in order to satisfy remaining scheduled principal and interest payments. Management, upon advice of legal counsel, believes the amounts deposited in such irrevocable trust accounts have contractually relieved the Alliance of any future obligations with respect to this debt, and the debt and escrowed securities are not considered liabilities or assets of the Alliance. Therefore, such debt has been derecognized.

Debt outstanding and not recognized in the Consolidated Balance Sheet at June 30, 2010 due to previous advance refundings of the Series 2000A Bonds, Series 2000B Bonds, Series 1998C Bonds, and Series 1991 Bonds, totaled approximately $585,960.

The assets placed in the irrevocable trust accounts are also not recognized as assets of the Alliance. These assets consist primarily of various investments, as permitted by bond indentures and other

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

documents, including United States Treasury obligations, an investment contract with MBIA Insurance Corporation (MBIA) in the amount of $54,300, as well as the Series 2000C and 2000D Bonds which were purchased with the proceeds of the 2000A and 2000B Bonds specifically for the purpose of utilizing the Series 2000C and 2000D Bonds in the irrevocable trust. Therefore, certain of the assets held in the irrevocable trust accounts have future income streams contingent upon payments by the Alliance.

Essentially all of the Alliance's bonds are subject to redemption prior to maturity, including optional, mandatory sinking fund and extraordinary redemption, at various dates and prices as described in the respective Bond indentures and other documents.

Other Bonds, Notes Payable and Financing Arrangements

The Alliance has granted a deed of trust on JCMC and SSH to secure the payment of the outstanding bonds. The bonds are also secured by the Alliance's receivables, inventories and other assets as well as certain funds held under the documents pursuant to which the bonds were issued.

The NCH Series 2001 Hospital Refunding and Improvement Revenue Bonds are secured by revenues and a lien on certain real and personal property of NCH. The JMH Series 1998 Hospital Refunding and Improvement Revenue Bonds are secured by pledged gross receipts of JMH, as defined in the Master Trust indenture.

The scheduled maturities and mandatory sinking fund payments of the long-term debt and capital lease obligations (excluding interest), exclusive of net unamortized original issue discount and premium, at June 30, 2010 are as follows:

Year Ending June 30,		
2011	$	28,131
2012		35,002
2013		30,312
2014		28,035
2015		31,898
Thereafter		930,227
		1,083,605
Net discount		(632)
	$	1,082,973

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

The Alliance, NCH and JMH are each members of separate Obligated Groups. The bond indentures, master trust indentures, letter of credit agreements and loan agreements related to the various bond issues and notes payable contain covenants with which the respective Obligated Groups must comply. These requirements include maintenance of certain financial and liquidity ratios, deposits to trustee funds, permitted indebtedness, use of facilities and disposals of property. These covenants also require that failure to meet certain debt service coverage tests will require the deposit of all daily cash receipts of the Alliance into a trust fund. Management has represented the Alliance, NCH and JMH are in compliance with all such covenants at June 30, 2010.

In connection with the tax-exempt bonds, the Alliance is required every five years, and at maturity, to remit to the Internal Revenue Service amounts which are due related to positive arbitrage on the borrowed funds. The Alliance performs such computations when required and recognizes any liability at that time. Management does not believe there are any significant arbitrage liabilities at June 30, 2010 or 2009.

In September 2010, in order to reduce credit risk and expenses, the Alliance replaced the existing letters of credit related to the Series 2007B, Series 2008A and Series 2008B Bonds with letters of credit held by several different financial institutions. The term of the letter of credit facility is for three years. As a part of this restructuring, the existing Bonds in these series were repaid through a remarketing of sub-series of each respective bond issue created per the mandatory tender and letter of credit substitution provisions.

NOTE G--SELF-INSURANCE PROGRAMS

The Alliance is self-insured for professional and general liability claims and related expenses. The Alliance maintains a $25,000 umbrella liability policy that attaches over the self-insurance limits of $10,000 per claim and a $15,000 annual aggregate retention. The Alliance also provides professional liability coverage for certain affiliates and joint ventures.

The Alliance is self-insured for workers' compensation claims in the State of Tennessee and has established estimated liabilities for both reported and unreported claims. The Alliance maintains a stop-loss policy that attaches over the self-insurance limits of $1,000 per occurrence and $1,000 annual aggregate retention. In the State of Virginia, the Alliance is not self-insured and maintains workers' compensation insurance through commercial carriers.

At June 30, 2010, the Alliance is involved in litigation relating to medical malpractice and workers' compensation and other claims arising in the ordinary course of business. There are also known incidents occurring through June 30, 2010 that may result in the assertion of additional claims, and other unreported claims may be asserted arising from services provided in the past. Alliance

NOTE G--SELF-INSURANCE PROGRAMS - Continued

management has estimated and accrued for the cost of these unreported claims based on historical data and actuarial projections. The estimated net present value of malpractice and workers' compensation claims, both reported and unreported, as of June 30, 2010 and 2009 was $12,601 and $12,887, respectively. The discount rate utilized was 5% at June 30, 2010 and 2009.

Additionally, the Alliance is self-insured for employee health claims and recognizes expense each year based upon actual claims paid and an estimate of claims incurred but not yet paid, including a catastrophic claims reserve based on historical claims in excess of $75.

NOTE H--NET PATIENT SERVICE REVENUE

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the accompanying Consolidated Statements of Operations and Changes in Net Assets is as follows for the years ended June 30:

	2010	*2009*
Inpatient service charges	$ 1,848,590	$ 1,630,110
Outpatient service charges	1,669,705	1,253,097
Gross patient service charges	3,518,295	2,883,207
Less:		
Estimated contractual adjustments and other discounts	2,417,082	1,929,061
Estimated uncollectible self-pay - Note B	111,565	86,760
Charity care	61,378	44,488
	2,590,025	2,060,309
Net patient service revenue	$ 928,270	$ 822,898

NOTE I--THIRD-PARTY REIMBURSEMENT

The Alliance renders services to patients under contractual arrangements with Medicare, Medicaid, TennCare, Blue Cross and various other commercial payors. The Medicare program pays for inpatient services on a prospective basis. Payments are based upon diagnosis related group assignments, which are determined by the patient's clinical diagnosis and medical procedures utilized. The Alliance also receives additional payments from Medicare based on the provision of services to a disproportionate share of Medicaid and other low income patients. Most Medicare outpatient services are reimbursed on a prospectively determined payment methodology. The

NOTE I--THIRD-PARTY REIMBURSEMENT - Continued

Medicare program also reimburses certain other services on the basis of reasonable cost, subject to various prescribed limitations and reductions.

Reimbursement under the State of Tennessee's Medicaid waiver program (TennCare) for inpatient and outpatient services is administered by various managed care organizations (MCOs) and is based on diagnosis related group assignments, a negotiated per diem or fee schedule basis. The Alliance also receives additional supplemental payments from the State of Tennessee. The amount recognized totaled $8,700 and $11,137 for the years ended June 30, 2010 and 2009, respectively. Such payments are not guaranteed in future periods.

The Virginia Medicaid program reimbursement for inpatient hospital services is based on a prospective payment system using both a per case and per diem methodology. Additional payments are made for the allowable costs of capital. Payments for outpatient services are based on Medicare cost reimbursement principles and settled through the filing of an annual Medicaid cost report.

Amounts earned under the contractual agreements with the Medicare and Medicaid programs are subject to review and final determination by fiscal intermediaries and other appropriate governmental authorities or their agents. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Activity with respect to audits and reviews of the governmental programs in the healthcare industry has increased and is expected to increase in the future. No additional specific reserves or allowances have been established with regard to these increased audits and reviews as management is not able to estimate such amounts. Management believes that any adjustments from these increased audits and reviews will not have a material adverse impact on the consolidated financial statements. However, due to uncertainties in the estimation, it is at least reasonably possible that management's estimate will change in 2011, although the amount of any change cannot be estimated. The impact of final settlements of cost reports or changes in estimates decreased net patient service revenue by $3,540 in 2009. The impact of final settlements of cost reports or changes in estimates were not significant in 2010.

Participation in the Medicare program subjects the Alliance to significant rules and regulations; failure to adhere to such could result in fines, penalties or expulsion from the program. Management believes that adequate provision has been made for any adjustments, fines or penalties which may result from final settlements or violations of other rules or regulations. Management has represented that the Alliance is in substantial compliance with these rules and regulations as of June 30, 2010.

The Alliance has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations and employer groups. The basis

NOTE I--THIRD-PARTY REIMBURSEMENT - Continued

for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

NOTE J--EMPLOYEE BENEFIT PLANS

The Alliance sponsors a retirement plan (the Plan) which covers substantially all employees. The Plan is a defined contribution plan which consists mainly of employer-funded contributions. During 2010 and 2009, the Alliance made contributions to the Plan under a stratified system, whereby the Alliance's contribution percentage is based on each employee's years of service. In addition, the Alliance sponsors a 403(b) plan which is funded solely by employees' contributions. The Alliance does not make any discretionary or matching contributions into the 403(b) plan. Employees of certain other subsidiaries are covered by other plans, although such plans are not significant. The total expense related to defined contribution plans for the years ended June 30, 2010 and 2009 was $13,311 and $10,590, respectively.

NCH maintains a defined benefit pension plan and a post-retirement employee benefit plan. The accrued unfunded pension liability was $1,942 and $1,972, and the accrued unfunded post-retirement liability was $3,843 and $4,821 at June 30, 2010 and 2009, respectively.

The Alliance sponsors a secured executive benefit program (SEBP) for certain key executives. Contributions to the plan by the Alliance are based on an annual amount of funding necessary to produce a target benefit for the participants at their retirement date, although the Alliance does not guarantee any level of benefit will be achieved. The Alliance contributed $1,303 and $1,716 to the plan during 2010 and 2009, respectively. Other assets at June 30, 2010 and 2009 include $7,077 and $5,827, respectively, related to the Alliance's portion of the benefits which are recoverable upon the death of the participant. In addition, the Alliance sponsors a Section 457(f) plan for certain key executives. The benefits for substantially all employees previously participating in the SEBP plan have been transferred into the 457(f) plan.

NOTE K--CONCENTRATIONS OF RISK

The Alliance has locations primarily in upper East Tennessee and Southwest Virginia which is considered a geographic concentration. The Alliance grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. Net patient service revenue from Washington County, Tennessee operations were approximately 54% and 59% of total net patient service revenue for 2010 and 2009, respectively.

The mix of receivables from patients and third-party payors based on charges at established rates is as follows as of June 30:

NOTE K--CONCENTRATIONS OF RISK - Continued

	2010	*2009*
Medicare	42%	40%
Tenncare/Medicaid	15%	17%
Commercial	25%	31%
Other third-party payors	10%	5%
Patients	8%	7%
	100%	100%

Approximately 98% of the consolidated total revenue, gains and support were related to the provision of healthcare services during 2010 and 2009. Admitting physicians are primarily practitioners in the regional area.

Two of the Alliance's Virginia hospitals' employees are covered under collective bargaining agreements. These agreements expire in January 2011.

The Alliance routinely invests in investment vehicles as listed in Note C. The Alliance's investment portfolio is managed by outside investment management companies. Investments in corporate and foreign bonds and notes, municipal obligations, money market funds, equities and other vehicles that are held by safekeeping agents are not insured or guaranteed by the U.S. government.

NOTE L--INCOME TAXES

BRMM and its subsidiaries file a consolidated federal tax return and separate state tax returns. As of June 30, 2010 and 2009, BRMM and its subsidiaries had net operating loss carryforwards for consolidated federal purposes of $32,447 and $35,448, respectively, related to operating losses which expire through 2025. BRMM had state net operating loss carryforwards of $59,860 and $58,771, respectively, which expire through 2025. The net operating loss carryforwards may be offset against future taxable income to the extent permitted by the Internal Revenue Code and Tennessee Code Annotated.

At June 30, 2010 and 2009, SWCH had federal and state net operating loss carryforwards of $4,376 and $3,923, respectively, which expire through 2029. CHC files separate federal and state tax returns. CHC had a net deferred tax liability of $58 at June 30, 2010 and a net deferred tax asset of $55 at June 30, 2009; the differences are due primarily to temporary timing differences related to depreciation and net operating loss carryforwards. The net operating loss carryforwards may be offset against future taxable income to the extent permitted by the Internal Revenue Code and tax codes of the Commonwealth of Virginia.

NOTE L--INCOME TAXES - Continued

Net deferred tax assets related to these carryforwards and other deferred tax assets have been substantially offset through valuation allowances equal to these amounts. Income taxes paid relate primarily to state taxes for certain subsidiaries and federal alternative minimum tax.

NOTE M--RELATED PARTY TRANSACTIONS

The Alliance enters into transactions with entities affiliated with certain members of the Board of Directors including transactions to construct Alliance facilities and provide professional services to the Alliance. Board members refrain from discussion and abstain from voting on transactions with entities with which they are related.

NOTE N--OTHER COMMITMENTS AND CONTINGENCIES

Construction in Progress: Construction in progress at June 30, 2010 represents costs incurred related to various hospital and medical office building facility renovations and additions. The Alliance has outstanding contracts and other commitments related to the completion of these projects, and the cost to complete these projects is estimated to be approximately $223,847 at June 30, 2010. The Alliance does not expect any significant costs to be incurred for infrastructure improvements to assets held for resale.

Physician Contracts: BRMM employs physicians to provide services to BRMM's physician practices through employment agreements which provide annual compensation, plus incentives based upon specified productivity levels. These contracts have various terms.

In addition, the Alliance has entered into contractual relationships with non-employed physicians to provide services in Upper East Tennessee and Southwest Virginia. These contracts guarantee certain base payments and allowable expenses and have terms of varying lengths. Upon completion of the respective guarantee period, amounts drawn and outstanding under each agreement are treated as a loan bearing interest at various rates and are subject to repayment over a specified period. The physician note may also be amortized by virtue of the physician's continued practice in the specified community during the repayment period. A net receivable of $1,818 and $2,770 related to these agreements is included in the accompanying Consolidated Balance Sheets at June 30, 2010 and 2009, respectively.

Employee Scholarships: The Alliance offers scholarships to certain individuals which require that the recipients return to the Alliance to work for a specified period of time after they complete their degree. Amounts due are then forgiven over a specific period of time as provided in the individual contracts. If the recipient does not return and work the required period of time, the funds disbursed on their behalf become due immediately and interest is charged until the funds are repaid. Other receivables June 30, 2010 and 2009 includes $5,571 and $3,880, respectively, related to students in

NOTE N--OTHER COMMITMENTS AND CONTINGENCIES - Continued

school, graduates working at the Alliance and amounts due from others who are no longer in the scholarship program.

Promises to Give: The Alliance has recorded certain unconditional promises to give to unrelated organizations. At June 30, 2010, $1,768 is due within one year, and an additional $644 is due within five years and is included in other long-term liabilities.

Operating Leases and Maintenance Contracts: Total lease expense for the years ended June 30, 2010 and 2009 was $10,216 and $9,412, respectively. Future minimum lease payments for each of the next five years and in the aggregate for the Alliance's noncancellable operating leases with remaining lease terms in excess of one year are as follows:

Year Ending June 30,		
2011	$	1,686
2012		1,560
2013		1,345
2014		1,000
2015		835
Thereafter		3,808
	$	10,234

Estimated future minimum payments under various noncancellable maintenance contracts with remaining terms in excess of one year at June 30, 2010 total in the aggregate $3,720 through 2015.

Asset Retirement Obligation: The Alliance has identified asbestos in certain facilities and is required by law to dispose of it in a special manner if the facility undergoes major renovations or is demolished; otherwise, the Alliance is not required to remove the asbestos from the facility. The Alliance has complied with regulations by treating the asbestos so that it presents no known immediate or future safety concerns. An asset retirement obligation has been established to the extent that sufficient information exists upon which to estimate the liability.

Other: During 2007, the Alliance received a Certificate of Need (CON) application to build a new 80-bed hospital in Washington County, Tennessee. When this new facility (FWCH) is opened in 2011, acute care services are planned to be discontinued or reduced at both NSH and JCSH. Management anticipates that the NSH and JCSH facilities will continue to be fully utilized by the

NOTE N--OTHER COMMITMENTS AND CONTINGENCIES - Continued

Alliance in its operations and, therefore, no change to their estimated useful lives is anticipated. However, it is reasonably possible management's estimates related to the continuing use of these facilities could change in the near term. The carrying value of buildings and improvements related to these facilities is $12,493 at June 30, 2010.

During 2007, the Alliance filed a Certificate of Public Need (COPN) application to build a new 57-bed hospital in Smyth County, Virginia. The COPN has been approved by the applicable Commonwealth of Virginia agencies. Construction is expected to begin in 2011 and total costs are expected to be $68,216.

The Alliance is a party to various transactions and agreements in the normal course of business, which include purchase and re-purchase agreements, put arrangements and other commitments, which may bind the Alliance to undertake additional transactions or activities in the future.

NOTE O--RENTAL INCOME UNDER OPERATING LEASES

The Alliance leases rental properties to third parties, most of whom are physician practices, for various terms, generally five years. The following is a schedule by year and in the aggregate of minimum future rental income due under noncancellable operating leases at June 30, 2010:

Year Ending June 30,		
2011	$	1,648
2012		1,545
2013		995
2014		730
2015		615
Thereafter		858
Total minimum future rentals	$	6,391

NOTE P--FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments has been estimated by the Alliance using available market information as of June 30, 2010 and 2009, and valuation methodologies considered appropriate. The estimates presented are not necessarily indicative of amounts the Alliance could realize in a current market exchange. The carrying value of substantially all financial instruments approximates fair value due to the nature or term of the instruments, except as described below.

NOTE P--FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Investment in Joint Ventures: It is not practical to estimate the fair market value of the investments in joint ventures.

Other Long-Term Liabilities: Estimates of reported and unreported professional liability claims, pension and post-retirement liabilities are discounted to approximate their estimated fair value. It is not practical to estimate the fair market value of other long-term liabilities due to uncertainty of when these amounts may be paid. Other long-term liabilities are not discounted.

Long-Term Debt and Capital Leases: The fair value of long-term debt is estimated based upon quotes obtained from brokers for bonds and discounted future cash flows using current market rates for other debt. For long-term debt with variable interest rates, the carrying value approximates fair value.

The Alliance's significant capital leases and vendor contracts were negotiated with various entities and are considered unique. It is not practicable to estimate the fair value of these obligations under current conditions. Other capital lease obligations are not significant.

The estimated fair value of the Alliance's financial instruments that have carrying values different from fair value is as follows at June 30:

	2010		*2009*	
	Carrying Value	*Estimated Fair Value*	*Carrying Value*	*Estimated Fair Value*
FINANCIAL LIABILITIES:				
Long-term debt	$ 1,082,973	$ 1,105,778	$ 1,072,250	$ 988,263

NOTE Q--FAIR VALUE MEASUREMENT

FASB ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- 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 included in 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.

NOTE Q--FAIR VALUE MEASUREMENT - Continued

- Level 3 - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Alliance's own assumptions.

In instances where the determination of the fair value hierarchy measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Alliance's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table sets forth, by level within the fair value hierarchy, the financial assets and liabilities recorded at fair value on a recurring basis as of June 30, 2010 and 2009:

	June 30, 2010	*Level 1*	*Level 2*	*Level 3*
Trading securities	$ 209,644	$ 164,510	$ 16,526	$ 28,608
Assets whose use is limited	177,180	177,180	-	-
Total assets	$ 386,824	$ 341,690	$ 16,526	$ 28,608
Fair value of derivative agreements	$ (134,300)	$ -	$ -	$ (134,300)

	June 30, 2009	*Level 1*	*Level 2*	*Level 3*
Trading securities	$ 235,065	$ 191,918	$ 13,116	$ 30,031
Assets whose use is limited	186,414	186,414	-	-
Total assets	$ 421,479	$ 378,332	$ 13,116	$ 30,031
Fair value of derivative agreements	$ (126,217)	$ -	$ -	$ (126,217)

The valuation of the Alliance's derivative agreements is determined using market valuation techniques, including discounted cash flow analysis on the expected cash flows of each agreement. This analysis reflects the contractual terms of the agreement, including the period to maturity, and uses observable market-based inputs, including forward interest rate curves. The fair values of interest rate swap agreements are determined by netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash receipts (or payments) are based on the expectation of future interest rates based on observable market forward interest rate curves and the underlying notional amount. The Alliance also

NOTE Q--FAIR VALUE MEASUREMENT - Continued

incorporates credit valuation adjustments (CVAs) to appropriately reflect both its own nonperformance or credit risk and the respective counterparty's nonperformance or credit risk in the fair value measurements. The CVA on the Alliance's interest rate swap agreements at June 30, 2010 and 2009 resulted in a decrease in the fair value of the related liability of $10,085 and $7,914, respectively.

A certain portion of the inputs used to value its interest rate swap agreements, including the forward interest rate curves and market perceptions of the Alliance's credit risk used in the CVAs, are unobservable inputs available to a market participant. As a result, the Alliance has determined that the interest rate swap valuations are classified in Level 3 of the fair value hierarchy.

The following tables provide a summary of changes in the fair value of the Alliance's Level 3 financial assets and liabilities during the fiscal years ended June 30, 2010 and 2009:

	Trading Securities	*Derivatives, Net*
July 1, 2008	$ 32,187	$ (87,295)
Total unrealized/realized losses in the performance indicator, net	(9,298)	(42,128)
Purchases, issuance and settlements and other, net	1,015	3,206
Transfers in (out), net	6,127	-
June 30, 2009	30,031	(126,217)
Total unrealized/realized losses in the performance indicator, net	(1,546)	(8,607)
Purchases, issuance and settlements and other, net	1,446	524
Transfers in (out), net	(1,323)	-
June 30, 2010	$ 28,608	$ (134,300)
Net losses included in the performance indicator which are attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2009	$ (9,298)	$ (43,172)
Net losses included in the performance indicator which are attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2010	$ (1,920)	$ (27,116)

On July 1, 2009, the Alliance adopted the provisions of FASB ASC 820 related to non-financial assets and liabilities recognized or disclosed at fair value on a non-recurring basis. The Alliance does not have any non-financial liabilities recognized or disclosed at fair value on a non-recurring basis. Assets subject to this guidance primarily include certain goodwill, property and equipment

NOTE Q--FAIR VALUE MEASUREMENT - Continued

and investments in unconsolidated affiliates. There were no significant assets or liabilities that were re-measured at fair value on a non-recurring basis during the fiscal year ended June 30, 2010.

NOTE R--OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

Direct expenses by functional classification are as follows for the years ended June 30:

	2010	*2009*
Healthcare services	$ 795,725	$ 686,779
Administrative and general	124,338	135,994
Other	8,625	10,168
	$ 928,688	$ 832,941

Supplemental Schedules

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Balance Sheet
(Dollars in Thousands)

June 30, 2010

	*Blue Ridge Medical Management **	*Other Obligated Group Members*	*Eliminations*	*Total Obligated Group*	*Mountain States Properties*	*Other Entities*	*Eliminations*	*Total*
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	$ 1,043	$ 204,966	$ -	$ 206,009	$ 7,566	$ 20,951	$ -	$ 234,526
Current portion of investments	-	9,588	-	9,588	14,120	4,759	-	28,467
Patient accounts receivable, less estimated allowances for contractual adjustments and uncollectible accounts	4,457	84,416	-	88,873	-	36,707	-	125,580
Other receivables, net	352	10,277	-	10,629	788	6,509	-	17,926
Inventories and prepaid expenses	192	18,977	-	19,169	183	9,811	-	29,163
TOTAL CURRENT ASSETS	6,044	328,224	-	334,268	22,657	78,737	-	435,662
INVESTMENTS, less amounts required to meet current obligations	17,166	266,104	-	283,270	18,765	284,721	-	586,756
PROPERTY, PLANT AND EQUIPMENT, net	9,152	463,652	-	472,804	66,295	156,499	-	695,598
EQUITY IN AFFILIATES	138,930	391,644	(160,670)	369,904	-	-	(369,904)	-
OTHER ASSETS								
Goodwill, net of accumulated amortization	6,246	143,276	-	149,522	-	1,830	-	151,352
Net deferred financing, acquisition costs and other charges, less current portion	176	28,458	-	28,634	1,540	645	-	30,819
Other assets	10,695	8,087	-	18,782	3,608	6,923	-	29,313
TOTAL OTHER ASSETS	17,117	179,821	-	196,938	5,148	9,398	-	211,484
	$ 188,409	$ 1,629,445	$ (160,670)	$ 1,657,184	$ 112,865	$ 529,355	$ (369,904)	$ 1,929,500

* Management Services Organization only

See note to supplemental schedules.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Balance Sheet - Continued
(Dollars in Thousands)

June 30, 2010

	*Blue Ridge Medical Management **	*Other Obligated Group Members*	*Eliminations*	*Total Obligated Group*	*Mountain States Properties*	*Other Entities*	*Eliminations*	*Total*
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accrued interest payable	$ -	$ 15,550	$ -	$ 15,550	$ 4	$ 485	$ -	$ 16,039
Current portion of long-term debt and capital lease obligations	550	23,743	-	24,293	50	3,788	-	28,131
Current portion of estimated fair value of derivatives	-	-	-	-	10,740	-	-	10,740
Accounts payable and accrued expenses	2,159	76,098	-	78,257	1,317	19,653	-	99,227
Accrued salaries, compensated absences and amounts withheld	2,695	31,604	-	34,299	-	12,981	-	47,280
Payables to (receivables from) affiliates, net	9,392	(10,146)	-	(754)	(33,334)	34,088	-	-
Estimated amounts due to third-party payors, net	-	7,983	-	7,983	-	2,172	-	10,155
TOTAL CURRENT LIABILITIES	14,796	144,832	-	159,628	(21,223)	73,167	-	211,572
OTHER LIABILITIES								
Long-term debt and capital lease obligations, less current portion	5,515	1,006,038	-	1,011,553	1,144	42,145	-	1,054,842
Estimated fair value of derivatives, less current portion	-	123,308	-	123,308	252	-	-	123,560
Deferred revenue	-	20,092	-	20,092	-	353	-	20,445
Estimated professional liability self-insurance	2,229	5,075	-	7,304	-	2,237	-	9,541
Other long-term liabilities	5,199	1,598	-	6,797	-	5,831	-	12,628
TOTAL LIABILITIES	27,739	1,300,943	-	1,328,682	(19,827)	123,733	-	1,432,588
MINORITY INTERESTS	-	-	-	-	-	168,410	-	168,410
NET ASSETS								
Unrestricted net assets	160,670	317,434	(160,670)	317,434	132,692	226,356	(359,048)	317,434
Temporarily restricted net assets	-	10,941	-	10,941	-	10,729	(10,729)	10,941
Permanently restricted net assets	-	127	-	127	-	127	(127)	127
TOTAL NET ASSETS	160,670	328,502	(160,670)	328,502	132,692	237,212	(369,904)	328,502
	$ 188,409	$ 1,629,445	$ (160,670)	$ 1,657,184	$ 112,865	$ 529,355	$ (369,904)	$ 1,929,500

*Management Services Organization only.

See note to supplemental schedules.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Statement of Operations and Changes in Net Assets
(Dollars in Thousands)

Year Ended June 30, 2010

	Blue Ridge Medical Management *	*Other Obligated Group Members*	*Eliminations*	*Total Obligated Group*	*Mountain States Properties*	*Other Entities*	*Eliminations*	*Total*
CHANGES IN UNRESTRICTED NET ASSETS:								
Revenue, gains and support:								
Net patient service revenue	$ 32,979	$ 657,122	$ (1,556)	$ 688,545	$ -	$ 239,921	$ (196)	$ 928,270
Other operating revenue	24,046	3,914	(18,087)	9,873	7,430	32,519	(33,813)	16,009
Equity in net gain of affiliates	6,702	4,959	(5,460)	6,201	-	15	(6,216)	-
TOTAL REVENUE, GAINS AND SUPPORT	63,727	665,995	(25,103)	704,619	7,430	272,455	(40,225)	944,279
Expenses:								
Salaries and wages	15,053	225,269	-	240,322	139	87,975	(2,773)	325,663
Physician salaries and wages	28,752	1,133	-	29,885	-	49,009	(24,405)	54,489
Contract labor	873	3,460	-	4,333	-	2,499	(286)	6,546
Employee benefits	5,152	43,758	(1,615)	47,295	39	22,587	(1,559)	68,362
Fees	2,206	76,192	(18,018)	60,380	830	21,867	(535)	82,542
Supplies	2,200	132,563	-	134,763	1	40,898	(193)	175,469
Utilities	510	10,078	-	10,588	1,010	4,595	-	16,193
Other	4,024	39,787	(11)	43,800	2,611	25,482	(4,253)	67,640
Depreciation	1,059	42,890	-	43,949	2,585	21,902	-	68,436
Amortization	266	12,711	-	12,977	-	146	-	13,123
Estimated provision for bad debts	1,522	3,822	-	5,344	-	2,617	-	7,961
Interest and taxes	(1,279)	41,601	-	40,322	1,409	4,787	(4,254)	42,264
TOTAL EXPENSES	60,338	633,264	(19,644)	673,958	8,624	284,364	(38,258)	928,688
OPERATING INCOME	3,389	32,731	(5,459)	30,661	(1,194)	(11,909)	(1,967)	15,591
Nonoperating gains (losses):								
Interest and dividend income	546	10,904	-	11,450	791	9,311	(4,254)	17,298
Net realized gains on the sale of securities	128	1,543	-	1,671	-	714	-	2,385
Net unrealized gains on securities	596	8,083	-	8,679	1,312	5,027	-	15,018
Derivative related income	-	2,622	-	2,622	1,772	-	-	4,394
Loss on early extinguishment of debt	-	(3,029)	-	(3,029)	-	-	-	(3,029)
Change in estimated fair value of derivatives	-	(10,865)	-	(10,865)	2,258	-	-	(8,607)
Other nonoperating gains (losses)	800	2,502	-	3,302	533	(3,323)	-	512
Net assets released from restrictions used for operations	-	-	-	-	-	1,113	-	1,113
NET NONOPERATING GAINS	2,070	11,760	-	13,830	6,666	12,842	(4,254)	29,084
EXCESS OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES, BEFORE MINORITY INTERESTS	5,459	44,491	(5,459)	44,491	5,472	933	(6,221)	44,675

See note to supplemental schedules.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Statement of Operations and Changes in Net Assets - Continued
(Dollars in Thousands)

Year Ended June 30, 2010

	*Blue Ridge Medical Management **	*Other Obligated Group Members*	*Eliminations*	*Total Obligated Group*	*Mountain States Properties*	*Other Entities*	*Eliminations*	*Total*
Minority interest in consolidated subsidiaries' net gain	-	-	-	-	-	(3,162)	-	(3,162)
EXCESS OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	5,459	44,491	(5,459)	44,491	5,472	(2,229)	(6,221)	41,513
Other changes in unrestricted net assets:								
Pension and other defined benefit plan adjustments	-	-	-	-	-	1,589	-	1,589
Net assets released from restrictions used for the purchase of property, plant and equipment	-	-	-	-	-	2,283	-	2,283
INCREASE IN UNRESTRICTED NET ASSETS	5,459	44,491	(5,459)	44,491	5,472	1,643	(6,221)	45,385
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	-	(393)	-	(393)	-	(844)	-	(1,237)
DECREASE IN PERMANENTLY RESTRICTED NET ASSETS	-	-	-	-	-	(50)	-	(50)
INCREASE IN TOTAL NET ASSETS	5,459	44,098	(5,459)	44,098	5,472	749	(6,221)	44,098
NET ASSETS, BEGINNING OF YEAR	155,211	284,404	(155,211)	284,404	127,220	236,463	(363,683)	284,404
NET ASSETS, END OF YEAR	$ 160,670	$ 328,502	$ (160,670)	$ 328,502	$ 132,692	$ 237,212	$ (369,904)	$ 328,502

*Management Services Organization only.

See note to supplemental schedules.

MOUNTAIN STATES HEALTH ALLIANCE

Note to Supplemental Schedules

Year Ended June 30, 2010

NOTE A--OBLIGATED GROUP MEMBERS

As described in Note F to the consolidated financial statements, the Alliance has granted a deed of trust on JCMC and SSH to secure the payment of the outstanding bonds. The bonds are also secured by the Alliance's receivables, inventories and other assets as well as certain funds held under the documents pursuant to which the bonds were issued. In accordance with Article Six, Section 6.6 of the Amended and Restated Master Trust Indenture between Mountain States Health Alliance and the Bank of New York Trust Company, NA as Master Trustee, those members pledged include Johnson City Medical Center Hospital, Indian Path Medical Center and Pavilion, North Side Hospital, Sycamore Shoals Hospital, Johnson City Specialty Hospital, Johnson County Community Hospital, Russell County Medical Center and Blue Ridge Medical Management Corporation (parent company only), collectively defined as the Obligated Group (Obligated Group).

The supplemental consolidating schedules include the accounts of the members of the Obligated Group after elimination of all significant intergroup accounts and transactions. Certain other subsidiaries of the Alliance, Mountain States Properties, Inc. (MSP) and all other affiliates (Other Entities), are not pledged to secure the payment of the outstanding bonds as they are not part of the Obligated Group. These affiliates have been accounted for within the Obligated Group based upon the Alliance's original and subsequent investments, as adjusted for the Alliance's pro rata share of income or losses and any distributions, and are included as a part of equity in affiliates in the supplemental consolidating balance sheet.

APPENDIX C

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2011

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MOUNTAIN STATES
HEALTH ALLIANCE

FINANCIAL REPORT

June 2011

Mountain States Health Alliance

Key Operating Indicators

For the Period Ended June 30, 2011

MONTH OF JUNE						TWELVE MONTHS YEAR TO DATE				
Actual	Budget	Bud Var	Prior Yr	PY Var		Actual	Budget	Bud Var	Prior Yr	PY Var
					Revenue and Expense as % of Patient Revenue					
52.1%	51.3%	0.9%	50.9%	1.2%	Inpatient Revenue	52.3%	52.4%	-0.1%	52.5%	-0.2%
47.9%	48.7%	-0.9%	49.1%	-1.2%	Outpatient Revenue	47.7%	47.6%	0.1%	47.5%	0.2%
100.0%	100.0%		100.0%		Total Gross Patient Revenue	100.0%	100.0%		100.0%	
72.1%	73.9%	1.9%	70.9%	-1.1%	Total Deductions	74.7%	74.5%	-0.2%	73.7%	-1.0%
27.9%	26.1%	1.9%	29.1%	-1.1%	Net Patient Service Revenue	25.3%	25.5%	-0.2%	26.3%	-1.0%
0.7%	0.5%	0.1%	0.6%	0.0%	Other Operating Revenue	0.5%	0.5%	-0.1%	0.5%	0.0%
28.6%	26.7%	1.9%	29.7%	-1.1%	Total Operating Revenue	25.7%	26.0%	-0.2%	26.8%	-1.1%
23.7%	25.7%	2.0%	25.2%	1.4%	Total Operating Expense	25.1%	25.4%	0.3%	26.4%	1.3%
4.9%	1.0%	3.9%	4.6%	0.3%	Net Operating Income	0.6%	0.5%	0.1%	0.4%	0.2%
1.0%	0.2%	0.8%	1.0%	0.1%	Investment Income	0.6%	0.3%	0.4%	0.7%	-0.1%
-3.4%	-0.2%	-3.2%	-2.4%	-1.0%	Other Non-Operating Income	0.4%	0.0%	0.4%	0.0%	0.4%
2.4%	1.0%	1.4%	3.8%	-1.4%	Total Excess Revenue Over Expense	1.6%	0.8%	0.7%	0.8%	0.8%
					Revenue By Source					
44.8%	44.3%	0.5%	43.5%	1.3%	Medicare	43.7%	44.2%	-0.5%	43.4%	0.3%
4.9%	4.7%	0.2%	5.4%	-0.5%	Medicaid	5.4%	5.0%	0.4%	5.3%	0.1%
8.0%	9.3%	-1.4%	8.5%	-0.5%	TennCare	8.3%	9.2%	-0.9%	9.0%	-0.6%
14.6%	13.7%	1.0%	12.7%	2.0%	Blue Cross	14.3%	13.7%	0.6%	13.4%	0.9%
6.7%	7.8%	-1.2%	8.1%	-1.4%	United - River Valley	7.4%	7.7%	-0.2%	7.7%	-0.2%
9.0%	8.9%	0.2%	10.2%	-1.1%	Managed Care / Commercial	9.4%	9.0%	0.4%	10.3%	-0.9%
9.2%	8.5%	0.6%	8.8%	0.4%	Charity / Self Pay	8.4%	8.5%	-0.2%	8.2%	0.2%
2.8%	2.5%	0.2%	2.9%	-0.1%	Other Patient Revenue	3.0%	2.5%	0.4%	2.8%	0.2%
100.0%	100.0%		100.0%		Total Gross Patient Revenue	100.0%	100.0%		100.0%	
					Operating Statistics (excl Nursing Home)					
781	765	2.1%	772	1.2%	Average Daily Census	789	802	-1.6%	800	-1.3%
46.2%	45.2%	2.1%	44.6%	3.6%	Occupancy Percent	46.7%	47.4%	-1.6%	46.2%	1.0%
23,444	22,953	2.1%	23,161	1.2%	Patient Days	288,167	292,877	-1.6%	291,986	-1.3%
5,131	4,850	5.8%	4,889	4.9%	Admissions	61,035	60,217	1.4%	60,102	1.6%
1,793	1,488	20.5%	1,598	12.2%	Observation Admissions	20,894	18,038	15.8%	18,358	13.8%
4.57	4.73	3.5%	4.74	3.6%	Average Length of Stay	4.72	4.86	2.9%	4.86	2.8%
45,081	44,889	0.4%	45,570	-1.1%	Adjusted Patient Days	552,056	559,978	-1.4%	556,594	-0.8%
9,866	9,485	4.0%	9,619	2.6%	Adjusted Admissions	116,930	115,134	1.6%	114,569	2.1%
133,471	137,364	-2.8%	134,414	-0.7%	Outpatient Visits	1,590,952	1,650,732	-3.6%	1,604,036	-0.8%
$7,189	$6,978	3.0%	$6,491	10.8%	IP Revenue per Patient Day	$6,844	$6,872	-0.4%	$6,310	8.5%
$1,165	$1,114	4.6%	$1,082	7.7%	OP Revenue per Outpatient Visit	$1,135	$1,112	2.1%	$1,041	9.1%
$2,053	$1,854	10.7%	$1,922	6.8%	Operating Revenue per Adjusted Patient Day	$1,757	$1,779	-1.3%	$1,687	4.2%
$1,700	$1,787	4.9%	$1,627	-4.5%	Operating Expense per Adjusted Patient Day	$1,714	$1,744	1.7%	$1,660	-3.3%
$9,379	$8,773	6.9%	$9,103	3.0%	Operating Revenue per Adjusted Admission	$8,294	$8,654	-4.2%	$8,194	1.2%
$7,769	$8,459	8.2%	$7,708	-0.8%	Operating Expense per Adjusted Admission	$8,094	$8,483	4.6%	$8,066	-0.3%
7,554	7,345	-2.8%	7,334	-3.0%	Employed Full Time Equivalents	7,393	7,410	0.2%	7,222	-2.4%
68	28	-142.3%	107	36.1%	Contract Full Time Equivalents	80	30	-166.7%	83	3.9%
7,622	7,373	-3.4%	7,441	-2.4%	Total Full Time Equivalents	7,473	7,440	-0.5%	7,305	-2.3%
5.07	4.93	-2.9%	4.90	-3.5%	FTEs per Adjusted Occupied Bed (incl Cont Lbr)	4.94	4.85	-1.9%	4.79	-3.1%
0.77	0.78	0.6%	0.77	0.1%	FTEs per Adjusted Admission (incl Cont Lbr)	0.77	0.78	1.1%	0.77	-0.2%
$44,808	$45,723	2.0%	$46,844	4.3%	Salary Expense per FTE (excl Cont Lbr)	$45,104	$45,409	0.7%	$44,788	-0.7%
$283	$322	11.9%	$255	-10.9%	Supply Expense per Adjusted Patient Day	$305	$321	4.9%	$314	2.9%
1.42	1.39	2.1%	1.46	-2.4%	Medicare Case Mix Index	1.44	1.39	3.3%	1.45	-0.7%
1.26	1.24	1.4%	1.27	-0.9%	Overall Case Mix Index	1.27	1.24	2.5%	1.27	-0.1%
1.44	1.45	-0.3%	1.49	-2.9%	Acute Medicare Case Mix Index	1.46	1.44	1.3%	1.48	-1.0%
1.33	1.33	0.6%	1.36	-1.9%	Acute Overall Case Mix Index	1.35	1.32	2.4%	1.36	-0.4%
					Operating Statistics (Nursing Home)					
2,863	3,070	-6.7%	2,755	3.9%	Nursing Home Patient Days	36,216	37,353	-3.0%	33,254	8.9%
27	20	35.0%	10	170.0%	Nursing Home Admissions	259	246	5.3%	109	137.6%
82	91	10.3%	76	-8.1%	Nursing Home Full Time Equivalents	83	91	9.3%	78	-6.0%

Mountain States Health Alliance

Statement of Revenue and Expense

For the Period Ended June 30, 2011

MONTH OF JUNE						TWELVE MONTHS YEAR TO DATE				
Actual	Budget	Bud Var	Prior Yr	PY Var		Actual	Budget	Bud Var	Prior Yr	PY Var
					Patient Revenue					
169,472,692	161,121,386	5.2%	150,826,676	12.4%	Inpatient Revenue	1,983,339,667	2,024,448,109	-2.0%	1,848,589,674	7.3%
155,608,467	153,142,228	1.6%	145,449,767	7.0%	Outpatient Revenue	1,806,960,043	1,836,530,529	-1.6%	1,669,704,738	8.2%
325,081,159	314,263,615	3.4%	296,276,443	9.7%	Total Gross Patient Revenue	3,790,299,709	3,860,978,637	-1.8%	3,518,294,412	7.7%
					Deductions from Revenue					
215,554,023	215,547,506	0.0%	200,750,371	-7.4%	Contractual Adjustments	2,647,862,693	2,685,018,483	1.4%	2,417,082,491	-9.5%
7,773,093	5,562,583	-39.7%	6,417,602	-21.1%	Charity	72,431,617	62,968,971	-15.0%	61,377,910	-18.0%
10,724,899	11,068,902	3.1%	2,770,398	-287.1%	Contra Revenue - Self Pay	109,876,805	128,614,923	14.6%	111,564,516	1.5%
176,370	147,733	-19.4%	189,544	7.0%	Cost of Goods Sold	1,495,076	1,707,215	12.4%	1,687,733	11.4%
234,228,385	232,326,725	-0.8%	210,127,916	-11.5%	Total Deductions	2,831,666,192	2,878,309,593	1.6%	2,591,712,650	-9.3%
90,852,774	81,936,890	10.9%	86,148,527	5.5%	***Net Patient Service Revenue***	958,633,517	982,669,045	-2.4%	926,581,762	3.5%
2,124,395	1,830,541	16.1%	1,862,235	14.1%	Other Operating Revenue	17,366,079	20,459,578	-15.1%	17,732,528	-2.1%
92,977,169	83,767,431	11.0%	88,010,761	5.6%	***Total Operating Revenue***	975,999,596	1,003,128,623	-2.7%	944,314,290	3.4%
					Operating Expense					
28,029,298	27,832,877	-0.7%	28,410,205	1.3%	Salaries	336,039,676	339,257,503	0.9%	325,657,566	-3.2%
4,890,399	4,753,677	-2.9%	4,443,016	-10.1%	Physician Salaries	59,248,821	57,333,537	-3.3%	54,488,895	-8.7%
501,615	191,321	-162.2%	719,344	30.3%	Contract Labor	5,963,680	2,850,824	-109.2%	6,546,022	8.9%
6,492,574	7,248,777	10.4%	5,300,324	-22.5%	Employee Benefits	67,209,284	87,478,304	23.2%	68,361,501	1.7%
7,586,997	6,941,212	-9.3%	7,169,396	-5.8%	Fees	85,918,912	83,111,663	-3.4%	82,541,487	-4.1%
12,859,262	14,512,738	11.4%	11,676,758	-10.1%	Supplies	169,362,052	180,628,404	6.2%	175,469,374	3.5%
1,552,929	1,424,650	-9.0%	1,418,312	-9.5%	Utilities	17,300,334	17,258,274	-0.2%	16,192,488	-6.8%
1,835,571	6,129,536	70.1%	4,079,879	55.0%	Other Expense	68,894,786	73,944,247	6.8%	67,640,314	-1.9%
9,606,960	5,788,929	-66.0%	6,092,293	-57.7%	Depreciation	87,499,453	78,723,483	-11.1%	68,436,438	-27.9%
383,665	180,507	-112.5%	1,120,232	65.8%	Amortization	2,559,141	2,194,779	-16.6%	13,122,700	80.5%
562,914	554,970	15.3%	970,420	42.0%	Bad Debt	6,327,970	7,828,581	19.2%	7,960,501	20.5%
2,774,534	5,019,373	44.7%	3,129,953	11.4%	Interest & Taxes	45,233,433	51,618,474	12.4%	42,264,136	-7.0%
1	0	-2558.0%	0	100.0%	Consolidation Allocation	(1)	(0)	-2749.8%	0	4900.0%
77,076,719	80,688,567	4.5%	74,530,132	-3.4%	***Total Operating Expense***	951,557,540	982,228,072	3.1%	928,681,421	-2.5%
15,900,450	3,078,864	416.4%	13,480,629	18.0%	***Net Operating Income***	24,442,056	20,900,551	16.9%	15,632,869	56.4%
3,344,352	1,384,467	141.6%	2,806,888	19.1%	Net Investment Income	21,257,492	18,125,952	17.3%	21,698,030	-2.0%
28,126	(666,667)	104.2%	114,991	-75.5%	Realized Gain on Investments	1,956,856	(8,000,000)	124.5%	2,385,122	-18.0%
44,348	69,157	-35.9%	72,827	-39.1%	Gain / (Loss) from Affiliates	829,906	829,889	0.0%	802,540	3.4%
156,500	0	100.0%	657,619	-76.2%	Gain / (Loss) on Disposal	517,406	0	100.0%	569,707	-25.0%
0	0	0.0%	(3,028,733)	100.0%	Loss on Extinguishment of LTD / Derivatives	0	0	0.0%	(3,028,733)	100.0%
(97,483)	(133,676)	27.1%	(2,294,112)	95.8%	Minority Interest	(3,348,513)	(919,311)	-264.3%	(3,046,909)	-9.9%
(8,013)	(8,342)	3.9%	(96,026)	91.7%	Taxes - Non Operating	(97,510)	(100,101)	2.6%	(187,790)	48.1%
(6,118,763)	(250)	-	42,616	-	Incentive Pay	(6,168,474)	(4,395)	-	(5,127)	-
(353,381)	(477,872)	24.0%	960,820	-137.8%	Other Non Operating Income / (Expense)	(985,838)	1,026,574	-196.0%	1,688,371	-158.4%
12,866,135	3,245,682	297.0%	12,717,520	1.3%	***Total Revenue Over Expense Before CFV of Derivatives***	38,403,281	31,859,159	20.5%	36,628,078	4.8%
(4,643,746)	0	100.0%	(3,518,998)	-32.0%	Change in Fair Value of Interest Rate Swaps	23,556,934	0	100.0%	3,021,250	679.7%
(408,776)	0	100.0%	1,996,319	-120.5%	Change in Fair Value of Call Option	(2,393,596)	0	100.0%	(11,628,330)	79.4%
7,833,613	3,245,682	141.4%	11,194,841	-30.0%	***Total Excess Revenue Over Expense***	59,566,619	31,859,159	87.0%	28,020,998	112.6%
(1,895,906)	666,667	-384.4%	(367,300)	-416.2%	Net Unrealized Gain / (Loss) on Investments	22,168,046	8,000,000	177.1%	15,018,465	47.6%
5,937,707	3,912,349	51.8%	10,827,541	-45.2%	***Total Increase in Unrestricted Net Assets***	81,734,665	39,859,160	105.1%	43,039,463	89.9%
25,659,307	14,242,833	80.2%	26,184,757	-2.0%	***EBITDA***	173,792,818	164,495,996	5.7%	153,667,875	6.2%

Mountain States Health Alliance

Comparative Balance Sheet

	June 30 2011	May 31 2011	Month Activity	June 30 2010	YTD Activity
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	112,932,971	127,654,537	(14,721,566)	240,872,146	(127,939,175)
Current Portion AWUIL	23,454,508	22,839,602	614,906	25,092,125	(1,637,618)
Accounts Receivable (Net)	135,023,319	137,803,753	(2,780,434)	125,579,502	9,443,817
Other Receivables	19,604,661	18,264,131	1,340,530	17,926,485	1,678,176
Due From Affiliates	28,533	(0)	28,533	(0)	28,533
Due From Third Party Payors	10,878,498	(0)	10,878,498	0	10,878,497
Inventories	23,092,574	22,048,796	1,043,778	21,593,059	1,499,515
Prepaid Expense	5,843,619	5,703,981	139,638	7,569,767	(1,726,148)
	330,858,681	334,314,799	(3,456,118)	438,633,084	(107,774,403)
ASSETS WHOSE USE IS LIMITED	194,326,848	203,695,968	(9,369,120)	274,073,320	(79,746,472)
OTHER INVESTMENTS	479,986,878	432,485,841	47,501,037	310,736,035	169,250,842
PROPERTY, PLANT AND EQUIPMENT					
Land, Buildings and Equipment	1,378,817,815	1,403,326,557	(24,508,742)	1,265,510,481	113,307,334
Less Allowances for Depreciation	586,470,519	643,365,634	(56,895,115)	569,912,724	16,557,795
	792,347,296	759,960,923	32,386,374	695,597,758	96,749,539
OTHER ASSETS					
Pledges Receivable	5,098,134	5,919,390	(821,256)	4,617,267	480,867
Long Term Compensation Investment	16,800,250	15,892,308	907,941	13,143,765	3,656,485
Investments in Unconsolidated Subsidiaries	2,366,851	2,508,752	(141,900)	2,417,968	(51,117)
Land / Equipment Held for Resale	57,635	57,635	0	57,635	0
Assets Held for Expansion	4,172,572	4,172,572	0	9,076,673	(4,904,101)
Investments in Subsidiaries	(0)	(0)	0	(0)	0
Goodwill	151,630,733	151,626,899	3,834	151,351,899	278,834
Deferred Charges and Other	29,192,400	29,412,702	(220,302)	29,796,050	(603,650)
	209,318,575	209,590,257	(271,683)	210,461,256	(1,142,682)
TOTAL ASSETS	2,006,838,277	1,940,047,788	66,790,489	1,929,501,454	77,336,824
LIABILITIES AND FUND BALANCE					
CURRENT LIABILITIES					
Accounts Payable and Accrued Expense	95,243,819	62,677,385	32,566,434	99,213,661	(3,969,842)
Accrued Salaries, Benefits, and PTO	57,788,998	49,221,614	8,567,384	47,280,030	10,508,968
Accrued Interest	20,079,964	16,969,509	3,110,455	16,038,509	4,041,455
Due to Affiliates	0	17,514	(17,514)	15,699	(15,699)
Due to Third Party Payors	25,914,943	23,269,210	2,645,733	10,154,973	15,759,970
Current Portion of Long Term Debt	28,050,459	29,906,835	(1,856,376)	28,131,238	(80,779)
	227,078,183	182,062,068	45,016,115	200,834,110	26,244,073
OTHER NON CURRENT LIABILITIES					
Long Term Compensation Payable	8,796,085	8,788,144	7,941	6,068,300	2,727,785
Long Term Debt	1,040,922,529	1,027,895,405	13,027,123	1,054,840,985	(13,918,457)
Estimated Fair Value of Interest Rate Swaps	20,573,187	15,972,101	4,601,086	44,649,145	(24,075,958)
Call Option Liability	92,044,033	91,635,257	408,776	89,650,437	2,393,596
Deferred Income	19,539,126	19,269,089	270,038	20,445,258	(906,132)
Professional Liability Self-Insurance and Other	16,189,889	18,719,725	(2,529,837)	16,100,901	88,988
	1,198,064,849	1,182,279,721	15,785,128	1,231,755,026	(33,690,178)
TOTAL LIABILITIES	1,425,143,032	1,364,341,789	60,801,243	1,432,589,136	(7,446,104)
MINORITY INTEREST	171,608,431	171,510,948	97,483	168,410,318	3,198,113
FUND BALANCE					
Restricted Fund Balance	10,739,628	11,210,361	(470,734)	10,935,552	(195,924)
Unrestricted Fund Balance	399,347,186	392,984,690	6,362,497	317,566,449	81,780,739
	410,086,815	404,195,052	5,891,764	328,502,000	81,584,815
TOTAL LIABILITIES AND FUND BALANCE	2,006,838,277	1,940,047,788	66,790,489	1,929,501,454	77,336,824

APPENDIX D

SUMMARY OF THE FINANCING DOCUMENTS

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SUMMARY OF THE FINANCING DOCUMENTS

Brief descriptions of the Master Indenture, each Bond Indenture and each Loan Agreement are included in this Appendix C to the Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Master Indenture, the Bond Indenture and the Loan Agreement are qualified in their entirety by reference to each such document, copies of which are available for review at the offices of the Mountain States Health Alliance, Legal Department, 400 North State of Franklin Road, Johnson City, Tennessee. All references to the Bonds of any Series are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto included in the Master Indenture or the Bond Indenture.

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in the Master Indenture, the Bond Indenture, the Loan Agreement and this Official Statement.

"Act of Bankruptcy" means any of the following events:

(a) The Alliance or the Issuer shall (1) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the Alliance or the Issuer or a substantial part of the property of either of them, (2) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect) or (3) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(b) A proceeding or case shall be commenced, without the application or consent of the Alliance or the Issuer, as the case may be, in any court of competent jurisdiction, seeking (1) the liquidation, reorganization, dissolution, winding-up, or the composition or adjustment of debts, of the Alliance or the Issuer, (2) the appointment of a trustee, receiver, custodian, liquidator or the like of the Alliance or the Issuer or of all or any substantial part of the assets of either the Alliance or the Issuer, or (3) similar relief in respect of the Alliance or the Issuer under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect for a period of 30 days from the commencement of such proceeding or case.

"Additional Indebtedness" means any Indebtedness (including all Obligations, other than the Initial Obligation) incurred by any Obligated Issuer, subsequent to its becoming an Obligated Issuer.

"Adjustment Date" means the first day of each Weekly Rate Period and each Medium-Term Rate Period.

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

"Authorized Denominations" means prior to the Conversion Date, $100,000 or any integral multiple of $5,000 in excess thereof, provided that, with the written consent of the Issuer, "Authorized Denominations" shall mean after the Conversion Date, $5,000 or any integral multiple thereof.

"Balloon Indebtedness" means: (a) Long-Term Indebtedness as to which, when issued, 25% or more of the debt service thereon is due in a single year, or (b) Long-Term Indebtedness as to which, when issued, 25% or more of the original principal amount thereof may, at the option of the holder or registered owner thereof, be redeemed or repurchased at one time, 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, or (c) any Guaranty of Long-Term Indebtedness that is Balloon Indebtedness.

"Bank" means each bank identified on the cover page, in its capacity as issuer of the Original Letter of Credit, its successors in such capacity and their assigns, until the Termination Date of the Original Letter of Credit and the payment in full to the Bank of all amounts owed to it under the Reimbursement Agreement and other related documents; provided, however, that upon the effective date of a Substitute Letter of Credit, "Bank" means the issuer of such Substitute Letter of Credit, its successors in such capacity and their assigns until the Termination Date of such Substitute Letter of Credit and the payment in full to such Bank of all amounts owed to it under the Reimbursement Agreement, if any, relating to such Substitute Letter of Credit.

"Bond Indenture" means the Bond Trust Indenture dated as of October 1, 2011, between the Issuer and the Bond Trustee, as amended and supplemented.

"Bond Index" means the "Bond Buyer Revenue Bond Index" as published from time to time in The Bond Buyer, or, if such index shall no longer be published, a comparable index designated by the Bond Insurer during the period that any Related Bonds are outstanding that are insured by the Bond Insurer and thereafter by the Obligated Group Agent.

"Bond Trustee" means The Bank of New York Mellon Trust Company, N.A. or any successor trustee under the Bond Indenture.

"Bondholder", "Owner", "owner", "Holder" or "holder" or any similar term, when used with reference to any of the Bonds, means (i) in the event that the book-entry system of evidence and transfer of ownership of the Bonds is employed pursuant to the Bond Indenture, Cede & Co., as nominee for DTC, or its nominee, and (ii) in all other cases, the registered owner or owners of any Bond as shown on the registration books maintained by the Bond Trustee.

"Book Value," when used in connection with Property of any member of the Obligated Group, means the cost of such Property, net of accumulated depreciation, calculated in conformity with generally accepted accounting principles, and when used in connection with Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property of all members of the Obligated Group determined in such a manner that no portion of such value of Property of any member of the Obligated Group is included more than once.

"Borrower Bond" means any Bond registered in the name of the Alliance; provided, however, that in no event shall a Pledged Bond be deemed to be a Borrower Bond.

"Business Day" means any day other than (a) a Saturday or Sunday, (b) a day on which banking institutions in Tennessee, or in any other city where the principal United States office of the Bank, the Bond Trustee, the Remarketing Agent or any Paying Agent is located are required or authorized by law (including executive order) to close or on which the principal United States office of the Bank, the Bond Trustee, the Remarketing Agent, or any Paying Agent is closed for a reason not related to financial condition, or (c) a day on which The New York Stock Exchange is closed, provided that during the Fixed Rate Period, all references to the Bank or Remarketing Agent shall be ignored for purposes of this definition.

"Cash to Debt Ratio" means the ratio of Unrestricted Liquid Funds to Long Term Indebtedness.

"Chattel Paper" shall have the meaning assigned that term under the Uniform Commercial Code as in effect in any relevant jurisdiction.

"Code" means the Internal Revenue Code of 1986, as amended, as it applies to the Bonds, including applicable regulations and revenue rulings thereunder. Reference herein to sections of the Code are to the sections thereof as they exist on the date of execution of the Bond Indenture, but include any successor provisions thereof.

"Collateral" means (i) all Receivables, (ii) all Inventory, (iii) all Equipment, (iv) all General Intangibles, (v) all Contracts and all Contract rights, (vi) all amounts from time to time held in any checking, savings, deposit or other account of any Obligated Issuer, (vii) all Government Approvals, provided, that any Government Approval which by its terms or by the operation of law would become void, voidable, terminable or revocable if mortgaged, pledged or signed under the Master Indenture or if a security interest therein were granted under the Master Indenture or expressly accepted and excluded from the security interest by the Master Indenture granted to the extent necessary so as to avoid such voidness, voidability, terminability or revocability, (viii) all Fixtures, including but not limited to those now or hereafter attached to, placed on or incorporated in the Land, (ix) all Revenues, (x) without limiting the generality of the foregoing, all other personal property, goods, Instruments, Chattel Paper, Documents, credits, claims, demands and assets of any Obligated Issuer, whether now existing or hereafter acquired from time to time, and (xi) any and all additions and accessions to any of the foregoing, all improvements thereto, all substitutions and replacements therefor and all products and Proceeds thereof.

"Commitment Indebtedness" means the obligation of any person to repay amounts disbursed pursuant to a Credit Facility to pay when due such person's obligations under Indebtedness incurred in accordance with the provisions of the Master Indenture.

"Completion Indebtedness" means any Long-Term Indebtedness (i) incurred by any person for the purpose of financing the completion of constructing or equipping Facilities with respect to which Long-Term Indebtedness was theretofore incurred in accordance with the provisions hereof, and (ii) with a principal amount not in excess of the amount required (a) to provide a completed and equipped Facility of substantially the type and scope contemplated at the time such prior Long-Term Indebtedness was incurred, (b) to provide for capitalized interest during the period of construction, (c) to capitalize a reserve with respect to such Completion Indebtedness and (d) to pay the costs and expenses of issuing such Completion Indebtedness.

"Construction Index" means the health care component of the implicit price deflator for the gross national product as most recently reported prior to the date in question by the United States Department of Commerce or its successor agency, or, if such index is no longer published, such other index which is certified to be comparable and appropriate by the Obligated Group Agent in an Officer's Certificate delivered to the Master Trustee.

"Contract Rights" means all rights under any Contract to make determinations, to exercise any election (including, but not limited to, election of remedies) or option or to give or receive any notice, consent, waiver or approval together with full power and authority with respect to any Contract to demand, receive, enforce, collect or receipt for any of the foregoing rights or any property the subject of any of the Contracts, to enforce or execute any checks, or other instruments or orders, to file any claims and to take any action which, in the reasonable opinion of a secured party, may be necessary or advisable in connection with any of the foregoing.

"Contracts" means all contracts to which any Obligated Issuer now is, or hereafter will be, bound, or a party, beneficiary or assignee, including, without limitation, all instruments, agreements and documents executed and delivered with respect to such contracts, and all revenues, rentals, Proceeds and other sums of money due and to become due from any of the foregoing, as the same may be modified, supplemented or amended from time to time in accordance with their terms.

"Consultant" means a person who or which is appointed by the Obligated Group Agent for the purpose of passing on questions relating to the financial affairs, management or operations of one or more members of the Obligated Group or the entire Obligated Group and, in the good faith opinion of the Obligated Group Agent, has a favorable reputation for skill and experience in performing similar services in respect of entities engaged in reasonably comparable endeavors. If any Consultant's report or opinion is required to be given with respect to matters partly within and partly without the expertise of such Consultant, such Consultant may rely upon the report or opinion of another Consultant, which other Consultant shall be reasonably satisfactory to the relying Consultant and the Obligated Group Agent.

"Conversion Date" means the Interest Payment Date on which the Bonds begin to bear interest at the Fixed Rate.

"Corporation" or "Alliance" means Mountain States Health Alliance, a Tennessee not-for-profit corporation, and its successors and assigns and any surviving, resulting or transferee corporation.

"Counsel" means an attorney, or firm thereof, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia.

"Credit Facility" means any letter of credit, line of credit, insurance policy, guaranty or other agreement constituting a credit enhancement or liquidity facility which is issued by a bank, trust company, savings and loan association or other institutional lender, insurance company or surety company for the benefit of the holder of any Indebtedness in order to provide a source of funds for, the payment of all or any portion of an Obligated Issuer's payment obligations under such Indebtedness.

"Days' Cash-on-Hand Ratio," as of the end of any Fiscal Year, means the product obtained by multiplying 365 times (i) the Unrestricted Liquid Funds of the Obligated Group as of the last day of such Fiscal Year, divided by (ii) the total operating expenses of the Obligated Group for such Fiscal Year, excluding depreciation and amortization expense and bad debt expense, as shown on the financial statements of the Obligated Group for such Fiscal Year.

"Debt Service Requirement" of any person means, for any period of time, the amounts payable or the payments required to be made by such person in respect of principal and interest on outstanding Long-Term Indebtedness during such period (calculated in such a manner that no portion of Long-Term Indebtedness is included more than once), taking into account (for purposes of calculating any projected debt service requirements) (i) that any Indebtedness represented by a Guaranty shall be deemed payable on the dates and in the amounts contemplated in the Master Indenture (concerning the assumptions to be used in including debt service requirements of the guaranteed obligations), (ii) that any payments to be made in respect of Balloon Indebtedness and Variable Rate Indebtedness shall be calculated in accordance with the provisions of the Master Indenture, (iii) that, with respect to Indebtedness refunded or refinanced during such period, only an amount of principal and interest equal to the principal and interest not payable from the proceeds of Indebtedness shall be taken into account during such period, (iv) any amounts payable from funds available under an Escrow Deposit (other than amounts so payable solely by reason of the obligor's failure to make payments from other sources), shall be excluded from the determination of the Debt Service Requirement, and (v) that with respect to any Indebtedness which is the subject of a Hedge Agreement, any Regular Scheduled Qualified Swap Payments under such Hedge Agreement (provided, however, that if the Regular Scheduled Qualified Swap Payments are variable rate payments, interest shall be calculated as if the indebtedness was Variable Rate Indebtedness) payable or receivable with respect to such Indebtedness shall be taken into account in determining the interest payable with respect to such Indebtedness.[*]

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[*] By their purchase of the Bonds, the initial holders thereof will consent to an amendment of this definition as described in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Amendment of the Master Indenture" in the front part of this Official Statement. The proposed amended definition is as follows:

"Debt Service Requirement" of any Person shall mean, for any period of time, the amounts payable or the payments required to be made by such Person in respect of principal and interest on Outstanding Long-Term Indebtedness during such period (calculated in such a manner that no portion of the Long-Term Indebtedness is included more than once), taking into account (for purposes of calculating any projected debt service requirements) (i) that any Indebtedness represented by a Guaranty shall be deemed payable on the dates and in the amounts contemplated in Section 4.3 (concerning the assumptions to be used in including debt service requirements of the guaranteed obligations), (ii) that any payments to be made in respect of Balloon Indebtedness and Variable Rate Indebtedness shall be calculated in accordance with the provisions of Section 4.4, (iii) that, with respect to Indebtedness refunded or refinanced during such period, only an amount of principal and interest equal to the principal and interest not payable from the proceeds of Indebtedness shall be taken into account during such period, (iv) any amounts payable from funds available under an Escrow Deposit (other than amounts payable solely by reason of the obligor's failure to make payments from other sources), shall be excluded from the determination of the Debt Service Requirement, and (v) that with respect to any Indebtedness which is the subject of a Hedge Agreement, the rate payable under such Hedge Agreement, rather than the actual interest payable on such Indebtedness, shall be taken into account in determining the interest payable with respect to such Indebtedness.

"Default" means any event which with the giving of notice or lapse of time, or both, would constitute an Event of Default.

"Defeasance Investments" means non-redeemable direct obligations of the United States of America or obligations for which the full faith and credit of the United States of America are pledged for the timely payment of principal and interest, including evidences of a direct ownership interest in future interest or principal payments on such obligations, which obligations are held in a custody account by a custodian pursuant to the terms of a custody agreement.

"Discounted Indebtedness" means Indebtedness sold to the original purchaser thereof (other than any underwriter or other similar intermediary) at a discount from the par amount of such Indebtedness.

"Document" shall have the meaning assigned that term under the Uniform Commercial Code as in effect in any relevant jurisdiction.

"Eligible Moneys" means (a) proceeds of Bonds not sold to the Alliance or the Issuer or an affiliate of the Alliance or the Issuer, (b) moneys irrevocably drawn under the Letter of Credit, (c) moneys deposited with the Bond Trustee by the Alliance for the benefit of the Bondholders for 123 days during which no Act of Bankruptcy has occurred as evidenced by a certificate of the Alliance or Issuer, (d) moneys with respect to which the Alliance delivers to the Bond Trustee an Opinion of Counsel with nationally recognized expertise in bankruptcy acceptable to the Bond Trustee and Moody's that such payments will not constitute a voidable transfer or preference under and pursuant to Section 547 of the Federal Bankruptcy Code and (e) investment income on the foregoing types of money.

"Equipment" means any "equipment," as such term is defined in the Uniform Commercial Code as in effect in any relevant jurisdiction, now or hereafter owned or leased by any Obligated Issuer and, in any event, shall include, but shall not be limited to, all equipment used in connection with the facilities constructed from time to time on the Land, all machinery, tools, office equipment, furniture, furnishings, fixtures, vehicles, motor vehicles, and any manuals, instructions, blueprints, computer software and similar items which relate to the above, and any and all additions, substitutions and replacements of any of the foregoing, wherever located, together with all improvements thereon and all attachments, components, parts, equipment and accessories installed thereon or affixed thereto.

"Escrow Deposit" means a segregated escrow fund or other similar fund, account or deposit in trust of cash in an amount (or Defeasance Investments the principal of and interest on which will be in an amount), and under terms, sufficient to pay all or a portion of the principal of, and premium, if any, and interest on, the indebtedness secured by such escrow fund or other similar fund, account or deposit as the same shall become due or payable upon redemption.

"Event of Default" shall, with respect to the Bond Indenture and Loan Agreement, respectively, have the meanings described under this Appendix C in "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE - Events of Default" and "THE LOAN AGREEMENT- Events of Default And Remedies on Default."

"Facilities" means all land, leasehold interests and buildings and all fixtures and equipment of a person.

"Fair Value Net Worth" of a person as of any date means:

(i) the fair value or fair saleable value (as the case may be, determined in accordance, with applicable federal and state laws affecting creditors rights and governing determinations of insolvency of debtors) of such person's assets (including such person's rights to contribution and subrogation under Sections 2.3(d) and (f) of the Master Indenture or in respect of any other guarantee) as of such date, minus

(ii) the amount of all liabilities of such person (determined in accordance with such laws) as of such date, excluding (x) such person's Cross Guarantee and (y) any liabilities subordinated in right of payment to such Cross Guarantee, minus

(iii) $1.00.

"Fiscal Year" means a period of twelve consecutive months ending on June 30 or on such other date as may be specified in an Officer's Certificate of the Obligated Group Agent executed and delivered to the Master Trustee.

"Fitch" means Fitch Ratings, Inc., its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Fitch" shall be deemed to refer to any other recognized municipal securities rating agency designated by the Alliance.

"Fixed Rate Period" means the period from and including the Conversion Date to and including the date next preceding the payment in full of the Bonds.

"Fixtures" shall have the meaning assigned that term under the Uniform Commercial Code as in effect in any relevant jurisdiction and in any event shall include all goods now or hereafter attached to, placed on, or incorporated in the Land.

"General Intangibles" means "general intangibles" as such term is defined in the Uniform Commercial Code as in effect in any relevant jurisdiction, now or hereafter owned by any Obligated Group Issuer and shall include, but not be limited to, all trademarks, trademark applications, trademark registrations, trade names, fictitious business names, business names, company names, business identifiers, prints, labels, trade styles and service marks (whether or not registered), including logos and/or designs, copyrights, patents, patent applications, goodwill of any Obligated Issuer's business symbolized by any of the foregoing, trade secrets, license rights, license agreements, permits, franchises, and any rights to tax refunds to which any Obligated Issuer is now or hereafter may be entitled.

"Governing Body" means, when used with respect to any person, its board of directors, board of trustees, or other board, committee or group of individuals in which the powers of a board of directors or board of trustees is vested generally or for the specific matters under consideration.

"Government Issuer" means any federal, state or municipal corporation or political subdivision thereof or any instrumentality of any of the foregoing empowered to issue obligations on behalf thereof.

"Government Obligations" means (i) for purposes of the Master Indenture, direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America, which obligations are held in a custody account by a custodian pursuant to the terms of a the terms of a custody agreement, and (ii) for purposes of the Bond Indenture, means direct general obligations of, or obligations the prompt payment of the principal of and the interest on which are fully and unconditionally guaranteed by, the United States of America. In addition, investments having a maturity of seven days or less in a money market fund rated Aaa by Moody's, investments of which fund are exclusively in Government Obligations, shall be considered investments in Government Obligations for purposes of the Bond Indenture.

"Gross Receipts" means all Revenues, operating revenues and non-operating revenues, receipts, rentals and income of, or received by, any Obligated Issuer, under generally accepted accounting principles, and all rights to receive the same, whether in the form of accounts receivable, Receivables, accounts, Documents, Investment Property, Contract Rights, Chattel Paper, Instruments, General Intangibles or other rights and all Proceeds thereof, including insurance proceeds and condemnation awards payable or paid in respect of the Facilities, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired, and the proceeds thereof including, without limitation, revenues derived from the ownership, operation or leasing of the Facilities; provided, however, that there shall be excluded from Gross Receipts (i) all gifts, grants, bequests, donations or contributions (collectively, "gifts"), which gifts may not be pledged or applied to the payment of principal or interest on the Obligations as a result of restrictions or designations imposed by the donor or maker of the gift in question at the time of the making thereof and income therefrom if such income may not be pledged or applied to the payment of principal or interest on the Obligations as a result of a restriction or designation described in this clause (i), and (ii) any proceeds of any additional indebtedness incurred or assumed by the Obligated Issuer pursuant to the terms of

the Master Indenture, to the extent required by the terms of the documentation evidencing such additional indebtedness.

"Guaranty" means any obligation of a Obligated Group member guaranteeing any obligation of any other person other than a Obligated Group member, whether or not issued under the Master Indenture as an Indenture Guaranty, which obligation would, if such other person were a member of the Obligated Group, constitute Indebtedness under the Master Indenture.

"Hedge Agreement" means (a) 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; (b) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (c) any contract to exchange cash flows or payments or series of payments; (d) any type of contract called, or designed to perform the function of, interest rate floors, collars, 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 (e) any other type of contract or arrangement that the Obligated Group Agent determines is to be used, to manage or reduce the cost of an Indebtedness, to convert any element of any 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.

"Historical Debt Service Coverage Ratio" means, for any period of time, the ratio determined by dividing Total Income Available For Debt Service for such period by the Debt Service Requirement of the Obligated Group for such period.

"Historical Maximum Annual Debt Service Coverage Ratio" means, for any period of time, the ratio determined by dividing Total Income Available for Debt Service for such period by the Maximum Annual Debt Service of the Obligated Group.

"Historical Pro Forma Debt Service Coverage Ratio" means for any period of time, the ratio determined by dividing Total Income Available for Debt Service for such period by the Maximum Annual Debt Service of the Obligated Group for all Long Term Indebtedness then outstanding and the Long-Term Indebtedness then proposed to be issued.

"Holder" means, as the context requires, the registered owner of any Note, the beneficiary of any Indenture Guaranty in whose name an Indenture Guaranty is issued or the holder or beneficiary of any other type of Obligation. In the case of an Obligation issued to a trustee or other fiduciary acting on behalf of the holders of any bonds, notes or other similar obligations which are secured by such Obligation, including any registered securities depositary then in the business of holding (for the benefit of beneficial owners whose interests may be evidenced by book-entry registration) substantial amounts of obligations of types comprising the Obligations, the term Holder shall mean the trustee or other fiduciary or, if so provided in the Related Financing Documents, the holders of the Related Bonds in proportion to their respective interests therein, including any registered securities depositary then in the business of holding (for the benefit of beneficial owners whose interests may be evidenced by book-entry registration) substantial amounts of obligations of types comprising the Obligations. For purposes of determining the Holders of the two largest principal amounts of Uninsured Obligations, any Holder of Related Bonds relating to Uninsured Obligations shall be deemed to be the owner of a proportionate amount of the Uninsured Obligations, and any such Uninsured Obligations owned by affiliated entities shall be treated as owned by one Holder.

"Immediate Notice" means notice (a) by telecopier or telephone, or delivery by hand, (b) promptly followed by written notice by first class mail, postage prepaid, and (c) to such address or such telex, telecopier or telephone number as the person receiving such notice shall have previously furnished to the Bond Trustee in writing.

"Income Available For Debt Service" of a person means, with respect to any period of time, the excess of revenues over expenses, or, in the case of for-profit entities, net income before tax, as determined in accordance with generally accepted accounting principles, to which shall be added, in either case, (i) depreciation, (ii) amortization, (iii) interest expense on Long-Term Indebtedness, and, to the extent not already included, and (iv) to the extent not already included contributions and donations and from which shall be excluded any extraordinary items, any impairment losses, any gain or loss resulting from either the extinguishment of indebtedness or the sale, exchange or

other disposition of assets not made in the ordinary course of business, provided, however, that (a) no determination of Income Available for Debt Service will take into account any gains or losses resulting from the periodic valuation of investments or Hedge Agreements that do not involve the sale, transfer or other disposition of any such investment or Hedge Agreement or the termination of any Hedge Agreement and (b) a person may include in its net income such person's share of the net income of any person controlled by such person or in whom such person has a legal interest.

"Indebtedness" of a person means (i) all Notes and Guaranties, (ii) all liabilities (exclusive of reserves such as those established for deferred taxes or litigation) recorded on the audited financial statements of such person as of the end of the most recent Fiscal Year for which financial statements reported upon by an Accountant are available, and (iii) all other obligations for borrowed money; provided that Indebtedness shall not include (1) Subordinated Indebtedness, (2) Hedge Agreements, (3) any other Indebtedness of any member of the Obligated Group to any other member of the Obligated Group, (4) rentals payable under leases which are not properly capitalized under generally accepted accounting principles or (5) any Guaranty by any member of the Obligated Group of Indebtedness of any other member of the Obligated Group.

"Indenture Guaranty" means any Guaranty issued under the Master Indenture by an Obligated Issuer.

"Instrument" shall have the meaning assigned that term under the Uniform Commercial Code as in effect in any relevant jurisdiction.

"Interest Payment Date" means (a) during Weekly Rate Periods, the first Business Day of each calendar month and any Conversion Date, Proposed Conversion Date or the maturity of the Bonds, and (b) during any Medium-Term Rate Periods and any Fixed Rate Period, each Long-Term Interest Payment Date.

"Interest Rate Swap Obligations" means obligations of any person pursuant to any arrangement with any other person whereby, directly or indirectly, such person is entitled to receive from time-to-time periodic payments calculated by applying either a floating or a fixed rate of interest on a stated principal amount in exchange for periodic payments made by such other person calculated by applying a fixed or a floating rate of interest on the same amount.

"Inventory" means all of the inventory of any Obligated Issuer of every type or description, including all inventory as such term is defined in the Uniform Commercial Code as in effect in any relevant jurisdiction, now owned or hereafter acquired and wherever located, whether raw, in process or finished, all materials usable in processing the same and all documents of title covering any inventory, including but not limited to work in process, materials used or consumed in such Obligated Issuer's business, now owned or hereafter acquired or manufactured by such Obligated Issuer and held for sale in the ordinary course of its business; all present and future substitutions therefor, parts and accessories thereof and all additions thereto; and all proceeds thereof and products of such inventory in any form whatsoever.

"Investment Property" shall have the meaning assigned that term under the Uniform Commercial Code as in effect in any relevant jurisdiction.

"Investment Securities" means, to the extent permitted by applicable law:

(i) Certificates or interest-bearing notes or obligations of the United States, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

(ii) Investments in any of the following obligations, provided such obligations are backed by the full faith and credit of the United States: (a) the Export-Import Bank of the United States, (b) the Federal Housing Administration, (c) the Government National Mortgage Association ("GNMA"), (d) the Rural Economic Community Development Administration (formerly known as the Farmers Home Administration), (e) the Federal Financing Bank, (f) the Department of Housing and Urban Development, (g) the General Services Administration, (h) the U.S. Maritime Administration or (i) the Small Business Administration.

(iii) Investments in direct obligations in any of the following agencies, which obligations are not fully guaranteed by the full faith and credit of the United States: (a) senior obligations by the Federal Home Loan Bank System, (b) senior debt obligations and participation certificates (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts) issued by the Federal Home Loan Mortgage Corporation ("FHLMC") or senior debt obligations and mortgage-backed securities (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts) of the Federal National Mortgage Association ("FNMA"), (c) obligations of the Resolution Funding Corporation ("REFCORP"), or (d) senior debt obligations of the Student Loan Marketing Association ("SLMA") (excluding securities that do not have a fixed par value or whose terms do not promise a fixed dollar amount at maturity or call date).

(iv) Investments in (a) U.S. dollar denominated deposit accounts, federal funds, bankers acceptances, and certificates of deposit of any bank whose short-term debt obligations are rated A-1+ by S&P and P-1 by Moody's and maturing no more than 360 calendar days after the date of purchase (holding company ratings are not considered as rating of the bank) or (b) certificates of deposit of any bank, which certificates are fully insured by the Federal Deposit Insurance Corporation ("FDIC").

(v) Investments in money market funds rated "AAAm" or "AAAm-G" by S&P.

(vi) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's, Inc. and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase.

(vii) Pre-refunded municipal obligations defined as follows: any bonds or other obligations rated "AAA" by S&P and "Aaa" by Moody's (based on an irrevocable escrow account or fund) of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice.

(viii) Municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of "A1/A+" or higher by both Moody's and S&P at the time of purchase.

(ix) Repurchase agreements with (a) any domestic bank, or domestic branch of a foreign bank, the long-term debt which is rated at least "A" by S&P and "A2" by Moody's; or (b) any broker-dealer with "retail customers" or a related affiliate thereof, which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and "A2" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (c) any other entity rated at least "A" by S&P and "A2" by Moody's; provided that:

(a) the repurchase agreement is collateralized with the obligations described in paragraphs (i) or (ii) above, or with obligations described in paragraph (iii)(a) and (b) above.

(b) the trustee will value the collateral securities at least weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two (2) business days.

(c) the market value of the collateral must be maintained at: 104% of the total principal of the repurchase agreement for obligations described in paragraphs (i) and (ii); 105% of the total principal of the repurchase agreement for obligations described in paragraph (iii)(a) and (b) above.

(d) the trustee or a third party acting solely as agent therefor or for the issuer (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books).

(e) the repurchase agreement shall state, and an opinion of counsel shall be rendered at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, and substituted collateral and all proceeds thereof.

(f) the repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Issuer or the trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the issuer or trustee.

(x) Investment agreements with (a) a domestic or foreign bank or corporation (other than a life or property casualty insurance company), the long-term debt of which, or, in the case of a guaranteed corporation, the long-term debt is rated at least "AA" by S&P and "Aa2" by Moody's at the time of purchase; or (b) a monoline municipal bond insurance company or a subsidiary thereof whose claims paying ability is rated at least "AA" by S&P and "Aa2" by Moody's at the time of purchase; provided, that in all cases, by the terms of the investment agreement:

(a) interest payments are to be made to the Bond Trustee at least one business day prior to debt service payment dates on the Bonds and in such amounts as are necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

(b) the invested funds are available for withdrawal, without penalty or premium, at any time upon not more than seven days' prior notice (which notice may be amended or withdrawn at any time prior to the specified withdrawal date); provided that the [Indenture] specifically requires the Issuer or the Bond Trustee to give notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(d) a fixed guaranteed rate of interest is to be paid on invested funds and all future deposits, if any, required to be made to restore the amount of such funds to the level specified under the Bond Indenture;

(e) the term of the investment agreement does not exceed seven years;

(f) the Issuer or the Bond Trustee receives the opinion of domestic counsel that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);

(g) the Bond Indenture and investment agreement shall provide that if, during its term:

(1) the provider's rating by either S&P or Moody's falls below "AA " or "Aa3," respectively, the provider must, at the direction of the Issuer or the Bond Trustee, within 10 days of receipt of such direction, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Issuer, the Bond Trustee or a third party acting solely as agent therefor Permitted Collateral which are free and clear of any third-party liens or claims at the Collateral Levels set forth below; or (ii) repay the principal of and accrued but unpaid interest on the investment (the choice of (i) or (ii) above shall be that of the Issuer or Trustee, as appropriate); and

(2) the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" or "A3" by S&P or Moody's, as appropriate, the provider must, at the direction of the Issuer or the Bond Trustee, within 10 days of receipt of such direction, repay

the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Issuer or Bond Trustee;

(h) The investment agreement shall state and an opinion of counsel shall be rendered that the Bond Trustee has a perfected first priority security interest in the Permitted Collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the trustee is in possession); and

(i) the investment agreement must provide that if, during its term:

(1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Issuer or the Bond Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Bond Trustee, as appropriate;

(2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Bond Trustee, as appropriate;

(3) the provider fails to perform any of its obligations under the investment agreement (other than obligations related to payment or rating) and such breach continues for ten (10) business days or more after written notice thereof is given by the Bond Trustee to the provider, it shall be an Event of Default; or

(4) a representation or warranty made by the provider proves to have been incorrect or misleading in any material respect when made, it shall be an Event of Default.

Permitted Collateral for Investment Agreements ("Permitted Collateral"):

(A) U.S. direct Treasury obligations;

(B) Senior debt and/or mortgage-backed obligations of GNMA, FNMA or FHLMC and other government-sponsored agencies backed by the full faith and credit of the U.S. government;

(C) Collateral levels must be 104% of the total principal deposited under the investment agreement for U.S. direct Treasury obligations, GNMA obligations and full faith and credit U.S. government obligations and 105% of the total principal deposited under the investment agreement for FNMA and FHLMC;

(D) The collateral must be held by a third party, segregated and marked to market at least weekly.

"Land" means the land subject to the Master Deed of Trust.

"Letter of Credit" means the Original Letter of Credit or, upon the effective date of any Substitute Letter of Credit, such Substitute Letter of Credit.

"Letter of Credit Period" means any period that a Letter of Credit is in effect with respect to the Bonds.

"Lien" means any mortgage or pledge of, security interest in or lien or encumbrance on any Property of any member of the Obligated Group in favor of, or which secures any Indebtedness or any other obligation of any member of the Obligated Group to any person other than another member of the Obligated Group, but specifically excluding subordination arrangements among creditors.

"Loan Agreement" means the Loan Agreement dated as of October 1, 2011, between the Issuer and the Alliance.

"Long-Term Indebtedness" means (i) all Indebtedness which, at the time of incurrence or issuance, has a final maturity or term greater than one year or which is renewable at the option of the obligor thereof for a term greater than one year from the date of original incurrence or issuance; and (ii) Short-Term Indebtedness which is incurred as interim financing and which is intended to be repaid out of the proceeds of other Long-Term Indebtedness, provided that any one of the applicable conditions described in the Master Indenture are met with respect to such Short-Term Indebtedness on the date of incurrence, assuming for purposes of compliance therewith that such Short-Term Indebtedness is Long Term Indebtedness characterized as Balloon Indebtedness for purposes of meeting any of the applicable conditions in the Master Indenture; provided, that, Long-Term Indebtedness shall not include (a) Non-Recourse Indebtedness or Subordinated Indebtedness; (b) current obligations payable out of current revenues, including current payments for the funding of pension plans and contributions to self insurance programs; (c) obligations under contracts for supplies, services or pensions, allocated to the current operating expenses of future years in which the supplies are to be furnished, the services rendered or the pensions paid; and (d) rentals payable under leases which are not properly capitalized under generally accepted accounting principles.

"Long-Term Interest Payment Date" means the first January 1 or July 1 next succeeding the Medium-Term Adjustment Date or Conversion Date, as the case may be, and each January 1 and July 1 thereafter until the earlier of payment of the Bonds or the date that the Weekly Rate Periods begin.

"Long-Term Rate Period" means any Medium-Term Rate Period and the Fixed Rate Period.

"Master Deed of Trust" means the Deed of Trust and Security Agreement dated as of February 1, 2000 from the Alliance to an individual, as trustee, granting a deed of trust lien on and a security interest in the Land and the other collateral described therein for the benefit of the Master Trustee, to secure the payment and performance of outstanding Obligations.

"Master Indenture" means the Amended and Master Trust Indenture dated as of February 1, 2000 between the Alliance and the Master Trustee, as it may from time to time be amended or supplemented in accordance with the terms thereof.

"Master Trustee" means The Bank of New York Mellon Trust Company, N.A., or any successor trustee under the Master Indenture.

"Maximum Annual Debt Service" of the Obligated Group means the highest annual Debt Service Requirement of the Obligated Group for the current or any succeeding Fiscal Year during the remaining term of all outstanding Obligations.

"Maximum Guaranty Liability" of a person as of any date means the greater of either (i) or (ii) below:

(i) the greater of (A) or (B) as of such date:

(A) the outstanding amount of all Obligations issued by such person or

(B) the fair market value of all property acquired, in whole or part, with the proceeds of such Obligations by such person.

(ii) The greatest of the Fair Value Net Worth of such person as of (1) the latest fiscal year-end of such person, (2) each fiscal quarter-end of such person thereafter occurring on or prior to the date of the determination of Maximum Guaranty Liability, (3) the date on which enforcement of the pertinent Cross Guarantee is sought, and (4) the date on which a case under the U.S. Bankruptcy Code is commenced with respect to any Obligated Issuer.

"MBIA" means MBIA Insurance Corporation and its successor or successors, as insurer of certain Related Bonds.

"Medium-Term Rate Period" means any period of time from one year to five years as determined by the Remarketing Agent pursuant to the Bond Indenture.

"Moody's" means Moody's Investors Service, Inc., its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Moody's" shall be deemed to refer to any other recognized municipal securities rating agency designated by the Alliance.

"Net Operating Revenues" of a person means, with respect to any period of time, operating revenues less estimated contractual allowances, free care, discounts and bad debt expense, all determined, except as is specifically provided in the Master Indenture, in accordance with generally accepted accounting principles.

"Net Property, Plant and Equipment" means the Value of all Property, Plant and Equipment less accumulated depreciation.

"Non-Recourse Indebtedness" means any Indebtedness secured by a Lien on Property of any Obligated Issuer, liability for which is effectively limited to the Property subject to such Lien, with no recourse, directly or indirectly, to any other Property of any Obligated Issuer.

"Note" means any note issued under the Master Indenture by an Obligated Issuer to evidence Long-Term Indebtedness or Short-Term Indebtedness incurred pursuant to the terms of the Master Indenture.

"Notice by Mail" or "notice" of any action or condition "by Mail" means a written notice meeting the requirements of the Bond Indenture mailed by first-class mail, postage prepaid, to the Holders of specified Bonds at the addresses shown in the Bond Register. If, because of the temporary or permanent suspension of mail service or for any other reason, it is impossible or impracticable to mail any such notice in the manner described, then such notification in lieu thereof as shall be made with the approval of the Bond Trustee shall constitute a sufficient notice.

"Obligated Group" means all Obligated Issuers.

"Obligated Group Agent" means the Alliance and any successor Obligated Group Agent appointed pursuant to the Master Indenture.

"Obligated Issuer" means (i) the Alliance, Blue Ridge Medical Management Corporation, Norton Community Hospital, Smyth County Community Hospital and each other person which becomes an Obligated Issuer in accordance with the provisions of the Master Indenture, whether or not such person has issued any obligations thereunder, and which has not withdrawn from the Obligated Group pursuant to the Master Indenture, and (ii) when used in respect of any particular Obligation or other Indebtedness, means the obligor thereunder.

"Obligations" means all Notes and Indenture Guaranties issued under the Master Indenture, any lease, contractual agreement to pay money or other obligations of any Obligated Group Member issued thereunder and any additional forms of Obligations created pursuant to the Master Indenture.

"Officer's Certificate" means a certificate signed, in the case of a corporation, by the Chairman, Vice Chairman, President or Chief Financial Officer or, in the case of a certificate delivered by any other person, the chief executive or chief financial officer of such person, in either case whose authority to execute such certificate shall be evidenced to the satisfaction of the Master Trustee. When an Officer's Certificate is required under the Master Indenture to set forth matters relating to one or more Obligated Issuers, such Officer's Certificate may be given in reliance upon another certificate, or other certificates, and supporting materials, if any, provided by any duly authorized officer of the applicable Obligated Issuer.

"Opinion of Bond Counsel" means an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

"Opinion of Counsel" means a written opinion of Counsel, who may (except as otherwise expressly provided in the Loan Agreement or the Bond Indenture) be counsel for the Issuer or the Alliance or both.

"Original Letter of Credit" means the Letter of Credit delivered by the Bank to the Bond Trustee on the date of original issuance of the Bonds in accordance with the Loan Agreement, and all amendments, modifications and supplements thereto.

"Paying Agent" means the bank or banks, if any, designated pursuant to a Related Bond Indenture to receive and disburse the principal of and interest on any Related Bonds or designated pursuant to the Master Indenture to receive and disburse the principal of and interest on any Obligations.

"Permitted Liens" means the Master Indenture, all Related Financing Documents and, as of any particular time:

(i) Any lien from any member of the Obligated Group to any other member of the Obligated Group;

(ii) Any judgment lien or notice of pending action against any member of the Obligated Group so long as (1) such judgment or pending action is being contested and execution thereon has been stayed or the period for responsive pleading or appeal has not lapsed, or (2) in the absence of such contest, neither the pledge and security interest of this Indenture nor any Property of any member of the Obligated Group will be materially impaired or subject to material loss or forfeiture;

(iii) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law affecting any Property, to (1) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not, in the opinion of the Obligated Group Agent, materially impair the use of such Property or materially and adversely affect the value thereof, or (2) purchase, condemn, appropriate or recapture, or designate a purchaser of, such Property; (B) any liens (or deposits to obtain the release of such liens) on any Property for taxes, assessments, levies, fees, water and sewer charges, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed; (C) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances, and irregularities in the title to any Property which do not, in the opinion of the Obligated Group Agent, materially impair the use of such Property or materially and adversely affect the value thereof; (D) rights reserved to or vested in any municipality or public authority to control or regulate any Property or to use such Property in any manner, which rights do not, in the opinion of the Obligated Group Agent, materially impair the use of such Property or materially and adversely affect the value thereof; and (E) to the extent that it affects title to any Property, the Master Indenture;

(iv) Any lease which relates to Property of the Obligated Group which is of a type that is customarily the subject of such leases, including but not limited to any leasehold interest required under any Related Financing Documents, leases with respect to office space for physicians and educational institutions, food service facilities, gift shops and radiology or other hospital-based specialty services, pharmacy and similar departments and statutory landlord's liens with respect to such leases;

(v) Any Lien securing Indebtedness provided such Lien also secures all Obligations (other than Obligations representing Subordinated Indebtedness or Non-Recourse indebtedness) on a parity basis;

(vi) Any Lien arising by reason of good faith deposits 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;

(vii) 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 government 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 similar social security plans, or to share in the privileges or benefits required for companies participating in such arrangements;

(viii) Any Lien arising by reason of an Escrow Deposit;

(ix) (A) Any Lien in favor of a trustee or the holder of a Note on the proceeds of Indebtedness or cash or investments deposited with such trustee and acquired with such proceeds prior to the application of such proceeds or cash or investments and (B) Liens in favor of a trustee, including the Master Trustee, to secure obligations to compensate, reimburse or indemnify such trustees;

(x) Any Lien 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;

(xi) Any Lien on Property received by any member of the Obligated Group through gifts, grants or bequests, such Lien being due to restrictions on such gifts, grants or bequests of property or the income thereon;

(xii) Statutory rights of the United States of America by reason of federal funds made available under 42 U.S.C. §§ 291 *et seq.* and similar rights under other federal and state statutes;

(xiii) Liens existing at the time of a Consolidation or Merger permitted under the Master Indenture, on the date of acquisition of any Property or at the time a person becomes an Obligated Issuer; provided that no such Lien (or the amount of indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any Property of any member of the Obligated Group not subject to such Lien on such date, unless such Lien as so extended, renewed or modified shall be offered as security for all Obligations hereunder;

(xiv) Any Lien described in Exhibit A to the Master Indenture, provided that no such Lien (or the amount of indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any Property of any member of the Obligated Group not subject to such Lien on such date, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien under the Master Indenture;

(xv) A security interest in any funds or accounts established pursuant to the provisions of any Related Financing Documents;

(xvi) Liens in the form of purchase money security interests in Property financed with the proceeds of Indebtedness secured thereby;

(xvii) Liens securing any Indebtedness permitted under the Master Indenture, provided that the Master Trustee shall have received an Officer's Certificate from the Obligated Group Agent to the effect that not more than 20% of the Value of all Net Property Plant and Equipment of the Obligated Group would be subject to a Lien (excluding any purchase money security interest permitted under subsection (xvi) above and the Lien created under the Master Deed of Trust for the purpose of making such calculation);

(xviii) Liens on accounts receivable arising as a result of sale of such accounts receivable with recourse, provided that such liens shall be limited to 25% of net accounts receivable outstanding; and

(xix) Options granted by any member of the Obligated Group to others to purchase real property or other assets of such member; provided, however, that the sale pursuant to such option would be permitted under the conditions described in the Master Indenture.

(xx) Liens on any Property that is not encumbered by the Master Deed of Trust so long as the aggregate amount secured by such Liens does not exceed $5,000,000.

"Pledged Bonds" means any Bonds purchased with the proceeds of a drawing under and in accordance with the provisions of the Letter of Credit until such time as such Bonds are released from the security interest created by the Reimbursement Agreement in accordance with the provisions thereof.

"Proceeds" means "proceeds" as such term is defined in the Uniform Commercial Code as in effect in any relevant jurisdiction or under other relevant law and, in any event, shall include, but shall not be limited to, (i) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to any Obligated Issuer from time to time, and claims for insurance, indemnity, warranty or guaranty effected or held for the benefit of the Corporation, with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever) made or due and payable to the any Obligated Issuer from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Government Authority (or any person acting under color of Government Authority) and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Projected Debt Service Coverage Ratio" means for any future period of time, the ratio determined by dividing projected Total Income Available for Debt Service for such period by Maximum Annual Debt Service of the Obligated Group.

"Property" means any and all rights, titles and interests in and to any and all assets of a person, including all real or personal property, all tangible or intangible property, and all cash, wherever such assets are situated.

"Property, Plant and Equipment" means all Property which is classified as property, plant and equipment under generally accepted accounting principles.

"Proposed Tax Conversion Date" shall have the meaning set forth in the Bond Indenture.

"Rate Period" or "Rate Periods" means any of (a) the Weekly Rate Periods, (b) the Medium-Term Rate Periods or (c) the Fixed Rate Period.

"Rating Agency" means, severally or collectively, if applicable (i) Standard & Poor's Ratings Group and any successor thereto, if it has assigned a rating to any Obligation issued and outstanding under the Master Indenture or any Related Bonds issued and outstanding pursuant to any Related Financing Documents, (ii) Moody's Investors Service, Inc. and any successor thereto, if it has assigned a rating to any Obligation issued and outstanding under the Master Indenture or any Related bonds issued and outstanding pursuant to any Related Financing Documents, and (iii) Fitch's IBCA Inc. and any successor thereto, if it has assigned a rating to any Obligation issued and outstanding pursuant to any Related Financing Documents. If any such Rating Agency shall no longer perform the functions of a securities rating service for whatever reason, the term "Rating Agency" shall thereafter be deemed to refer to the others, but if both of the others shall no longer perform the functions of a securities rating service for whatever reason, term "Rating Agency" shall thereafter be deemed to refer to any other nationally recognized rating service or services as shall be designated in writing by the Obligated Group Agent to the Master Trustee; provided that such designee shall not be unsatisfactory to the Master Trustee.

"Receivables" means any "Account" as such term is defined in the Uniform Commercial Code as in effect in any relevant jurisdiction and in any event shall include, but not be limited to, all of any Obligated Issuer's rights to payment for goods (including, without limitation, steam and electricity) sold or leased, or for services performed, by such Obligated Issuer, whether now in existence or arising from time to time hereafter, including, without limitation, rights evidenced by an account, note, contract, security agreement, chattel paper, or other evidence of indebtedness or security, together with (i) all security pledged, assigned, hypothecated or granted to or held by any

Obligated Issuer to secure the foregoing, (ii) all of such Obligated Issuer's right, title and interest in and to any goods (including, without limitation, steam and electricity), the sale of which gave rise thereto, (iii) all guarantees, endorsements and indemnifications on, or of, any of the foregoing, (iv) all powers of attorney for the execution of any evidence of indebtedness or security or other writing in connection therewith, (v) all books, correspondence, credit files, records, ledger cards, invoices, and other papers relating thereto, including without limitation all similar information stored on a magnetic medium or other similar storage device and other papers and documents in the possession or under the control of any Obligated Issuer or any computer bureau from time to time acting for such Obligated Issuer, (vi) all evidences of the filing of financing statements and other statements and the registration of other instruments in connection therewith and amendments thereto, notices to other creditors or secured parties, and certificates from filing or other registration officers, (vii) all credit information, reports and memoranda relating thereto, and (viii) all other writings related in any way to the foregoing.

"Record Date" means (a) during Weekly Rate Periods, the Business Day preceding any Interest Payment Date, and (b) during any Medium-Term Rate Periods or Fixed Rate Periods, the fifteenth day of the month preceding any Interest Payment Date.

"Redemption Date" when used with respect to any Bond to be redeemed means the date on which it is to be redeemed pursuant hereto.

"Redemption Price" when used with respect to any Bond to be redeemed means the price at which it is to be redeemed pursuant thereto.

"Regularly Scheduled Qualified Swap Payments" means the regularly scheduled payments under the terms of an Hedge Agreement which are due or receivable absent any termination, default or dispute in connection with such Hedge Agreement.

"Reimbursement Agreement" means the Reimbursement Agreement dated as of the date hereof among the Obligated Group, the Bank and other Lenders Parties thereto, including any amendments or supplements thereto; and upon the effective date of any Substitute Letter of Credit, "Reimbursement Agreement" shall mean a similar agreement, if any, between the issuer of such Substitute Letter of Credit and the Alliance.

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

"Related Bond Issuer" means the Government Issuer of any issue of Related Bonds.

"Related Bond Trustee" means the trustee and its successors in the trust created under any Related Bond Indenture, and if there is no such trustee, shall mean the Related Bond Issuer.

"Related Bonds" means the revenue bonds, notes, other evidences of indebtedness or any other obligations issued by a Government Issuer, pursuant to a single Related Bond Indenture, the proceeds of which are loaned or otherwise made available to an Obligated Issuer in consideration of the execution, authentication and delivery of a Note to or for the order of such Government Issuer.

"Related Financing Documents" means:

(a) in the case of any Note, (i) all documents, including any Related Bond Indenture, pursuant to which the proceeds of the Note are made available to an Obligated Issuer, the payment obligations evidenced by the Note are created and any security for the Note (if permitted under this Indenture) is granted, and (ii) all documents creating any additional payment or other obligations on the part of an Obligated Issuer which are executed in favor of the Holder in consideration of the Note proceeds being loaned or otherwise made available to the Obligated Issuer;

(b) in the case of any Indenture Guaranty, all documents creating the indebtedness being guaranteed pursuant to the Indenture Guaranty and providing for the loan or other disposition of the proceeds of the

indebtedness and all documents pursuant to which any security for the Indenture Guaranty (if permitted under the Master Indenture) is granted; and

(c) in the case of Indebtedness other than Notes and Indenture Guaranties, all documents relating thereto which are of the same nature and for the same purpose as the documents described in clauses (a) and (b) above.

"Revenues" means all revenues, income, receipts and other money received or accrued by or on behalf of any Obligated Issuer from any source whatsoever, including, without limitation, proceeds derived from (i) insurance except where otherwise provided herein, (ii) all accounts and assignable general intangibles now owned or hereafter acquired by any Obligated Issuer, and all proceeds therefrom whether cash or noncash, all as defined in Article 9 of the Uniform Commercial Code, as enacted by the State of Tennessee, (iii) the sale of goods, inventory and other tangible and intangible property, (iv) agreements respecting Medicare, Medicaid and Blue Cross or similar or successor programs, and (v) all gifts, grants, bequests, contributions and donations made to any Obligated Issuer, including the income and profits therefrom.

"S&P" means Standard & Poor's Rating Group, a division of McGraw-Hill Financial Services Company, its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, Standard & Poor's Corporation shall be deemed to refer to any other nationally recognized municipal securities rating agency designated by the Alliance.

"Series" means, individually, the Series 2011A Bonds, the Series 2011B Bonds, the Series 2011C Bonds, the Series 2011D Bonds or the Series 2011E Bonds.

"Series 2011 Obligations" means the Mountain States Health Alliance Notes being issued by the Alliance under the Master Indenture in connection with the issuance of the Bonds.

"Short-Term Indebtedness" means all Indebtedness other than Long-Term indebtedness.

"Subordinated Indebtedness" means any promissory note, guaranty, lease, contractual agreement to pay money or other obligation of any Obligated Issuer which is expressly made subordinate and junior in right of payment of principal of, redemption premium, if any, and interest on, (i) all Obligations issued pursuant to the Master Indenture, and (ii) all other obligations of the Obligated Group under the Master Indenture, on terms and conditions which substantially require that (1) no payment on account of principal of, redemption premium, if any, or interest on such Subordinated Indebtedness shall be made, nor shall any property or assets be applied to the purchase or other acquisition or retirement of such Subordinated Indebtedness, unless full payment of all amounts when due and payable upon maturity of Obligations issued under the Master Indenture have been made or duly provided for in accordance with the terms of such Obligations; (2) no payment on account of principal of, redemption premium, if any, or interest on such Subordinated Indebtedness shall be made, nor shall any property or assets be applied to the purchase or other acquisition or retirement of such Subordinated Indebtedness if, at the time of such payment or application, or immediately after giving effect thereto, (i) there shall exist a default in the payment of the principal of, redemption premium, if any, or interest on any Obligations (whether at maturity or upon mandatory redemption), or (ii) there shall have occurred an Event of Default with respect to any Obligations, as defined therein and in this Indenture, and such Event of Default shall not have been cured or waived or shall not have ceased to exist; and (3) in the event that any Subordinated Indebtedness is declared or otherwise becomes due and payable because of the occurrence of an event of default with respect thereto, (x) the Holders at such time shall be entitled to receive payment in full thereon before the holders of the Subordinated Indebtedness shall be entitled to receive any payment on account of such Subordinated Indebtedness as a result of such event of default, and (y) no holder of Subordinated Indebtedness, or a trustee acting on such holder's behalf, shall be entitled to exercise any control over proceedings to enforce the terms and conditions of the Master Indenture.

"Tax-Exempt Bonds" means, together, the Tennessee Bonds and the Virginia Bonds.

"Tax-Exempt Organization" means a person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code, which is exempt from federal

income taxes under Section 501(a) of the Code, and which is not a "private foundation" within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"Termination Date" means the stated expiration date of the Letter of Credit or the immediately preceding Business Day if such date is not a Business Day but shall not include the expiration date of the Letter of Credit due to a conversion to the Fixed Rate.

"Total Income Available for Debt Service" means, as to any period, (a) the aggregate of Income Available for Debt Service of each member of the Obligated Group for such period, determined in such a manner that no portion of Income Available for Debt Service of any member of the Obligated Group is included more than once.

"Total Net Operating Revenues" means, as to any period, the aggregate of Net Operating Revenues of each member of the Obligated Group for such period, determined in such a manner that no portion of Net Operating Revenues of any member of the Obligated Group is included more than once.

"Unrestricted Liquid Funds" as of any date means the aggregate of the unrestricted and unencumbered/unpledged cash and unrestricted and unencumbered/unpledged liquid securities (valued at fair market value) of the Obligated Group as of such date (including board-designated funds) from which there shall be subtracted each of the following: (i) the value of all self-insured professional and general liability insurance obligations of the Obligated Group determined by an independent actuary as of such date, (ii) any funds held by the lender or trustee with respect to any Long Term Indebtedness (including any debt service reserve fund, any debt service or bond fund or any construction or project fund), (iii) any proceeds drawn from a line of credit, liquidity facility or other similar facility and (iv) any grantor or donor restricted funds.

"Value," when used in connection with any Property, means either (a) Book Value, or (b) at the election of the Obligated Group Agent evidenced by an Officer's Certificate delivered to the Master Trustee, the aggregate fair market value of such Property, as reflected in the most recent written report of an appraiser selected by the Obligated Group Agent and, in the case of real property, who or which is a member of the American Institute of Real Estate Appraisers (MAI), delivered to the Master Trustee (which report shall be dated not more than three years prior to the date as of which value is to be calculated) (i) increased or decreased by the cost of any Property acquired, or the fair market value of any Property disposed of, since the date of such report and (ii) increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such report to the date as of which value is to be calculated.

"Variable Rate Indebtedness" means any portion of Indebtedness the interest rate on which fluctuates subsequent to the time of incurrence.

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE

Each Obligation will be issued pursuant to the Master Indenture and will entitle each holder thereof to the protection of the covenants, restrictions and other obligations imposed upon the Corporation and each Obligated Issuer by the Master Indenture and the security provided for therein.

Accounting Principles

Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purposes of the Master Indenture or any agreement, document or certificate executed and delivered in connection with or pursuant to the Master Indenture, such determination or computation shall be done in accordance with generally accepted accounting principles in effect on (i) the date of the delivery of the Master Indenture, or (ii) at the election of the Obligated Group Agent, as specified in an Officer's Certificate delivered to the Master Trustee, the date such determination or computation is made for any purpose of the Master Indenture, such accounting principles, to the extent applicable, consistently applied; provided that intercompany balances and liabilities among

the Obligated Issuers shall be disregarded and that the requirements set forth in this paragraph shall prevail, if inconsistent with generally accepted accounting principles. In the event that the fiscal year of any Obligated Issuer ends on a date other than the last day of a Fiscal Year, the character or amount of any asset or liability or item of income or expense of such Obligated Issuer for its fiscal year ending within any Fiscal Year under consideration shall be deemed to be the character or amount of the appropriate asset or liability or item of income or expense for such Fiscal Year. For purposes of calculating Total Income Available for Debt Service and Total Net Operating Revenues for any period, if any Obligated Issuer shall have become a member of the Obligated Group during such period, such calculations shall be made assuming that such Obligated Issuer became a member of the Obligated Group at the beginning of such period.

Master Indenture Obligations

Each Obligated Issuer is permitted to issue one or more series of Obligations under the Master Indenture on which all Obligated Issuers will be jointly and severally liable. The terms of each Obligation shall be set forth in a Supplemental Indenture.

The principal of, premium, if any, and interest on the Obligations shall be payable in any currency of the United States of America which is legal tender for the payment of public and private debts. Such payment shall be made at the principal corporate trust office of the Master Trustee or, if an Obligated Issuer so elects, by check, draft or wire transfer to such Holder. In the case of all payments made directly to a Holder, the Obligated Issuer shall give notice of such payment to the Master Trustee concurrently with the making thereof.

Each Obligated Issuer, jointly and severally, unconditionally guarantees to the Holders of the Obligations and to the Master Trustee the due and punctual payment of the principal of, and interest on, the Obligations and all other amounts due and payable under the Master Indenture; provided, however, that the maximum aggregate liability of each Obligated Issuer, as of any date, shall be its Maximum Guaranty Liability as of such date.

Each Obligated Issuer shall be subrogated to all rights of the Holders of the Obligations and the Master Trustee against the other Obligated Issuers in respect of any amounts paid pursuant to the Master Indenture.

If any person ceases to be an Obligated Issuer, such person shall cease to be a "Cross Guarantor" under the Master Indenture, and its Obligations as such shall be terminated and released; provided, however, that the foregoing provision is inapplicable (i) if such person ceases to be an Obligated Issuer as a result of a transaction which is prohibited by the terms of the Master Indenture or (ii) if, at the time such person would otherwise have been released under the provisions of this paragraph, there has occurred and is continuing a default in the payment of principal, or interest, on any Obligation.

If an Obligated Issuer is called upon to make a payment under its Cross Guarantee, each of the Obligated Issuers shall contribute to such paying Obligated Issuer their pro rata share, determined pursuant to the Master Indenture, of the amount of such payment.

All Obligations shall be executed for and on behalf of an Obligated Group Member by the officer as specified in the Master Indenture or such other officer designated in writing. A resolution of the Governing Body of the Obligated Group Agent shall also be joined thereto. Further, each Obligation shall be manually authenticated, in the form provided in the Master Indenture, by an authorized signer of the Master Trustee, without which authentication no Obligation shall be valid or entitled to the benefits of the Master Indenture.

The Master Trustee shall maintain at its principal corporate trust office a registration book relating to Obligations of the Obligated Group. These registration books shall contain (i) the names and addresses of Holders of Obligations, and (ii) any other information which may be necessary for the proper discharge of the Master Trustee's duties under the Master Indenture. The Supplemental Indenture, providing for the issuance thereof, shall govern the transfer or exchange of any Obligation.

If any Obligation is mutilated, lost, stolen or destroyed, the Holder thereof shall be entitled to the issuance of a substitute Obligation only as follows:

(i) In the case of a lost, stolen or destroyed Obligation, the Holder shall: provide notice of the loss to the Obligated Group Agent, or to the Master Trustee; request the issuance of a substitute Obligation before the Obligated Group Agent receives notice of the transfer of the original Obligation to a bona fide purchaser for value without notice; provide indemnity to the Master Trustee against any and all claims arising out of, or otherwise related to, the issuance of substitute Obligations; and shall surrender any Obligation which have not been lost, stolen or destroyed and provide evidence of the ownership of the affected Obligation and the loss, theft or destruction thereof;

(ii) In the case of a mutilated Obligation the Holder shall: surrender the Obligation to the Master Trustee for cancellation; and provide indemnity to the Master Trustee against any and all claims arising out of, or otherwise related to, the issuance of substitute Obligations.

Every substituted Obligation shall constitute an additional contractual obligation of the Obligated Group, whether or not the Obligation alleged to have been destroyed, lost or stolen shall be at any time enforceable by anyone, and shall be entitled to all the benefits of the Master Indenture equally and proportionately with any and all other Obligations, unless the Obligation alleged to have been destroyed, lost or stolen shall be at any time enforceable by a bona fide purchaser for value without notice.

The preceding provisions regarding substitute Obligations are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Obligations and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or later enacted to the contrary.

The Master Trustee shall establish and maintain a revenue or similar debt service fund for the purpose of accumulating and paying amounts due on outstanding Obligations (i) if the applicable Supplemental Indenture provides for the making of deposits directly with the Master Trustee in respect of an Obligation, or (ii) upon the occurrence of an Event of Default under the Master Indenture and the exercise of any remedies by the Master Trustee for the benefit of all Holders of outstanding Obligations. All money held in any fund established under the Master Indenture, in the case of (i) above, shall, upon written request and direction of the Obligated Group Agent, be invested in Investment Securities, and any money realized by the Master Trustee in the case of (ii) above, shall be invested by the Master Trustee, without need of any further authorization or direction, only in Government Obligations with maturities not in excess of ninety days, unless the Master Trustee is otherwise directed by Holder. The Master Trustee shall not be liable or responsible for any loss resulting from any such investment.

Any Obligated Issuer and the Master Trustee may enter into a Supplemental Indenture to create an Obligation issued under the Master Indenture. The Supplemental Indenture shall (i) with respect to Obligations created thereby, set forth the date thereof, and the date or dates on which principal of, premium, if any, and interest on such Obligations shall be payable, and (ii) provide for the form of such Obligations and shall contain such other terms and provisions as shall not be inconsistent with the provisions of the Master Indenture.

Simultaneously with or prior to the execution, authentication and delivery of the Obligations pursuant to the Master Indenture:

(a) All requirements and conditions to the issuance of such Obligations, if any, set forth in the Master Indenture and the Supplemental Indenture shall have been complied with and satisfied;

(b) The applicable Obligated Issuer or the Obligated Group Agent shall have delivered to the Master Trustee such opinions, certificates, proceedings, instruments and other documents as the Master Trustee or the Related Bond Issuer, if any, may reasonably request;

(c) The requirements of the Master Indenture with respect to the incurrence of Additional Indebtedness shall have been satisfied if such Obligations constitute Indebtedness;

(d) Each Supplemental Indenture shall specify the purpose or purposes for which such Obligations are being issued, which may be any purpose within the corporate power of the applicable Obligated Issuer; and

(e) The Obligated Group Agent shall have delivered to the Master Trustee an opinion of counsel, regarding the Securities Act of 1933 and the Trust Indenture Act of 1939, as required pursuant to the Master Indenture.

Security For Obligations

As security for the payment and performance of all outstanding Obligations, the Obligated Issuers shall grant the Master Trustee a security interest in (i) all money and Investment Securities which may at any time be held by the Master Trustee in any fund or account which may be established by the Master Trustee under the Master Indenture in connection with the administration of the trusts created thereby, (ii) all Gross Receipts, (iii) all Receivables, (iv) all Inventory, (v) all Equipment, (vi) all General Intangibles, (vii) all Contracts and all Contract Rights, (viii) all amounts from time to time held in any checking, savings, deposit or other account of any Obligated Issuer, (ix) all Government Approvals, provided, that any Government Approval which by its terms or by the operation of law would become void, voidable, terminable or revocable if mortgaged, pledged or signed under the Master Indenture or if a security interest therein were granted thereunder or expressly accepted and excluded from the security interest hereby granted to the extent necessary so as to avoid such voidness, voidability, terminability or revocability, (x) all Fixtures, including but not limited to those now or hereafter attached to, placed on or incorporated in the Land, (xi) all Revenues, (xii) without limiting the generality of the foregoing, all other personal property, goods, Instruments, Investment Property, Chattel Paper, Documents, credits, claims, demands and assets of any Obligated Issuer, whether now existing or hereafter acquired from time to time, and (xiii) any and all additions and accessions to any of the foregoing, all improvements thereto, all substitutions and replacements therefor and all products and Proceeds thereof (all of the above collectively, the "Collateral"), to have and to hold in trust for the benefit of the Holders from time to time of all Obligations issued and outstanding under the Master Indenture, without preference or priority of any one Obligation over any other Obligation except as otherwise expressly provided therein. The security interest granted to the Master Trustee pursuant to the Master Indenture extends to all Collateral of the kind which is subject to such security interest which any Obligated Issuer may acquire at any time during the continuation of the Master Indenture, whether such Collateral is in transit or in such Obligated Issuer, the Issuer's or any other person's constructive, actual or exclusive occupancy or possession.

To further secure the payment of and performance under all outstanding Obligations, the Corporation has, on even date herewith, executed and delivered to the Master Trustee the Master Deed of Trust.

If (i) in any Fiscal Year beginning with the Fiscal Year ending June 30, 2006, the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group is less than 1.50 to 1, (ii) the Obligated Group is not in compliance with the liquidity covenant described under the caption "Liquidity Covenant" herein, or (iii) an Event of Default has occurred and is continuing, the Obligated Group Agent shall cause a special trust fund (the "Revenue Fund") to be created with one or more banking institutions and each Obligated Issuer shall on a daily basis deposit all of its Gross Receipts therein.

The Obligated Group Agent shall cause each banking institution with which the Revenue Fund has been established to enter into a written depository agreement, which shall be satisfactory in form and substance to the Master Trustee and shall be in substantially the form of such agreement heretofore delivered to the Master Trustee (or with such changes therein as shall have been approved by the Holders of not less than 75% in aggregate principal amount of Obligations then outstanding) pursuant to which such banking institution shall agree to hold any and all Gross Receipts from time to time on deposit with such banking institution as assets of a trust for the Holders of the Obligations and to transfer such Gross Receipts to the Master Trustee upon receipt from the Master Trustee of a notice stating that delivery of such Gross Receipts is required pursuant to the Master Indenture. Prior to its receipt of a request from the Master Trustee, any Obligated Group member may transfer or expend all or any part of its Gross Receipts free of any security interest, subject, however, to the provisions of the Master Indenture. Deposits of Gross Receipts shall be made into the Revenue Fund on a daily basis, insofar as practicable, for the benefit of the Master Trustee and the Holders of the Obligations. Upon the request of the Obligated Group Agent, the Master

Trustee will provide to such agent a written certifications as to whether there is currently outstanding a request from the Master Trustee.

Each Obligated Issuer agrees that except as may be otherwise provided in the Master Indenture, it will not pledge or grant a security interest in any of the Gross Receipts.

Each Obligated Issuer agrees that, if an Event of Default shall have occurred and be continuing, it will, upon request of the Master Trustee, deliver or direct to be delivered to the Master Trustee all Gross Receipts until such Event of Default has been cured, such Gross Receipts to be applied in accordance with the Master Indenture.

The Master Trustee shall establish and maintain a revenue or similar debt service fund hereunder for the purpose of accumulating and paying amounts due on outstanding Obligations (i) if the applicable Supplemental Indenture specifically provides for the making of deposits directly with the Master Trustee in respect of an Obligation, or (ii) upon the occurrence of an Event of Default and the exercise of any remedies by the Master Trustee for the benefit of all Holders of outstanding Obligations; provided, however, if neither (i) nor (ii) are at the time applicable but deposits to the Revenue Fund are then required under subsection (a) above, the Obligated Group Agent may deposit the Gross Receipts with one or more banking institutions (other than the Master Trustee) and such revenues shall, upon the request and direction of the Obligated Group Agent, be invested in Investment Securities. In the case of (i) above, deposits to any such fund and payments therefrom shall be made in accordance with the terms and provisions of the applicable Supplemental Indenture for the making of deposits into and payments from such fund. In the case of (ii) above, any moneys realized by the Master Trustee upon the exercise of any such remedies shall be applied in accordance with the provisions of the Master Indenture. All money held at any time in any fund in the case of (i) above, shall, upon written request and direction of the Obligated Group Agent, be invested in Investment Securities and any money realized by the Master Trustee in the case of (ii) above, shall be invested by the Master Trustee, without need of any further authorization or direction, only in Government Obligations having maturities not in excess of 90 days, unless the Master Trustee is otherwise directed by Holders in the manner provided in the Master Indenture.

Persons Becoming Obligated Issuers; Withdrawal from Obligated Group

The Master Indenture permits persons other than the Corporation to become members of the Obligated Group subject to the satisfaction of certain conditions. The conditions include the following:

First, such person shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Obligated Group Agent, containing (i) the agreement of such person to become an Obligated Issuer under the Master Indenture and thereby to become subject to compliance with all provisions of the Master Indenture pertaining to an Obligated Issuer, including the performance and observance of all covenants and obligations of an Obligated Issuer under the Master Indenture; (ii) the agreement of such person to consult with each other member of the Obligated Group prior to incurring any Obligations; and (iii) such other restrictions on the ability of such person to incur Obligations as shall be imposed by the Obligated Group. Such person shall execute and deliver to the Master Trustee such security agreements, financing statements and other documents as are necessary to grant to the Master Trustee a perfected lien in all Collateral in which such person has an interest.

Second, each instrument executed and delivered to the Master Trustee in accordance with the preceding paragraph shall be accompanied by an Officer's Certificate from the Obligated Group Agent to the effect that the Obligated Group Agent consents to such person becoming an Obligated Issuer and an opinion of Counsel to the effect that (a) the conditions contained in the Master Indenture relating to such person's membership in the Obligated Group have been satisfied; (b) under then existing law, such person becoming an Obligated Issuer will not subject any Obligation to the registration provisions of the Securities Act of 1933, as amended, or that such Obligation has been so registered if so required, or the qualification of the Master Indenture pursuant to the Trust Indenture Act of 1939, as amended, or that the Master Indenture has been so qualified if qualification is required; and (c) each such instrument has been duly authorized, executed and delivered by such person and constitutes a legal, valid and binding agreement, enforceable in accordance with its terms, except as limited by then-existing laws relating to bankruptcy and insolvency and other standards and customary legal exceptions.

If all amounts due or to become due on any outstanding Related Bond which bears interest that is not includable in gross income under the Code has not been paid to the holder thereof (or provision for such payment has not been made in such manner as to have resulted in the defeasance of the Related Financing Documents), the Master Trustee shall receive an Opinion of Bond Counsel to the effect that under then existing law such person becoming an Obligated Issuer would not adversely affect the validity of such Related Bond or cause the interest payable on such Related Bond to become includable in gross income under the Code.

As a further condition to a person becoming a member of the Obligated Group, the Master Trustee shall receive an Officer's Certificate from the Obligated Group Agent to the effect that (A) no Event of Default then exists under the Master Indenture, nor to such officer's knowledge, does 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 under the Master Indenture, and (B) either (1) if one dollar of Additional Indebtedness were incurred immediately following such person's admission, the Obligated Group would meet the test providing for the incurrence of Long-Term Indebtedness pursuant to subsection (a)(i) or (ii) under the heading "Additional Long-Term Indebtedness" (assuming, for purposes of such certificate, that the Income Available for Debt Service and Indebtedness of such person were Income Available for Debt Service and Indebtedness of an Obligated Issuer), or (2) such person becoming a member of the Obligated Group will cure any Event of Default then in existence under the Master Indenture, or (3) by reason of such membership, the Projected Debt Service Coverage Ratio for each of the two Fiscal Years following such entry into the Obligated Group will be greater than the projected Debt Service Coverage Ratio for such Fiscal Years had such entry into the Obligated Group not occurred, and (C) immediately after such person's admission, the combined fund balance and net worth, as the case may be, of the Obligated Group is not less than 90% of such combined fund balance and net worth immediately prior to such admission, and (D) the Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group (taking into account the admission of such person) for each of the two most recent Fiscal Years for which consolidated or combined financial statements reported upon by an independent certified public Accountant are available was not less than 1.30:1.

As a further condition to a person becoming a member of the Obligated Group, the Master Trustee shall receive a Consultant's report to the effect that the Projected Debt Service Coverage Ratio of the Obligated Group (taking into account the admission of such person) for each of the two Fiscal Years following the admission of such person is not less than 1.30:1.

The Corporation shall not withdraw from the Obligated Group. No other Obligated Issuer may withdraw from the Obligated Group unless:

(i) If the Obligated Issuer is other than the Obligated Group Agent, the Obligated Group Agent consents to the withdrawal;

(ii) If all amounts due on any outstanding Related Bond which bears interest that is not includable in gross income under the Code have not been paid to the holder thereof (or provision for such payments has not been made in such manner as to have resulted in the defeasance of the Related Financing Documents), the Master Trustee shall have received an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law such person's withdrawal from the Obligated Group would not adversely affect the validity of such Related Bond or cause the interest payable on such Related Bond to become includable in gross income under the Code;

(iii) The Master Trustee shall have received an Officer's Certificate from the Obligated Group Agent to the effect that either (1) after giving effect to such withdrawal, if one dollar of Additional Indebtedness were incurred, the Obligated Group would meet the test providing for the incurrence of Long-Term Indebtedness pursuant to subsection (a)(i) or (ii) under the heading "Additional Long-Term Indebtedness," or (2) such person's withdrawal from the Obligated Group will cure any Event of Default then in existence under the Master Indenture, or (3) by reason of such withdrawal, the Projected Debt Service Coverage Ratio for each of the two Fiscal Years immediately following withdrawal of such Obligated Issuer from the Obligated Group will be greater than the Projected Debt Service Coverage Ratio for such Fiscal Years had such withdrawal not occurred;

(iv) The Master Trustee shall have received an Officer's Certificate from the Obligated Group Agent to the effect that, immediately after the withdrawal of such person from the Obligated Group, no Event of Default then exists under the Master Indenture, nor to such officer's knowledge, does 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; and

(v) The Master Trustee shall have received a Consultant's report to the effect that the Projected Debt Service Coverage Ratio of the Obligated Group (taking into account the withdrawal of such person) for each of the two Fiscal Years following the withdrawal of such person is not less than 1.3:1;

(vi) The Master Trustee shall have received an Officer's Certificate from the Obligated Group Agent to the effect that the Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group (taking into account the withdrawal of such Obligated Issuer) for each of the two most recent Fiscal Years for which consolidated or combined financial statements reported upon an independent certified public Accountant are available was not less than 1.30 to 1; and

(vii) The Obligated Group Agent shall have received an opinion of Counsel to the effect that following such person's withdrawal from the Obligated Group no member of the Obligated Group will have any liability for the payment of any indebtedness of such person.

Upon compliance with the above conditions, the Master Trustee shall execute any documents reasonably requested by the withdrawing Obligated Issuer to evidence the termination of such Issuer's obligations under the Master Indenture, under any Supplemental Indenture and under all Obligations.

Short-Term Indebtedness

Each Obligated Issuer agrees that it will not incur, nor permit any of its Restricted Affiliates to incur, any Additional Indebtedness constituting Short-Term Indebtedness unless immediately after the incurrence of such Short-Term Indebtedness:

(a) (i) the principal amount of all Short-Term Indebtedness of the Obligated Group then outstanding does not exceed 20% of the Total Net Operating Revenues for the most recent Fiscal Year for which consolidated or combined financial statements reported upon by an independent certified public Accountant are available, or

(ii) any such Short-Term Indebtedness could be incurred under the tests set forth in the Master Indenture (relating to Long-Term Indebtedness) treating such Short-Term Indebtedness as Long-Term Indebtedness, and

(b) For a period of not fewer than 15 consecutive days within each Fiscal Year, the Obligated Group shall reduce the aggregate principal amount of all outstanding Short-Term Indebtedness described in (a)(i) above to less than 5% of the Total Net Operating Revenues for the immediately preceding Fiscal Year.

Additional Long-Term Indebtedness

Each Obligated Issuer agrees that it will not incur nor permit any of its Restricted Affiliates to incur, any Additional Indebtedness constituting Long-Term Indebtedness unless such Long-Term Indebtedness consists of one or more of the following:

(a) Long-Term Indebtedness of any member of the Obligated Group, if prior to the incurrence thereof, there is delivered to the Master Trustee:

(i) an Officer's Certificate of the Obligated Group Agent demonstrating that the Historical Pro Forma Debt Service Coverage Ratio for the most recent Fiscal Year for which consolidated or combined financial statements reported upon by an independent certified public Accountant are available, was not less than 1.35; or

(ii) (A) an Officer's Certificate of the Obligated Group Agent demonstrating that the Historical Maximum Annual Debt Service Coverage Ratio for the most recent Fiscal Year for which consolidated or combined financial statements reported upon by an independent certified public Accountant are available, was not less than 1.25 and (B) a Consultant's report (or, in lieu thereof, an Officer's Certificate of the Obligated Group Agent if the Projected Debt Service Coverage Ratio described in this subsection (B) is 1.75 or greater) to the effect that the Projected Debt Service Coverage Ratio, taking the proposed Additional Indebtedness into account, (x) in the case of Additional Indebtedness (other than a Guaranty) to finance capital improvements, for each of the two Fiscal Years succeeding the date on which such capital improvements are expected to be in operation, or (y) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, for each of the two Fiscal Years succeeding the date on which the Indebtedness or Guaranty is incurred, is not less than 1.40.

The requirements of (a)(ii)(A) and (B) will be deemed satisfied if (i) a Consultant's report filed with the Master Trustee states that applicable laws or regulations have prevented or will prevent the achievement of such debt service coverage ratios, (ii) the Obligated Group has generated Total Income Available for Debt Service in an amount which, in the opinion of such Consultant, the Obligated Group could reasonably have generated given such laws and regulations during the period affected thereby.

(b) Completion Indebtedness of any member of the Obligated Group without limit if there is delivered to the Master Trustee: (i) an Officer's Certificate of the applicable member of the Obligated Group stating that at the time the original Long-Term Indebtedness for the Facilities to be completed was incurred, such Obligated Group member had reason to believe that the proceeds of such Long-Term Indebtedness, together with other moneys then expected to be available, would provide sufficient moneys for the completion of such Facilities; (ii) a statement of an Architect or an expert setting forth the amount estimated to be needed to complete the Facilities, and (iii) an Officer's Certificate of such member of the Obligated Group stating that the proceeds of such Completion Indebtedness to be applied to the completion of the Facilities, together with a reasonable estimate of investment income to be earned on such proceeds and the amount of moneys, if any, committed to such completion by such Obligated Group member or through enumerated bank loans (including letters or lines of credit) or through federal or state grants, will be in an amount not less than the amount set forth in the statement of an architect or other expert referred to in (ii).

(c) Commitment Indebtedness of any member of the Obligated Group or any Guaranty of any Commitment Indebtedness of any member of the Obligated Group without limit.

(d) Long-Term Indebtedness of any member of the Obligated Group incurred for the purpose of refunding, repurchasing or refinancing (whether in advance or otherwise) any outstanding Long-Term Indebtedness; provided, however, that additional Long-Term Indebtedness permitted under this paragraph (d) shall not result in an increase in Maximum Annual Debt Service in excess of 10%.

(e) The conversion without limit of Long-Term Indebtedness of any member of the Obligated Group that is convertible from one interest or payment made to another interest or payment (e.g., weekly to monthly or to a fixed rate) from one mode to another pursuant to the terms of the documentation authorizing such Long-Term Indebtedness.

(f) Subordinated Indebtedness without limit of any member of the Obligated Group or Non-Recourse Indebtedness without limit of any member of the Obligated Group; provided, however, that in the case of Subordinated Indebtedness, the Obligated Group Agent shall have furnished the Master Trustee with a certificate showing that prior to the issuance of such Subordinated Indebtedness, the debt to capitalization ratio of the Obligated Group does not exceed 60%.

(g) Indebtedness incurred in connection with a sale of not more than 25% of accounts receivable with recourse by any member of the Obligated Group consisting of an obligation to repurchase all or a portion of such accounts receivable upon certain conditions, provided that the principal amount of such Indebtedness permitted shall not exceed the aggregate sales price of such accounts receivable received by such Obligated Group member.

(h) Long-Term Indebtedness of any member of the Obligated Group, the principal amount of which at the time incurred, together with the aggregate principal amount of all other Long-Term Indebtedness and Short-Term Indebtedness of the Obligated Group then outstanding, does not exceed 25% of the Total Net Operating Revenues for the most recent Fiscal year for which consolidated or combined financial statements reported upon by an independent certified public Accountant are available.

(i) Long-Term Indebtedness of any member of the Obligated Group if prior to the incurrence thereof an Officer's Certificate of the Obligated Group Agent is delivered to the Master Trustee certifying that, immediately following the incurrence of such Long-Term Indebtedness, the total outstanding Long-Term Indebtedness of the Obligated Group will not exceed 66-2/3% of the sum of the principal amount of all outstanding Long-Term Indebtedness of the Obligated Group, plus the equity accounts of the Obligated Group (i.e., unrestricted fund balances, including any shareholder equity or partnership equity).

Guaranties

Each Obligated Issuer agrees that it will not enter into, or become liable in respect of, or permit any Restricted Affiliate to enter into, or become liable in respect of, any Guaranty dated after the date of the Master Indenture unless the principal amount of the indebtedness being guaranteed could then be incurred as Indebtedness described under the heading "Additional Long-Term Indebtedness," taking into account the assumptions as to calculating the aggregate annual principal and interest payments on, and the principal amount of, the indebtedness being guaranteed, contained in the immediately succeeding paragraph.

In the case of Guaranties of indebtedness that would, if such indebtedness were incurred by a member of the Obligated Group, constitute Long-Term Indebtedness, the aggregate annual principal and interest payments on, and the principal amount of, the Guaranty shall be deemed to be equal to 20% of the principal and interest payments which would be payable on the indebtedness being guaranteed as if such indebtedness were Long-Term Indebtedness of the Guarantor. If at any time the Guaranty becomes due and payable, or if any payment has been made under the Guaranty during the two immediately preceding Fiscal Years, the aggregate annual principal and interest payments on, and the principal amount of, the Guaranty shall, for purposes of this paragraph, be deemed to equal 100% of the principal and interest payable on, and the principal amount of, the indebtedness being guaranteed for the Fiscal Year for which such determination is being made.

Debt Service on Balloon Indebtedness and Variable Rate Indebtedness

For purposes of the covenants and computations required or permitted pursuant to the Master Indenture, it shall be assumed that (A) the interest rate on Variable Rate Indebtedness is equal to the higher of (a) the current rate on the Variable Rate Indebtedness or (b) that rate that is the average of the rate of interest which was in effect on the last day of each of the twelve preceding full calendar months immediately preceding the month in which such calculation is made, provided that if the Variable Rate Indebtedness has not been outstanding for at least twelve full calendar months, the assumed rate of interest for such Variable Rate Indebtedness shall be the rate of interest borne on the date such Variable Rate Indebtedness was issued and (B) the principal of Balloon Indebtedness is amortized:

(i) from the date of calculation thereof over a term equal to twenty (20) years, with level annual debt service payments at an assumed interest rate equal to the Bond Index (provided if the Balloon Indebtedness is also Variable Rate Indebtedness, the assumed interest rate may, at the option of the Obligated Group Agent, be the assumed interest rate applicable to Variable Rate Indebtedness); or

(ii) during the term to the maturity thereof by deposits made to a sinking fund therefor pursuant to the terms of such Balloon Indebtedness or in accordance with a sinking fund schedule established by resolution of the Governing Body of the applicable Obligated Issuer adopted at or subsequent to the time of incurrence of such Balloon Indebtedness, as certified in an Officer's Certificate, provided that, at the time of such calculation, all deposits required to have been made prior to such date shall have been made; or

(iii) the principal of Balloon Indebtedness is due and payable on the specified due date or due dates thereof; or

(iv) with respect to Balloon Indebtedness for which there exists a Credit Facility, the principal of such Balloon Indebtedness is due and payable in the amounts and at the times specified in the Credit Facility or related documents.

Insurance

Each Obligated Issuer will maintain, or cause to be maintained, insurance covering such risks and in such amounts as, in its reasonable judgment, is adequate to protect it and its Property and operations, including (to the extent that such Obligated Issuer is a health care institution) professional liability or medical malpractice insurance, one year's business interruption insurance (if commercially available) and extended coverage property insurance in an amount sufficient to avoid co-insurance. The Master Trustee shall be named as an additional insured on all such insurance policies. The Obligated Group Agent shall retain an Insurance Consultant who will prepare and file with the Master Trustee a report showing the adequacy of such insurance once every two years (such report to be filed as soon as practicable but in no event later than five months after the end of the applicable second Fiscal Year). Each Obligated Issuer will follow any recommendations of the Insurance Consultant to the extent feasible in the opinion of the Obligated Group Agent.

In lieu of maintaining the insurance policies required above, the Obligated Group, or any member thereof, may self-insure any of the required coverages (or a portion thereof), provided that the Obligated Group may not self-insure any required coverage with respect to Property, Plant and Equipment and provided further that the Master Trustee receives a report (as soon as practicable but in no event later than five months after the end of each Fiscal Year) of an Insurance Consultant to the effect that such self-insurance is consistent with proper management and insurance practices. If any member of the Obligated Group elects to self-insure in lieu of maintaining medical liability and malpractice insurance, a report of an Insurance Consultant shall be filed with the Master Trustee annually stating that such Insurance Consultant has reviewed the self-insurance program and that the self-insured Obligated Group Member has available the estimated amount required for the payment of claims and associated claims expenses with respect to such Fiscal Year.

In the event of damage to or destruction of all or any part of the Facilities of the Obligated Group with a Value in excess of five percent (5%) of the Value of all Property of the Obligated Group, the affected Obligated Group member or the Obligated Group Agent shall exercise its best efforts to recover any applicable insurance. Such proceeds shall be paid to the Obligated Group Agent for the payment or reimbursement of reasonable expenses of obtaining the recovery. The Obligated Group Agent shall then give notice to the Master Trustee of such expenses and of the amount of the remaining proceeds (herein called the "Net Proceeds").

Subject to the provisions of any Related Financing Document pertaining to a Permitted Lien, the affected Obligated Group member shall apply the Net Proceeds for any lawful corporate purpose as such Obligated Group member determines, if the Obligated Group Agent shall first have delivered to the Master Trustee an Officer's Certificate stating that the Projected Debt Service Coverage Ratio for each of the next two full succeeding Fiscal Years immediately following the date of such certificate(s), taking into account such damage or destruction and the proposed use of the Net Proceeds is at least 1.10. If the Obligated Group Agent is unable to deliver the foregoing Officer's Certificate, the affected Obligated Group member shall apply the Net Proceeds or so much thereof as may be needed to the repair, replacement, restoration or reconstruction of the affected Facilities or, at the option of the applicable Obligated Group member, to any other capital project of equivalent value and utility, to the acquisition of any Property or to the repayment in whole or in part of any outstanding Obligations in such order of maturity or maturities or proportions as the Obligated Group Agent shall determine.

Any Net Proceeds remaining after compliance by the affected Obligated Group member and the Obligated Group Agent with the immediately preceding paragraph shall be transferred by the Obligated Group Agent to the Master Trustee and applied to the redemption of the outstanding Obligations that directly finance the damaged or condemned facilities and are secured thereby, second to other direct outstanding Obligations of the affected Member of the Obligated Group, and third to the redemption of other outstanding Obligations in such order of maturity or maturities or proportions as the Obligated Group Agent shall determine.

In the event of a taking by eminent domain of all or any part of the Facilities of the Obligated Group with a Value in excess of five percent (5%) of the Value of all Property of the Obligated Group, the affected Obligated Group member or the Obligated Group Agent shall exercise its best efforts to recover any applicable proceeds. Such proceeds shall be paid to the Obligated Group Agent. The Obligated Group Agent shall make appropriate deductions from such proceeds and give notice to the Master Trustee of such deductions and of the amount of the remaining proceeds (also, "Net Proceeds"). The Net Proceeds shall be applied in the same manner as insurance proceeds are applied pursuant to the two immediately preceding paragraphs.

Certain Covenants of the Obligated Issuers

Each Obligated Issuer covenants, among other things, to maintain its corporate or other separate legal existence and to be qualified to do business where such qualification is necessary, to maintain and keep its Facilities in good repair, to conduct its affairs in compliance with all applicable laws and regulations, to pay all lawful taxes and governmental charges and assessments levied or assessed upon or against it or its Property (except that each Obligated Issuer may withhold such payments where the validity of such taxes and assessments is being contested in good faith), to comply with any covenants and provisions of any Liens upon its property or securing any of its Indebtedness, to procure and maintain all necessary licenses and permits, to maintain accreditation of its health care Facilities and its status as a provider of health care services eligible for reimbursement under government programs (provided, however, that it need not comply with the requirements pertaining to licenses, permits, accreditation and its status as a provider if and to the extent its Governing Body shall have determined in good faith, evidenced by an Officer's Certificate 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).

In addition, each Obligated Issuer covenants not to merge with or consolidate with any other person not a member of the Obligated Group or sell or convey all or substantially all of its assets to any person not a member of the Obligated Group unless: (a) the successor corporation (if other than the Obligated Issuer) shall be a person organized and existing under the laws of the United States of America or a state thereof and such person shall become an Obligated Issuer and shall expressly assume the due and punctual payment of the principal of, premium, if any, and interest on all outstanding Obligations according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Master Indenture by a Supplemental Indenture satisfactory to the Master Trustee, executed and delivered to the Master Trustee by such person; (b) if all amounts due or to become due on any outstanding Related Bonds which bear interest that is not includable in gross income under the Code have not been fully paid to the holders thereof (or provision for such payment has not been made in such manner as will result in the defeasance of the Related Financing Documents), the Master Trustee shall have received 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 the date of the delivery of any such Related Bonds, would not cause the interest payable on such Related Bonds to become includable in gross income under the Code or adversely affect the validity of such Related Bonds; and (c) there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Agent to the effect that immediately following such transaction, (A) no Event of Default then exists nor, to such officer's knowledge, does there exist any event which, with the passage of time or the giving of notice or both, would or might become an Event of Default under the Master Indenture, and (B) either (1) if one dollar of Additional Indebtedness were incurred, the Obligated Group would meet the tests providing for the incurrence of Long-Term Indebtedness described in subsection (a)(i) or (ii) under the heading Additional Long-Term Indebtedness (assuming for purposes of such Certificate that the Income Available for Debt Service and Indebtedness of such person were Income Available for Debt Service and Indebtedness of an Obligated Issuer), or (2) such transaction will cure any Event of Default then in existence under the Master Indenture, or (3) by reason of such transaction, the Projected Debt Service Coverage Ratio for each of the two Fiscal Years following such release will be greater than the Projected Debt Service Coverage Ratio for such Fiscal Years had such transaction not occurred, and (C) the combined fund balance and net worth, as the case may be, of the Obligated Group will not be less than 90% of such combined fund balance and net worth immediately prior to such transaction.

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.

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 as may be appropriate.

Permitted Encumbrances

No Obligated Issuer will create or suffer to be created or to exist (or permit any Restricted Affiliate to create or suffer to be created or to exist) any Lien upon any of their Property including, without limitation, all proceeds thereof, whether cash or non-cash, now owned or after acquired by any of them, other than Permitted Liens.

Disposition of Property

Each Obligated Issuer agrees that neither it will sell, lease or otherwise dispose of any Property, except for sales, leases or other dispositions of Property:

(a) To another member of the Obligated Group;

(b) To any person if prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate stating that, in the judgment of the officer executing such certificate, such Property has become, or within the next succeeding 24 calendar months is reasonably expected to become, inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property;

(c) To any person provided that prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Agent certifying (1) that Property transferred pursuant to this section in the then-current Fiscal Year by all Obligated Issuers does not exceed 5% of the Value of all Property of the Obligated Group for the immediately preceding Fiscal Year and (2) that Property transferred pursuant to this section in the then-current Fiscal Year and in each of the immediately preceding three Fiscal Years by all Obligated Issuers does not in the aggregate exceed 15% of the Value of all Property of the Obligated Group for the immediately preceding Fiscal Year;

(d) To any person provided that prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Agent, to the effect that immediately after the transfer in question, either (1) if one dollar of Additional Indebtedness were incurred, the Obligated Group would meet the test providing for the incurrence of Long-Term Indebtedness pursuant to subsection (a)(i) or (ii) above contained under the heading Additional Long-Term Indebtedness or (2) such disposition will increase the Projected Debt Service Coverage Ratio in the Fiscal Year immediately following such disposition over what such ratio would have been in such Fiscal Year had such disposition not occurred;

(e) As part of a merger, consolidation, sale or conveyance permitted under the heading "Certain Covenants of the Obligated Issuers";

(f) In the ordinary course of business;

(g) To any person in connection with an operating lease of Property to such person;

(h) Upon fair and reasonable terms no less favorable than would be obtained in a comparable arm's-length transaction;

(i) To any person if the transfer involves any Property received as restricted gifts, grants, bequests or other similar sums or the income thereon, to the extent that such sums may not be pledged or applied to the payment of any Debt Service Requirement or operating expenses generally as a result of restrictions or designations imposed by the donor or maker of the gift, grant, bequest or other sums in question; or

(j) To any person so long as such Property is not encumbered by the Master Deed of Trust and the amount of Property transferred pursuant to this subsection (j) in any Fiscal Year shall not exceed $5,000,000.

To the extent that any Property of the Corporation that is permitted to be sold, leased or otherwise disposed of under the foregoing is encumbered by the Master Deed of Trust or the Master Indenture, upon receipt of an Officer's Certificate directing the Master Trustee to execute a release and/or termination statement with respect to such property to be sold, the Master Trustee shall execute and deliver to the Corporation a release and/or termination statement with respect to such property; provided, however, that no real property encumbered by the Master Deed of Trust shall be sold, leased or otherwise disposed of unless (1) such sale, lease or disposition is permitted under one of the provisions above and the Value of the Property being sold, leased or otherwise disposed of does not exceed $2,500,000 or (2) such Property is sold for fair market value (as determined by an appraisal delivered to the Master Trustee), provided that if such sale is of real property having an aggregate Book Value in excess of $15,000,000, the Corporation shall deliver to the Master Trustee an Officer's Certificate of the Obligated Group Agent to the effect that immediately after the transaction in question the Obligated Group (i) will have a Days Cash on Hand Ratio equal to or greater than 50 and (ii) will be in compliance with the provisions of the Master Indenture relating to rates and charges. In the event that any Property is released from the Master Deed of Trust pursuant to clause (2) of the immediately preceding sentence, the consideration received by the Corporation from the sale of such Property shall be applied to acquisition, construction or equipping of facilities for use by the Obligated Group or to the optional redemption or defeasance of outstanding Related Bonds, provided, however, that if outstanding Related Bonds are insured by the Bond Insurer at the time of such sale, the Bond Insurer shall be entitled to approve the application of any such consideration that is not used to redeem or defease Related Bonds and may in connection with any such approval required the Obligated Group to encumber additional real property pursuant to the Master Deed of Trust with a Value not less than the Value of the Property being released.

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

The Obligated Group Agent covenants that it will:

(a) As soon as practicable but in no event later than four months after the end of each Fiscal Year, file, or cause to be filed, with the Master Trustee and, if such persons are then providing a rating with respect to Obligations or any Related Bonds, with each Rating Agency, (i) a combined or consolidated revenue and expense statement of the Corporation, and each other Obligated Issuer, for such Fiscal Year and (ii) a combined or consolidated balance sheet of the Corporation and each other Obligated Issuer as of the end of such Fiscal Year, each accompanied by the required report of an Accountant.

(b) As soon as practicable but in no event later than four months after the end of each Fiscal Year, file with the Master Trustee, an Officer’s Certificate of the Obligated Group Agent stating the Historical Debt Service Coverage Ratio and the Historical Maximum Annual Debt Service Coverage Ratio for such Fiscal year, stating that all insurance required by the Master Indenture has been obtained and is in full force and effect, and stating whether or not to the best knowledge of the signers, any Obligated Issuer 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, and an Officer’s Certificate stating the Historical Debt Service Coverage Ratio and the Historical Maximum Annual Debt Service Coverage Ratio for such fiscal year, provided, if either such ratio is less than 1.75 to 1.00, such Officer’s Certificate shall be accompanied by a certificate of the accountant whose report accompanies the financial statements referred to in (a) above stating such ratios.

(c) 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 group of companies of which it is a member) as the Master Trustee may from time to time reasonably request, excluding specifically donor records, patient records and personnel records and (ii) provide access to its Facilities for the purpose of inspection by the Master Trustee during regular business hours or at such other times as the Master Trustee may reasonably request.

(d) Within 10 days after its receipt thereof, file with the Master Trustee a copy of each report which any provision of the Master Indenture requires to be prepared by a Consultant or an insurance consultant.

(e) As soon as practicable, but in no event later than 45 days after the end of each fiscal quarter, file, or cause to be filed, with the Master Trustee (i) a combined or consolidated revenue and expense statement of the Corporation and each other Obligated Issuer for such quarter, and (ii) a combined consolidated balance sheet presented on the basis described in (i) above as of the end of such quarter.

(f) Cause the information described in subsections (a), (b) and (e) above, including the calculations described in subsections (b) and (e) above, in each case any holder of $1,000,000 or more in aggregate principal amount of Related Bonds who has requested such of the Corporation in writing (it being understood that such request may be a standing request).

Rates and Charges

Each Obligated Issuer covenants and agrees to operate, and to cause each of its Restricted Affiliates to operate on a revenue producing basis and to charge, and to cause each of its Restricted Affiliates to charge, such fees and rates for its Facilities and services and to exercise, and to cause each of its Restricted Affiliates to exercise, such skill and diligence as to provide income from its Property together with other available funds sufficient to pay promptly all payments of principal and interest on its Indebtedness, all expenses of operation, maintenance and repair of its Property and all other payments required to be made by it under the Master Indenture to the extent permitted by law, and to use its best efforts to maintain in each Fiscal Year beginning with the Fiscal Year ending June 30, 2001 a ratio of Total Income Available For Debt Service to Maximum Annual Debt Service at least equal to 1.30. Each Obligated Issuer further covenants and agrees that it will from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of this Section.

If in any Fiscal Year beginning with the Fiscal Year ending June 30, 2001 the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group is less than 1.30, the Master Trustee shall require the Obligated Group, at the expense of the Obligated Group, to retain a Consultant to make recommendations with respect to the rates, fees and charges of the Obligated Group and its methods of operation and other factors affecting its financial condition in order to increase such Historical Maximum Annual Debt Service Coverage Ratio to at least 1.30.

A copy of the Consultant's report and recommendations, if any, and any written responses from management of the Corporation, shall be filed with each Obligated Issuer, the Master Trustee, each Related Bond Trustee and each Related Issuer and, upon written request to the Corporation, any holder of at least $1,000,000 in aggregate principal amount of Related Bonds. Each Obligated Issuer shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined by the Governing Body of such Obligated Issuer) and permitted by law. This Section shall not be construed to prohibit any Obligated Issuer from serving indigent patients to the extent required for such Obligated Issuer to continue its qualification as a Tax-Exempt Organization or from serving any other class or classes of patients without charge or at reduced rates so long as such service does not prevent the Obligated Group from satisfying the other requirements of this Section. So long as the Obligated Group shall retain a Consultant and shall follow such Consultant's recommendations to the extent permitted by law, this Section shall be deemed to have been complied with even if such ratio for any subsequent Fiscal Year is below 1.30:1; provided, however, that in no event shall the Historical Maximum Annual Debt Service Coverage Ratio for any year be less than 1.00:1.

Notwithstanding the provisions of the immediately preceding paragraph, if by the end of the second Fiscal Year after the Fiscal Year (beginning with the Fiscal Year ending June 30, 2001) for which the Obligated Group failed to achieve a Historical Maximum Annual Debt Service Coverage Ratio of at least 1.30:1 the Obligated Group has not achieved a Historical Maximum Annual Debt Service Coverage Ratio of at least 1.30:1, the Obligated Group shall be deemed to be in violation of the provisions of the Master Indenture.

The selection of any Consultant retained pursuant to this section and the scope of such Consultant's activities and recommendations shall be subject to the approval of the MBIA and ratification by each of the Holders of the two largest principal amounts of Uninsured Obligations; provided that the ratification by such Holders shall not be unreasonably withheld.

Liquidity Covenant

The Obligated Group shall maintain Unrestricted Liquid Funds as of the last day of each Fiscal Year to produce a Days Cash on Hand Ratio equal to or greater than 75 as of the last day of each Fiscal Year.

Accreditation

The Corporation shall not fail to maintain any accreditation status currently held by the Corporation with respect to its hospital facilities unless it provides the Master Trustee with a Consultant's opinion to the effect that failure to maintain any such accreditation will not adversely affect the Corporation's hospital facilities. Notwithstanding the foregoing, this Section shall not be construed to require the Corporation to continue to operate any hospital facility or to maintain any accreditation for any hospital facility that is closed.

Interest Rate Swap Obligations

The members of the Obligated Group may not enter into a Hedge Agreement without the prior written consent of the Bond Insurer (so long as any outstanding Related Bonds are insured by the Bond Insurer) unless the following conditions are met:

(a) The Hedge Agreement must be entered into as a hedge against (i) swaps currently outstanding (as in basis swaps or reverse swaps), or (ii) debt then outstanding or to be issued, or (iii) as a means of achieving forward transactions, or (iv) against assets held at the time of the execution of the Hedge Agreement;

(b) The Hedge Agreement does not contain any element of leverage or multiplier component in excess of 1.0x unless there is a matching hedge arrangement which effectively offsets the exposure from any such element or component;

(c) If an amount equal to the Maximum Adverse Termination Payment (as defined below) of all of the Hedge Agreements of the Obligated Group, then in effect and those to be executed, determined as noted in (i) and (ii) below, at the time the new Hedge Agreement is to be entered into were excluded from unrestricted cash and investments, the Days Cash on Hand Ratio would still be satisfied;

(i) The Obligated Group Agent shall calculate the Maximum Adverse Termination Amount in three steps. First, the Obligated Group Agent will determine the actual mark-to-market value of all existing Hedge Agreements of the Obligated Group using standard mark-to-market methodology. Second, the Obligated Group Agent will calculate the Adverse Termination Amount (as defined below) of the contemplated derivative based on (ii) below. Third, the Adverse Termination Amount of the contemplated Hedge Agreement will be added to the actual mark-to-market value of all existing Hedge Agreements.

(ii) The methodology for calculating the Adverse Termination Amount for the contemplated Hedge Agreement depends on the type of swap it is. If the contemplated swap is a floating-to-fixed interest rate swap, a fixed-to-floating interest rates swap, or an option to enter into or cancel either of those structures, the Obligated Group Agent will calculate the present value of a 150 basis point loss using standard mark-to-market methodology and will assume taxable and tax-exempt rates both shift 150 basis points on the day of the calculation. This will result in the Adverse Termination Amount for the new swap. If the contemplated swap is a basis swap, a fixed spread basis swap, a constant maturity swap, a spread swap, or a similar structure (with or without an option), the Obligated Group Agent will calculate a 50 basis point loss by multiplying the absolute present value of one basis point in the then current market by -50 (negative fifty), to reflect an adverse change in ratios, spreads, rates, and other market conditions. This will result in the Adverse Termination Amount for the new swap.

(d) The Obligated Group's counterparty (or its guarantor) shall be rated at least "A+" or "A1" by a Rating Agency at the time the Hedge Agreement is entered into and a Credit Support Annex shall, or is required to,

be executed to provide for collateral on a schedule that incorporates a zero threshold amount if any rating is below BBB+/Baa1;

(e) Termination payments are payable only if and to the extent that after such payment the Obligated Group: (a) would still be in compliance with its Days Cash on Hand Ratio, assuming such payment had been excluded from unrestricted cash and investments in making such liquidity calculation and (b) would not be in default;

(f) Collateral for the payments due under the Hedge Agreement can be posted only to the extent that after such posting the Obligated Group would still be in compliance with the Days Cash on Hand Ratio assuming such posting had been excluded from unrestricted cash and investments in making such liquidity calculation; and

(g) The uninsured payment due upon termination of any Hedge Agreement shall be subordinate in right of payment to all Obligations under the Master Indenture issued with respect to the Insured Bonds.

(h) The term "Adverse Termination Amount" shall mean the amount if positive that would be required to be paid by a member of the Obligated Group that is the party to a Hedge Agreement upon the termination of the Hedge Agreement calculated in the manner provided in subsection (c)(ii) above, and the term "Maximum Adverse Termination Amount" shall be determined in accordance with subsection (c)(i) above.

Projected Debt Service Coverage Ratio

Anything in the Master Indenture to the contrary notwithstanding, in each instance in the Master Indenture in which the Projected Debt Service Coverage Ratio is to be evidenced by an Officer's Certificate, such Projected Debt Service Coverage Ratio must also be evidenced by a Consultant's report unless the Projected Debt Service Coverage Ratio in such Officer's Certificate is greater than 1.75:1.00.

Defaults and Remedies

The following events are "Events of Default" under the Master Indenture:

(a) failure of any Obligated Issuer to make any payment of principal, redemption price or interest when due under the terms of any Obligations and such failure continues to exist as of the end of any applicable grace period; or

(b) failure of any Obligated Issuer to observe or perform any covenant or agreement contained in the Master Indenture or any Related Financing Documents for any Obligations for a period of 30 days after written notice of such failure, requiring the same to be remedied, has been given by the Master Trustee to each of the Obligated Issuers, the giving of which notice shall be at the discretion of the Master Trustee unless the Master Trustee is requested in writing to do so by the holders of at least 25% in aggregate principal amount of all outstanding Obligations, in which event such notice shall be given; provided, however, that if such observance or performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be don, taken or remedied, within such 30-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the defaulting Obligated Issuer shall commence such observance or performance within such 30-day period and shall diligently and continuously prosecute the same to completion; or

(c) (i) default of any Obligated Issuer in the payment of any Indebtedness (other than Obligations issued and outstanding under the Master Indenture), the principal amount of which in the aggregate exceeds 5% of the Book Value of all Property of the Obligated Group for the immediately preceding Fiscal Year, whether such Indebtedness now exists or shall be created after the date of the Master Indenture and any grace period with respect thereto shall have expired, or (ii) any event of default as defined in any Related Financing Documents under which any such Indebtedness may be issued, secured or evidenced shall occur, which default in payment or event of default results in such Indebtedness becoming or being declared due and payable unless within the time allowed for service of a responsive pleading in any proceeding to enforce payment of the Indebtedness under the laws governing such

proceeding (i) the Obligated Issuers commence proceedings to contest the existence or payment of such Indebtedness, and (ii) in the absence of such contest, neither the pledge and security interest created under the Master Indenture nor any Property of the Obligated Group will be materially impaired or subject to material loss or forfeiture; or

(d) bankruptcy, dissolution, liquidation or reorganization in bankruptcy of any Obligated Issuer or other similar events; or

(e) if the Hospital Maximum Annual Debt Service Coverage Ratio of the Obligated Group for any Fiscal Year is less than 1.0 to 1; or

(f) a breach of the Alliance's covenant to file audited financial statements as described above under "Filing of Financial Statements, Certificate of No Default, Other Information" under paragraph (a) thereof shall have occurred and be continuing; or

(g) a breach of the Alliance's "Liquidity Covenant" as described above shall have occurred and be continuing; or

(h) receipt by the Master Trustee of a written notice from the Bank issuing the Letter of Credit securing the 2011E Bonds of an event of default under the Reimbursement Agreement relating to such Bonds and a demand by such Bank for the acceleration of such Bonds.

Upon the occurrence of an Event of Default, the Master Trustee may, by notice in writing to the Obligated Issuers, declare the principal of all (but not less than all) outstanding Obligations to be immediately due and payable provided that the Master Trustee shall be required to make such a declaration (i) if an Event of Default has occurred under subsection (a) above, or (ii) if the Master Trustee is requested to make such a declaration by the Holders of not less than 25% in aggregate principal amount of all outstanding Obligations. If all Events of Default other than nonpayment of amounts that have become due as a result of such declaration are remedied, the Holders of 25% in aggregate principal amount of all Obligations may waive all Events of Default and rescind and annual such declaration of acceleration.

Any acceleration of the principal shall be subject to the condition that if, at any time after the principal of all outstanding Obligations shall have been accelerated, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered: (i) one or more Obligated Issuers shall deposit with the Master Trustee an aggregate sum sufficient to pay (A) all matured installments of interest upon all outstanding Notes and the principal and premium, if any, of all outstanding Notes due otherwise than by acceleration (with interest on overdue installments of interest, to the extent permitted by law and on such principal and premium, if any, at the respective rates borne by such Notes to the date of such deposit) and any other amounts required to be paid pursuant to such Notes, (B) all amounts due under each Indenture Guaranty other than by reason of acceleration, (C) all sums due under any Obligations other than Notes and Indenture Guaranties, other than by reason of acceleration, and (D) the expenses and fees of the Master Trustee; and (ii) any and all Events of Default under the Master Indenture, other than the nonpayment of principal of and accrued interest on outstanding Obligations that have become due by acceleration, shall have been remedied, then and in every such case, the Master Trustee shall, if requested by the Holders of twenty-five percent in aggregate principal amount of all Obligations then outstanding, waive all Events of Default and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or effect any subsequent Event of Default.

The Master Trustee may, at any time that an Event of Default exists, (i) by written notice to the banking institutions in which any Gross Receipts are deposited pursuant to the requirements of the Master Indenture, direct that such funds be immediately transferred to the Master Trustee, and upon receipt of such funds the same shall be held in trust by the Master Trustee and disbursed as provided in the Master Indenture, and (ii) by written notice to the Obligated Issuers direct that all subsequent deposits of Gross Receipts be made with the Master Trustee.

Upon the occurrence of an Event of Default, as described in the Master Indenture, and upon demand of the Master Trustee, each Obligated Issuer will pay to the Master Trustee, for the benefit of the Holders of all

outstanding Obligations, (a) the amount then due and payable on all Obligations for principal or interest, or both, and such other amounts as may be required to be paid on all such Obligations, with interest on the overdue principal and installments of interest (to the extent permitted by law) at the respective rates of interest borne by such Obligations or as is provided in the applicable Supplemental Indenture, and (b) such further amounts sufficient to cover the cost and expenses of collection, including a reasonable compensation to the Master Trustee, its agents, attorneys and counsel, and any expenses incurred by the Master Trustee other than as a result of its gross negligence or bad faith.

The Master Trustee may institute any actions or proceedings at law or in equity for the collection of the sums due and may collect such sums in the manner provided by law out of the Property of the Obligated Issuer wherever situated.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of any Obligated Issuer, or in case a receiver or trustee shall have been appointed for its Property, the Master Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal, premium, if any, interest and any other amounts owing and unpaid in respect of Obligations, and, in case of any judicial proceedings, to file such proofs of claim and other papers as may be necessary or advisable in order to have the claims of the Master Trustee and of the Holders of the Obligations allowed in such judicial proceedings relative to such member of the Obligated Group, its creditors or its Property, and to collect and receive any moneys or other Property payable or deliverable on any such claim and to distribute the same after the deduction of its charges and expenses.

All rights of action and rights to assert claims under any Obligation may be enforced by the Master Trustee without the possession of such Obligation. In any proceedings brought by the Master Trustee (and also any proceedings involving the interpretation of any provision of the Master Indenture to which the Master Trustee shall be a party) the Master Trustee shall be held to represent all the Holders of Obligations, and it shall not be necessary to make any Holders of Obligations parties to such proceedings.

Application of Moneys Collected

Any amounts collected by the Master Trustee in connection with the exercise of any rights and remedies following an Event of Default and, except as otherwise provided in the Master Indenture, all money and Investment Securities on deposit in any funds which the Master Trustee may establish under the Master Indenture from time to time shall be applied for the equal and ratable benefit of the Holders of Obligations in the following order at the date or dates fixed by the Master Trustee for the distribution of such moneys, upon presentment of such Obligations, and stamping thereon the payment, if only partially paid, and upon surrender thereof if fully paid:

(a) to the payment of costs and expenses of collection, including fees of Counsel and reasonable compensation to the Master Trustee; and, thereafter,

(b) whether or not the principal of all outstanding Obligations shall have become or have been declared due and payable to Holders of the outstanding Obligations for amounts due and unpaid on the Obligations, ratably, without preference or priority of any kind, according to the amounts due and payable on the Obligations; provided that for the purpose of determining the unpaid amount of any Obligation, there shall be deducted the amount, if any, which has been realized by the Holder by exercise of its rights as a secured party with respect to any Liens permitted pursuant to the Master Indenture or is on deposit in any fund established pursuant to any Related Financing Documents for such Obligations (other than amounts consisting of payments of principal and interest previously made and credited against the payments due under such Obligations) as of the date of payment by the Master Trustee pursuant to this subsection (b), all as certified to the Master Trustee by the Holder; and

(c) to the payment of the remainder, if any, to the Obligated Group Agent, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

All money drawn under the Letter of Credit securing the Series 2011E Bonds in connection with any Event of Default shall be applied only to the payment of principal and interest on the Series 2011E Bonds.

Actions by Holders

(a) No Holder of an Obligation shall have any right by virtue of or by availing of any provision of the Master Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Master Indenture or for the appointment of a receiver or trustee, or any other remedy, unless the Holders of not less than 25% in aggregate principal amount of Obligations then outstanding shall have made written request upon the Master Trustee to institute such action, suit or proceeding in its own name as Master Trustee and shall have offered to the Master Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities which may be incurred therein or thereby, and the Master Trustee, for 30 days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Master Trustee; it being understood and intended, and being expressly covenanted by the Holder of an Obligation and the Master Trustee, that no one or more Holders of Obligations shall have any right in any manner whatever by virtue of or by availing of any provision of the Master Indenture to affect, disturb or prejudice the rights of any other Holder of an Obligation or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under the Master Indenture, except in the manner therein provided and for the equal, ratable and common benefit of all Holders of Obligations. For the protection and enforcement of these provisions, each and every Holder of an Obligation and the Master Trustee shall be entitled to such relief as can be given either at law or in equity.

(b) The Holder of an Obligation instituting a suit, action or proceeding in compliance with the provisions outlined herein and more fully set forth in the Master Indenture shall be entitled to such suit, action or proceeding to such amounts as shall be sufficient to cover the costs and expenses of collection, including to the extent permitted by applicable law, a reasonable compensation to its Counsel.

(c) Notwithstanding any other provision of the Master Indenture, the right of a Holder of an Obligation to receive payment of the principal of and interest on any Obligation and any other amounts payable thereunder, on or after the respective due dates expressed in such Obligation, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder, provided that any moneys collected through the exercise of rights and remedies of any Holder against any Obligated Issuer pursuant to the Related Financing Documents for an Obligation (other than rights and remedies relating to Liens permitted pursuant to the Master Indenture or to funds and accounts established under such Related Financing Documents) shall be paid over to the Master Trustee or, with the consent of the Holder, collected directly by the Master Trustee.

Direction of Proceedings by Holders

The Holders of 75% in aggregate principal amount of Obligations then outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred on the Master Trustee; provided, however, that, subject to its right to be indemnified in the Master Indenture, the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee, being advised by Counsel, determines that the action so directed may not lawfully be taken, or if the Master Trustee in good faith shall, by a responsible officer or officers of the Master Trustee, determine that the proceedings so directed would be illegal or involve it in personal liability, and provided further that nothing in the Master Indenture shall impair the right of the Master Trustee in its direction to take any action deemed proper by the Master Trustee and which is not inconsistent with such direction by the Holders.

Delay or Omission of Master Trustee

No delay or omission of the Master Trustee, or of any Holder of an Obligation, to exercise any right or power accruing upon an Event of Default shall impair any such right or power, or be construed as a waiver of any Event of Default or an acquiescence therein, nor shall the action of the Master Trustee or of the Holders of Obligations in case of any Event of Default, or in case of any Event of Default and subsequent waiver of such Event of Default, affect or impair the rights of the Master Trustee or of such Holders in respect of any subsequent Event of Default or any right resulting therefrom.

Remedies Cumulative

No remedy under the Master Indenture is intended to be exclusive of any other remedy, but each and every other such remedy shall be cumulative, and shall be in addition to the remedies pursuant to the Master Indenture; and the employment of any remedy under the Master Indenture or otherwise, shall not prevent the concurrent employment of any such other appropriate remedy or remedies. In the pursuit of any such remedies, the Master Trustee shall have and be vested with the rights of a secured creditor under the Tennessee Uniform Commercial Code (or similar laws of other jurisdictions as applicable) with respect to moneys collected by the Master Trustee pursuant to any provision of the Master Indenture, and shall have the power to foreclose any Lien which may be granted to it as Master Trustee under the Master Indenture, all to the extent permitted by law.

Notice of Default

The Master Trustee shall, within 10 days after the occurrence of an Event of Default known to the Trustee, mail to all Holders of Obligations, as the names and addresses of such Holders appear upon the books maintained by the Master Trustee, and, as long as the Initial Obligation remains outstanding, to the MBIA, notice of such Event of Default under the Master Indenture known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice; provided that, except above under "Defaults and Remedies," the Master Trustee shall be protected in withholding such notice if and so long as the Master Trustee in good faith determines that the withholding of such notice is in the interest of the Holders of the Obligations. For purposes of the Master Indenture, matters shall not be considered to be known to the Master Trustee unless an officer of its corporate trust department located at its principal corporate trust office has actual knowledge thereof.

Concerning the Master Trustee

Prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, the Master Trustee undertakes to perform only those duties specifically set forth in the Master Indenture. In case an Event of Default has occurred, the Master Trustee shall exercise the rights and powers vested in it by the Master Indenture, and use the same degree of care and skill as a prudent man under the circumstances in the conduct of its own affairs.

No provision of the Master Indenture shall be construed to relieve the Master Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act, or its own willful misconduct; provided, however, that:

(i) the Master Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Master Trustee, unless it is provided that the Master Trustee was grossly negligent in ascertaining the pertinent facts; and

(ii) the Master Trustee shall not be liable with respect to any action taken or admitted to be taken by it in good faith in accordance with the direction of the Holders of the majority in aggregate principal amount of Obligations then outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee, under the Master Indenture.

Except as otherwise provided in the immediately preceding paragraph:

(a) The Master Trustee may rely and shall be protected in acting or refraining from acting upon various papers or documents believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) An Officer's Certificate (unless otherwise specifically prescribed) shall be sufficient evidence of any request, direction, order or demand of any Obligated Issuer mentioned under the Master Indenture. Any resolution of the Governing Body of an Obligated Issuer may be evidenced to the Master Trustee by copy thereof, certified by the Secretary or an Assistant Secretary of such Obligated Issuer.

(c) The Master Trustee may consult with Counsel, and the advice of such counsel shall be full and complete authorization and protection. The Master Trustee shall be relieved of liability to the Holders of the Obligations and to the Obligated Issuers in respect of any action taken, suffered or omitted by it under the Master Indenture in good faith and in accordance with Counsel's advice.

(d) Prior to the occurrence of an Event of Default under the Master Indenture and after the curing of all Events of Default, the Master Trustee is not bound to make any investigation into facts or matters stated in various papers or documents, unless requested in writing to do so by the Holders of a majority in aggregate principal amount of Obligations then outstanding. As a condition to proceeding with the requested investigation, the Master Trustee, in accordance with the terms of the Master Indenture, may require indemnity against various costs, expenses or liabilities.

(e) The Master Trustee may execute any of the trusts or powers under the Master Indenture or perform any duties under the Master Indenture either directly or by or through agents or attorneys.

(f) The Master Trustee shall be under no responsibility for the approval by it in good faith by an expert or other skilled person for any of the purposes expressed in the Master Indenture.

The recitals contained in the Master Indenture and in the Obligations (other than the Certificate of Authentication on such Obligations) shall be taken as the statements of the Obligated Issuer, and the Master Trustee assumes no responsibility for the correctness thereof. Further, the Master Trustee makes no representations as to the validity or sufficiency of the Master Indenture or the liens and security created thereunder or of the Obligations. The Master Trustee shall not be accountable for the use or application of: any of the Notes or the proceeds of such Obligations, any moneys paid over by the Master Trustee, or any moneys received by any paying agent other than the Master Trustee.

The Master Trustee, in its individual or any other capacity, may become the owner or pledgee of Obligations with the same rights it would have if it were not the Master Trustee under the Master Indenture. Further, the Master Indenture shall not prohibit the Master Trustee from serving as Trustee under any Related Financing Documents or for maintaining a banking relationship with any Obligated Issuer; provided that if the Master Trustee determines that there is a conflict with its duties under the Master Indenture, it shall eliminate the conflict or resign as Master Trustee.

Each Obligated Issuer shall pay, and shall be jointly and severally liable to pay, to the Master Trustee reasonable compensation, reimbursement for all reasonable expenses, disbursement and advances. Each Obligated Issuer shall indemnify, defend and shall be jointly and severally liable to indemnify, the Master Trustee and its officers, directors, employees and agents for, and to hold them harmless against, any loss, liability or expense incurred without gross negligence or willful misconduct on the part of the Master Trustee and arising out of or in connection with the acceptance or administration of such trusts, including the costs and expenses of defending itself against any claim of liability in the premises. The Obligated Issuers' joint and several obligations described in this paragraph shall survive the satisfaction and discharge of the Master Indenture and the resignation, removal and succession of the Master Trustee. Subject only to the rights of any Holder, the Master Trustee shall have an express first and prior lien on any moneys or Investment Securities on the deposit in any funds as security for the payment of all such obligations.

Subject to the first paragraph under this section entitled "Concerning the Master Trustee," any matter may be conclusively proved and established by an Officer's Certificate delivered to the Master Trustee. In the absence of bad faith on the part of the Master Trustee, any such Officer's Certificate shall be full ratification of any action taken, suffered or omitted by the Master Trustee under the provisions of the Master Indenture upon the faith thereof, and the Master Trustee shall not be obligated to make any investigation into the facts stated therein.

The Master Trustee may resign at any time without cause by giving notice as required under the Master Indenture. Further, the Master Trustee may be removed (a) with cause at the direction of the Holders of not less than 66-2/3% in aggregate principal amount of Obligations then outstanding, delivered to the Obligated Group and the Master Trustee, or (b) for any reason at the direction of the Obligation Group Agent if no Event of Default then exists under the Master Indenture. The Master Trustee shall promptly give notice of any removal pursuant to the

previous sentence in writing to each Holder of an Obligation then outstanding. In the case of the resignation and removal of the Master Trustee, a successor Master Trustee may be appointed by the Obligated Group unless an Event of Default exists under the Master Indenture. If an Event of Default exists under the Master Indenture, or if the Obligated Group otherwise fails to appoint a successor in accordance with the terms of the Master Indenture, a successor may be appointed at the direction of the Holders of not less than 66-2/3% in aggregate principal amount of Obligations then outstanding.

Any successor Master Trustee, however appointed, in accordance with the terms of the Master Indenture, shall accept such appointment, and, without further act, shall become vested with all the estates, properties, rights, powers and duties of its predecessor under the Master Indenture as if originally named the Master Trustee. The successor Master Trustee may, however, request that its predecessor execute and deliver an instrument transferring the above and assigning, transferring, delivering and paying over to such successor Master Trustee all moneys or other property then held by the predecessor under the Master Indenture.

Any successor Master Trustee, however appointed, shall be a bank or trust company having together with its Affiliates a combined capital and surplus on a consolidated basis of at least $50,000,000.

Any corporation into which the Master Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Master Trustee shall be a party, or any corporation to which substantially all the business of the Master Trustee may be transferred, shall, subject to the immediately preceding paragraph, be the Master Trustee under the Master Indenture without further act.

Subject to the terms and conditions as set forth in the Master Indenture, the Master Trustee shall have the power to appoint one or more persons not unsatisfactory to the Obligated Group Agent to act as Co-Master Trustee.

Modifications

Each Obligated Issuer, when authorized by a resolution of its Governing Body, and the Master Trustee may, without the consent of the holders of the Obligations then outstanding, enter into a Supplemental Indenture to the Master Indenture to (a) provide for the issuance of any Obligations under the Master Indenture, (b) evidence the addition of an Obligated Issuer or the succession of another corporation to any Obligated Issuer, (c) add additional covenants for the protection of the holders of Obligations, (d) cure any ambiguity or defective provision of the Master Indenture or any Supplemental Indenture in such manner as is not inconsistent with and does not impair the security of the Master Indenture or adversely affect the holders of Obligations of any series of Obligations issued under the Master Indenture, (e) qualify the Master Indenture under the Trust Indenture Act of 1939 or under any similar federal statute hereafter enacted, (f) provide for the establishment of additional funds and accounts, (g) permit the issuance of additional forms of Obligations provided such Obligations are equally and ratably secured with all other Obligations issued under the Master Indenture (except as provided herein), and (h) reflect a change in applicable law.

With the consent of the Holders of not less than a majority in aggregate principal amount of Obligations then outstanding, each Obligated Issuer, when authorized by its Governing Body, and the Master Trustee, may from time to time and at any time enter into a Supplemental Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Master Indenture or of any Supplemental Indenture or of modifying in any manner the rights of the Holders of Obligations; provided, however, that (i) without the consent of the Holders of all Obligations whose Obligations are proposed to be modified, no such supplemental indenture shall effect a change in the times, amounts or currency of payment of the principal of, premium, if any, or interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon or permit the preference or priority of any Obligation over any other Obligation; (ii) without the consent of the Holders of all Obligations then outstanding, no such supplemental indenture shall reduce the aforesaid percentage or affected class of Obligations, the Holders of which are required to consent to any such Supplemental Indenture; (iii) without the consent of the Holders of all Obligations then outstanding, no such supplemental indenture shall effect a change in the conditions for withdrawal as a Member of the Obligated Group; (iv) without the consent of the Holders of all Obligations then outstanding, no such supplemental indenture shall effect a change in the provisions permitting the Holders of 25% in aggregate principal

amount of all outstanding Obligations to direct acceleration upon the occurrence of an Event of Default; and (v) without the consent of the Holders of all Obligations then outstanding, any provision hereof which specifies a percentage of Holders required to take any action hereunder.

Effect of Supplemental Indenture

Upon the execution of any Supplemental Indenture, the Master Indenture shall be modified and amended in accordance therewith, and the respective rights, limitation of rights, obligations, duties, and immunities under the Master Indenture of the Master Trustee, each Obligated Issuer and the Holders of Obligations issued under the Master Indenture shall thereafter be determined, exercised and enforced under the Master Indenture subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Master Indenture.

Satisfaction and Discharge of Indenture

If the Master Trustee receives: (a) an amount which is (i) in the form of (A) cash, or (B) Government Obligations, and (ii) in a principal amount sufficient, together with the interest thereon and any funds on deposit under the Master Indenture and available for such purpose, to provide for the payment of the principal of and premium, if any, and interest on all outstanding Obligations to and including the maturity date or prior redemption or prepayment date thereof; (b) irrevocable instructions to redeem all Obligations to be redeemed prior to maturity and to notify the Holders of each such redemption; and (c) an amount sufficient to pay or provide for the payment of all other sums payable under the Master Indenture by the Obligated Issuers or any thereof, then the Master Indenture shall cease to be of further effect, and the Master Trustee, on demand of the Obligated Group Agent, shall execute all such instruments acknowledging satisfaction of and discharging the Master Indenture as requested by the Obligated Group Agent.

Similarly, the Obligated Issuer of any particular Obligation may provide for the payment thereof at or prior to maturity, and the Obligation so provided for shall thereupon cease to be outstanding under the Master Indenture.

In lieu of the foregoing, the Obligated Issuer of any particular Obligation may deliver to the Holder thereof the amount required under the Related Financing Documents to provide for the payment of the principal, premium, if any, and interest due or to become due in respect of such Obligation and such Obligation shall, upon surrender to the Master Trustee for cancellation, no longer be deemed outstanding under the Master Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE

Security and Pledge

The Bonds will be secured by the Issuer's grant and assignment under the Bond Indenture of (i) the Issuer's interest in the Series 2011 Obligation and the Loan Agreement, including but not limited to all revenues and receipts derived by the Issuer therefrom but excluding certain rights of the Issuer to (a) receive attorney fees under the terms of the Loan Agreement, (b) certain indemnification from the Alliance, (c) receive notices under the Loan Agreement, (d) to make advances under the Loan Agreement and (e) to inspect the projects financed with the Bonds, and (ii) all monies and securities in funds held by the Bond Trustee under the Bond Indenture (other than certain funds to be used to make rebate payments to the United States to preserve the tax-exempt status of the Bonds).

During the occurrence and continuation of an Event of Default under the Bond Indenture, the Bond Trustee will have a claim prior to the Bondholders on the moneys derived from the exercise of remedies under the Bond Indenture for payment of its costs and expenses and the repayment of advances made by it to effect performance of certain covenants in the Bond Indenture. The Bond Trustee, however, shall not have any claim or lien upon or with respect to moneys drawn under the Letter of Credit or the proceeds from the remarketing of Bonds.

Provisions for the Bonds

The Bond Indenture provides for the issuance of the Bonds, their redemption and all other terms pertaining to the Bonds. The Bonds will only be authenticated by the Bond Trustee upon the delivery of certain documents, including the original executed Bond Indenture, the Loan Agreement and the Original Letter of Credit.

Mutilated, lost or destroyed Bonds may be replaced subject to certain conditions specified in the Bond Indenture.

General Covenants and Provisions

The Issuer covenants that it will promptly pay the principal and purchase price of premium, if any, and interest on the Bonds subject to the limited nature of such obligations. The Issuer agrees that the Bond Trustee may enforce all rights of the Issuer under the Loan Agreement whether or not the Issuer is in default under the Bond Indenture.

Creation of Funds

The Bond Indenture provides for the creation of certain trust funds into which the proceeds from the sale of the Bonds, payments made by the Alliance under the Loan Agreement and proceeds from drawings on the Letter of Credit are to be deposited. These trust funds are the Bond Fund, the Construction Fund, the Bond Purchase Fund, and the Rebate Fund. Each of these funds is described below.

Bond Fund. Within the Bond Fund, the Bond Trustee is to create a General Account and a Letter of Credit Account. There is to be deposited in the General Account of the Bond Fund all payments made pursuant to the provisions of the Bond Indenture or the Loan Agreement for credit to the Bond Fund and all income derived from the investment of such amounts. The Bond Trustee will also establish a subaccount within the General Account in the Bond Fund for the purpose of holding all Eligible Moneys therein. Moneys held in the Eligible Money Subaccount of the Bond Fund shall not be commingled with any other funds or accounts. The Bond Trustee will credit to the Letter of Credit Account all moneys drawn by the Bond Trustee under the Letter of Credit to pay the principal of and interest on the Bonds and all income derived from the investment of such moneys. Moneys in the Letter of Credit Account shall not be commingled with any other funds or accounts. Moneys in the Bond Fund shall be used to pay principal, premium, if any, and interest on the Bonds and the redemption price of Bonds.

Project Fund. The moneys in the Project Fund shall be held in trust by the Bond Trustee, shall be applied to the payment of the costs of the projects being financed except to the extent required to be transferred to the Rebate Fund and, pending such application, shall be held as trust funds under the Bond Indenture in favor of holders of the outstanding bonds and for the further security of such holders until paid out or transferred as provided in the Bond Indenture.

Bond Purchase Fund. Within the Bond Purchase Fund, the Bond Trustee is to create a General Account and a Letter of Credit Account. There shall also be established a subaccount within the General Account for the purpose of holding Eligible Moneys therein. Moneys in the Bond Purchase Fund shall be used solely for the payment of the purchase price of the Bonds in the event of any purchase of Bonds at the option of the holder or on a Mandatory Tender Date. Payments received from the proceeds of the remarketing of the Bonds by the Remarketing Agent and all other moneys received by the Bond Trustee under the terms of the Bond Indenture or the Loan Agreement which are required to be deposited in the Bond Purchase Fund shall be credited to the General Account. All moneys drawn by the Bond Trustee under the Letter of Credit for the purchase of Bonds pursuant to the terms of the Bond Indenture and all income derived from the investment of such moneys shall be credited to the Letter of Credit Account. All moneys in the Bond Purchase Fund remaining on any Optional Tender Date or Mandatory Tender Date after payment of the purchase price of the Bonds purchased shall be paid to the Bank if the Bond Trustee receives prior notice from the Bank stating that certain specified amounts are due and payable to the Bank under the Reimbursement Agreement and any balance remaining after payment to the Bank shall be paid to the Alliance.

Rebate Fund. Any arbitrage profits to be rebated to the United States are to be held in the Rebate Fund. The Bond Indenture contains provisions regarding the responsibility of an independent rebate analyst to calculate the amount of such arbitrage profits.

Investment of Funds. Moneys (other than Eligible Moneys) held in the General Accounts of the Bond Fund and the Bond Purchase Fund (other than remarketing proceeds) and in the Construction Fund shall be invested by the Bond Trustee as directed by the Alliance in Investment Securities. Moneys held in the Letter of Credit Accounts of the Bond Fund and Bond Purchase Fund for more than two days and Eligible Moneys held in the General Accounts of the Bond Fund and the Bond Purchase Fund (other than remarketing proceeds) shall be invested by the Bond Trustee as directed by the Alliance in Government Obligations. Remarketing proceeds shall not be invested. The Bond Trustee shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient for the purposes thereof. The Bond Trustee shall not be responsible for any losses on investments made in accordance with the Bond Indenture. The Bond Trustee may make any investments through its own bond department or trust investments department.

Events of Default

The Bond Indenture provides that any of the following events shall constitute an Event of Default:

(a) default in the due and punctual payments of any interest on any Bond when the same shall become due and payable; or

(b) default in the due and punctual payment of the principal of any Bond at its maturity or upon mandatory redemption; or

(c) default in the due and punctual payment of the purchase price of Bonds required to be purchased pursuant to the Bond Indenture when payment of such amount has become due and payable; or

(d) receipt by the Bond Trustee of a written notice from the Bank of an event of default under the Reimbursement Agreement and a demand by the Bank for acceleration of the Bonds; or

(e) the occurrence of an "Event of Default" under the Loan Agreement.

Acceleration

Subject to the rights of the Bank to control remedies, upon the occurrence of any Event of Default described in paragraphs (a), (b), (c) or (f) above, the Bond Trustee may, and at the written request of the Bank or the holders of more than 50% in aggregate principal amount of the outstanding Bonds shall, and, upon the occurrence and continuance of an Event of Default described in paragraphs (d) or (e) above, the Bond Trustee shall, by notice in writing delivered to the Issuer, the Alliance and the Bank, declare the principal of all the Bonds immediately due and payable, whereupon the same shall become immediately due and payable, anything in the Bond Indenture or in the Bonds to the contrary notwithstanding. Upon any such acceleration, the Bonds and the interest thereon shall forthwith be paid in accordance with the Bond Indenture. Upon any declaration of acceleration under the Bond Indenture, the Bond Trustee shall immediately declare the payments required to be made by the Alliance under the Loan Agreement to be immediately due and payable in accordance with the Loan Agreement and, if during the Letter of Credit Period, shall draw on the Letter of Credit. Upon such a drawing on the Letter of Credit, the Bond Trustee shall immediately pay to the bondholders an amount equal to the principal of and accrued interest on the Bonds.

Other Remedies

Subject to the rights of the Bank to control remedies, upon the occurrence of an Event of Default under the Bond Indenture, the Bond Trustee shall have the power to proceed with any right or remedy available at law or in equity or by statute, as it may deem best, including any suit, action or special proceeding in equity or at law for the collection of amounts due and to become due under the Bond Indenture and under the Bonds or the performance of any covenant or agreement contained in the Bond Indenture or for the enforcement of any proper legal or equitable remedy as the Bond Trustee shall deem most effectual to protect the rights aforesaid, insofar as such may be authorized by law. The rights specified in the Bond Indenture are to be cumulative to all other available rights, remedies or powers.

No delay or omission to exercise any right or remedy accruing upon any Event of Default under the Bond Indenture shall impair any such right or remedy or shall be construed to be a waiver of any such Event of Default or acquiescence therein; and every such right and remedy may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default under the Bond Indenture, whether by the Bond Trustee or by the bondholders, shall extend to or shall affect any subsequent event of default or shall impair any rights or remedies consequent thereon.

Rights of Bondholders

Upon the occurrence of an Event of Default and if requested to do so by more than two-thirds (2/3) in aggregate principal amount of Bonds then outstanding and being indemnified as provided in the Bond Indenture, the Bond Trustee subject to the provisions of the Bond Indenture, shall be obligated to exercise such one or more of the rights and remedies conferred heretofore as the Bond Trustee, being advised by counsel, shall deem most expedient in the interests of the bondholders and the Bank.

Right of Bondholders to Direct Proceedings

Except in the case of a default under paragraphs (d) and (e) under "Events of Default" and subject to the rights of the Bank to control remedies, the holders of more than two-thirds (2/3) in principal amount of Bonds then outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Bond Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Indenture, or for the appointment of a receiver or any other proceedings under the Bond Indenture.

Application of Moneys

All moneys drawn by the Bond Trustee under the Letter of Credit in connection with any Event of Default shall be deposited in the Letter of Credit Account in the Bond Fund and all other moneys received by the Bond Trustee pursuant to any right given or remedy or action taken under the provisions of the Bond Indenture shall, after payment of all fees and expenses of the Bond Trustee, including, without limitation, the costs and expenses of the proceedings resulting in the collection of such other moneys and of the related expenses, liabilities and advances incurred or made by the Bond Trustee, be deposited in the General Account in the Bond Fund, and all such moneys shall be paid to the Bond Trustee and applied by it as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

> FIRST - to the payment to the persons entitled thereto of all installments of interest then due on the outstanding Bonds (other than Borrower Bonds and Pledged Bonds), in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment of such installment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

SECOND - to the payment to the persons entitled thereto of the unpaid principal of any of the outstanding Bonds which shall have become due (other than Borrower Bonds and Pledged Bonds), in the order of their due dates, with interest on such Bonds at the rate last borne by the Bonds from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full the principal which became due on such Bonds on any particular date, together with such interest, then to the payment thereof ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or privilege;

THIRD - to the payment of any amounts owed with respect to Pledged Bonds or owed by the Alliance to the Bank under the Reimbursement Agreement or other related documents or by the Issuer to the Bank under this Bond Indenture in such order as the Bank directs; and

FOURTH - to the payment of the principal of and interest on the Borrower Bonds in the same order of priority as specified in the first and second clauses.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied FIRST, to the payment of the principal and the interest then due and unpaid on the outstanding Bonds (other than Borrower Bonds and Pledged Bonds), without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Bond over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege, SECOND, to the payment of any amounts owed with respect to Pledged Bonds or owed by the Alliance to the Bank under the Reimbursement Agreement or other related documents or by the Issuer to the Bank under this Bond Indenture in such order as the Bank directs and THIRD to the payment of the principal of and interest on the Borrower Bonds in the same manner as other outstanding Bonds.

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

Subject to the provisions regarding acceleration, whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Bond Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Bond Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable or unless the principal of all of the Bonds has been declared immediately due and payable, in which case application shall be made immediately) 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 provided that such amount of principal is in fact paid on such date. The Bond Trustee shall give such notice to the Holders of the Bonds and the Bank 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 from such moneys to the Holder of any Bonds until such Bond shall be presented to the Bond Trustee.

Rights and Remedies of Bondholders

No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof, for the execution of any trust hereof or for the appointment of a receiver or to enforce any other right or remedy under the Bond Indenture, except subject to the rights of the Bank to control remedies and unless (a) a Default has occurred of which the Bond Trustee has been notified as provided in the Bond Indenture or of which it is deemed to have notice, (b) such Default shall have become an Event of Default and the Holders of more than two-thirds (2/3) in aggregate principal amount of Bonds then outstanding shall have made written request to the Bond Trustee and shall have offered reasonable opportunity to the Bond Trustee either to proceed to exercise the powers granted in the Bond Indenture or to institute such action, suit or proceeding in its own name, and (c) such Bondholders have offered to the Bond Trustee indemnity as provided in the Bond Indenture and the Bond Trustee shall thereafter fail or refuse to exercise the powers granted in the Bond Indenture, or to institute such action, suit or

proceeding in its own name. Such notification, request and offer of indemnity are at the option of the Bond Trustee conditions precedent to the execution of the powers and trusts hereof, and to any action or cause of action for the enforcement hereof, or for the appointment of a receiver or for any other right or remedy under the Bond Indenture. Nothing in the Bond Indenture shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal and purchase price of, and interest on, any Bond at and after the date such payment is due, or the obligation of the Issuer or the Bond Trustee to pay the principal and purchase price of, and interest on, each of the Bonds to the respective Holders thereof at the time, place, from the source and in the manner expressed in the Bonds.

Waivers of Events of Default

Subject to the rights of the Bank to control remedies, the Bond Trustee shall waive any Event of Default under the Bond Indenture and its consequences upon the written request of the holders of more than 50% in aggregate principal amount of all Bonds then outstanding, provided, however, that there shall not be waived

(a) any Event of Default pertaining to the payment of the principal or purchase price of any Bond at its maturity, Redemption Date, or Tender Date, or

(b) any Event of Default pertaining to the payment when due of the interest on any Bond unless prior to such waiver, all arrears of interest and all principal or purchase price payments in respect of which such Event of Default shall have occurred, with interest thereon (to the extent permitted by law) for the period from the occurrence of such Event of Default until paid in full at a rate per annum equal to the interest rate payable on the Bonds from time to time during such period in accordance with the terms of the Bonds, and all expenses of the Bond Trustee in connection with such Event of Default, shall have been paid or provided for, and in case of any such waiver, or in case any proceeding taken by the Bond Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely to the Bond Trustee, then and in every such case the Issuer, the Bond Trustee, the Bank and the Bondholders shall be restored to their former positions and rights under the Bond Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default, or impair any right consequent thereon, or

(c) any Event of Default described in paragraphs (d) or (e) under "Events of Default."

If a declaration of acceleration is made pursuant to the Bond Indenture, then and in every such case, the Bond Trustee shall upon the written request of more than two-thirds (2/3) in principal amount of all Bonds then outstanding rescind and annul such declaration, and the consequences thereof, provided that at the time such declaration is rescinded and annulled:

(1) no judgment or decree has been entered for the payment of any moneys due pursuant to the Bonds;

(2) all arrears of interest on all of the Bonds and all other sums payable under the Bonds (except as to principal of, and interest on, the Bonds which have become due and payable by reason of such declaration) shall have been duly paid;

(3) each and every Event of Default under the Bond Indenture shall have been waived pursuant to the preceding paragraph or otherwise made good or cured; and

(4) no drawing shall have been made under the Letter of Credit in connection with or as a result of such declaration of acceleration;

and, provided further, that no such rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon. Notwithstanding the foregoing, neither the Bond Trustee nor the Bondholders shall have the right to waive an Event of Default described in paragraphs (d) or (e) under "Events of Default."

Rights of Bank to Control Remedies and Other Proceedings

Subject to the next paragraph, the Bank shall be entitled to control and direct the enforcement of all remedies and rights granted to the Holders of the Bonds and to the Bond Trustee under the Bond Indenture and all proceedings related thereto, including, without limitation,

(a) the right of the Holders of more than two-thirds (2/3) in aggregate principal amount of outstanding Bonds to request the acceleration of the principal of the Bonds;

(b) the right of the Holders of more than 50% in aggregate principal amount of outstanding Bonds to request the Bond Trustee to exercise certain remedies and direct the time, method and place of conducting all proceedings;

(c) the right to institute any suit, action or proceeding, pursuant to the Bond Indenture; and

(d) the right of the Holders of more than two-thirds (2/3) in aggregate principal amount of outstanding Bonds to waive any Event of Default or to rescind a declaration of acceleration of the principal of the Bonds;

provided that notwithstanding anything in the Bond Indenture to the contrary, the Bank may not direct the Bond Trustee not to accelerate the principal amount of the Bonds and draw on the Letter of Credit upon an Event of Default specified in paragraphs (a), (b) or (c) under "Events of Default."

All rights and remedies given to the Bank in the Bond Indenture and the Loan Agreement are expressly conditioned upon the Bank not being in default in the performance of its obligations under the Letter of Credit, and the Bank shall have no rights or remedies under the Bond Indenture or under the Loan Agreement if it is in default in such performance.

The Bond Trustee

After any Event of Default, the Bond Trustee shall exercise the rights and powers vested in it by the Bond Indenture with the degree of care and skill in their exercise as a prudent man would exercise in the conduct of his own affairs. Otherwise, the Bond Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Bond Indenture, and no implied agreements or obligations shall be read into the Bond Indenture against the Bond Trustee. The Bond Trustee may execute its trusts through its employees, agents or attorneys, and the Bond Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it. In carrying out its duties, the Bond Trustee may rely on any document believed by it to be genuine and to have been signed by the proper person and in determining the existence or nonexistence of any fact or the validity of any instrument, the Bond Trustee may rely on certificates provided by the Issuer or the Alliance.

The Bond Trustee is not required to take notice of any Event of Default under the Bond Indenture except failure by the Issuer to make payments on the Bonds, an Act of Bankruptcy of which it is given notice or Events of Default described in paragraphs (d) or (e) under "Events of Default." Before taking any action under the Bond Indenture or the Loan Agreement other than making a draw on the Letter of Credit, the Bond Trustee may require that a satisfactory indemnity bond be furnished. The Bond Trustee is not responsible for the tax-exempt status of the Bonds. The Bond Trustee is entitled to the payment of its reasonable fees and expenses.

The Bond Trustee may resign by giving written notice to the Issuer, the Alliance, the Bank and the Bondholders, provided that such resignation will not take effect until a successor trustee is appointed. The Bond Trustee may be removed at the written request of the holders of more than two-thirds (2/3) in the principal amount of the outstanding Bonds or by the Alliance (provided no Default or Event of Default has occurred under the Bond Indenture). The holders of more than two-thirds (2/3) in the principal amount of the outstanding Bonds may appoint a successor trustee.

The Bond Trustee will serve as Paying Agent under the Bond Indenture. The Paying Agent may resign by giving written notice to the Issuer, the Trustee, the Alliance, the Bank and the Bondholders, provided that such resignation will not take effect until a successor paying agent is appointed. The Paying Agent may be removed at the written request of the holders of more than [50%] in the principal amount of the outstanding Bonds or by the Alliance (provided no Default or Event of Default has occurred under the Bond Indenture). The holders of more than [50%] in the principal amount of the outstanding Bonds may appoint a successor paying agent.

The Remarketing Agent

The Remarketing Agent will set the interest rate on the Bonds, will remarket the Bonds upon purchase and will perform such other duties as are required under the Bond Indenture. The Remarketing Agent may resign by giving 30 days' notice to the Issuer, the Alliance, Bank and Bond Trustee provided that no such resignation shall take effect until a successor Remarketing Agent has been appointed. The Remarketing Agent may be removed from time to time by the Alliance.

Supplemental Bond Indentures

The Issuer and the Bond Trustee, without the consent of any of the bondholders may enter into an indenture or indentures supplemental to the Bond Indenture, as shall not be inconsistent with the terms and provisions thereof for any one or more of the following purposes: (a) to cure any ambiguity or formal defect or omission in the Bond Indenture or between the terms and provisions of the Bond Indenture and the terms and provisions of any other instrument or document executed in connection therewith or with the issuance of the Bonds; (b) to grant or confer upon the Bond Trustee for the benefit of the Bondholders any additional rights, remedies, power or authority; (c) to subject to the lien of the Bond Indenture additional payments, revenues or collateral; (d) to modify, amend or supplement the Bond Indenture or the bonds in such a manner as to permit qualification thereof under the Trust Indenture Act of 1939 or any federal or state securities law; (e) to evidence the appointment of a co-Bond Trustee or the succession of a new Bond Trustee; (f) to make any other supplement to the Bond Indenture which will not adversely affect the interest of the Bondholders; (g) to obtain or maintain a rating on the Bonds from S&P or Moody's as high as the debt rating of the Bank; (h) to modify or supplement the Bond Indenture in such manner as may be necessary, in the Opinion of Bond Counsel, to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service; or (i) as may be necessary in connection with the provision of a Substitute Letter of Credit meeting the requirements of the Bond Indenture.

Exclusive of supplemental indentures for the purposes described in the preceding paragraph and subject to the terms and provisions of the Bond Indenture, the holders of not less than two-thirds in aggregate principal amount of the bonds then outstanding shall have the right, from time to time, to consent to and approve the execution by the Issuer and the Bond Trustee of such other indenture or indentures supplemental to the Bond Indenture for the purpose of modifying, amending, adding to or rescinding, in any particular, any of the terms of provisions contained in the Bond Indenture; provided, however, that such modification or amendment shall not permit or be construed as permitting without the consent of the holders of all the Bonds outstanding (a) an extension of the maturity of the principal of, premium, if any, or interest on any of the Bonds, (b) a reduction in the principal amount of, premium, if any, or interest rate on, any Bond (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (d) a reduction in the aggregate principal amount of the bonds the holders of which are required to consent to any such supplemental indenture, (e) the creation of a lien ranking prior to or on a parity with the lien of the Bond Indenture on the property conveyed and mortgaged pursuant to the Bond Indenture or the deprivation of such lien or (f) the elimination of any mandatory redemption or mandatory purchase of Bonds, extension of the due date for the purchase of the Bonds or call for mandatory redemption or the reduction of the purchase price or Redemption Price for the Bonds.

Any supplemental indenture that affects the rights of the Alliance must be consented to by the Alliance. The Bond Trustee shall also not be required to enter into any supplemental indenture if such action might adversely affect its rights or liabilities. All supplemental indentures entered into during the Letter of Credit Period must be consented to by the Bank.

Amendments to the Loan Agreement

The Issuer may enter into, and the Bond Trustee may consent to, any amendment of or supplement to the Loan Agreement without notice to or consent of any Bondholder, if the amendment or supplement is required (a) by the provisions of the Loan Agreement or the Bond Indenture, (b) to cure any ambiguity, inconsistency or formal defect or omission in the Loan Agreement or between the terms and provisions of the Loan Agreement and the terms and provisions of any other instrument or document executed in connection therewith or with the issuance of the Bonds, (c) to identify more precisely any collateral securing the Bonds, (d) to effect any amendment that does not adversely affect the interests of the Bondholders or (e) to obtain or maintain a rating on the Bonds from S&P or Moody's as high as the debt rating on the Bank.

If an amendment of or supplement to the Loan Agreement without the consent of the Bondholders is not permitted as described in the foregoing paragraph, the Issuer may enter into, and the Bond Trustee may consent to, such amendment or supplement with notice to the Bondholders and with the consent of the holders of at least a two-thirds in principal amount of the Bonds then outstanding. However, no amendment to the Loan Agreement is permitted that would decrease the Trust's unconditional obligation to make payments under the Loan Agreement or that would affect the Trust's obligations as to the use of the proceeds of the Bonds. All amendments to the Loan Agreement entered into during the Letter of Credit Period must be consented to by the Bank.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

Payments

The Alliance covenants to make all payments required by the Loan Agreement, as and when the same become due. Pursuant to the Loan Agreement, the Alliance agrees to make payments of principal, interest and purchase price identical to payments (including payments of principal upon redemption and acceleration) due by the Issuer under the Bonds. The obligations of the Alliance to make payments under the Loan Agreement shall be deemed satisfied to the extent of a corresponding payment made by the Bank to the Bond Trustee under the Letter of Credit. The Alliance also covenants to pay the reasonable fees and expenses of the Bond Trustee and the Issuer.

Special Representations and Covenants

Indemnification. The Alliance agrees that it will indemnify and save harmless the Issuer, City of Johnson, Tennessee, the Bond Trustee, the Remarketing Agent and the Bank from and against all liabilities, losses, expenses and damages arising generally from the operation of the projects financed with the Bonds or the failure of the Alliance to comply with its covenants or any term or condition contained in the Loan Agreement and any documents relating thereto.

Sale of Facilities. The Alliance may not sell, convey or lease the facilities financed or refinanced with the proceeds of the Bonds or any significant portion thereof unless the Alliance delivers to the Bond Trustee an Opinion of Bond Counsel that such sale, conveyance or lease will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In connection with any such sale during the Letter of Credit Period, another party may assume the obligations of the Alliance under the Borrower Documents, and the Alliance may be released from liability therefrom with the written consent of the Bank.

Miscellaneous Covenants. The Alliance agrees to notify the Bank, the Issuer and the Bond Trustee if a petition in bankruptcy is filed against it.

Events of Default and Remedies on Default

The occurrence of any of the following events shall constitute an event of default under the Loan Agreement:

(a) If the Alliance shall fail to make any payment with respect to the principal and purchase price of or interest on the Bonds when the same becomes due and payable.

(b) If the Alliance shall fail to observe or perform any of its other covenants, conditions, or agreements under the Loan Agreement for a period of 30 days after notice (unless the Bank shall consent to an extension of such time), or in the case of any such default that cannot be cured within such 30-day period, if the Alliance shall fail to take corrective action to cure such default and diligently pursue such action until such failure is cured.

(c) If the Alliance shall (1) fail to pay generally its debts as they become due, (2) commence a voluntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law, (3) consent or fail to object to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for the Alliance or any substantial part of its property, or to the taking possession by any such official of any substantial part of the property of the Alliance, (4) make any assignment for the benefit of creditors, or (5) take corporate action in contemplation or in furtherance of any of the foregoing.

(d) If there shall occur the commencement of a voluntary or involuntary case by or against the Alliance under the Federal bankruptcy laws, as now or hereinafter constituted, provided, however, that if an involuntary case in bankruptcy is commenced against the Alliance prior to the 120th day before payment of the

Bonds (whether at maturity, by acceleration, demand for prepayment, call for redemption or otherwise), the filing of such petition shall not constitute an Event of Default if such petition is dismissed, subject to no further review, within 60 days thereafter.

(e) If any warranty, representation or other statement by or on behalf of the Alliance contained in the Loan Agreement or in any instrument furnished in connection with the issuance or sale of the Bonds shall prove to have been false or misleading in any material respect at the time it was made or delivered.

(f) If an Event of Default under the Bond Indenture shall occur and continue.

Upon an occurrence of an Event of Default, the Bond Trustee shall immediately notify the Bank and may:

(a) With the written consent of the Bank (provided such written consent shall not be required (1) if there is no Letter of Credit, or (2) if the Event of Default is due to the fact that there has been a default in the payment of the principal and purchase price or interest on the Bonds), declare all payments under the Loan Agreement and the Bonds to be immediately due and payable in an amount sufficient to pay all the principal of and premium, if any, and accrued interest on the Bonds, whereupon the same shall become immediately due and payable.

(b) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Loan Agreement or to enforce observance or performance of any covenant, condition or agreement of the Alliance.

Option to Prepay Obligations under Loan Agreement

The Alliance shall have the option to prepay its obligations under the Loan Agreement in whole or in part to the extent that the Bonds are redeemable under the provisions of the Bond Indenture. If the Alliance intends that such prepayment shall result in a redemption in whole or in part of the Bonds, the Alliance shall take such action as is required under the Bond Indenture to cause the Bonds to be redeemed. In the event the Alliance intends that such prepayment to cause the discharge of the lien of the Bond Indenture under the provisions thereof, the Alliance shall comply with such provisions.

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APPENDIX E

PROPOSED FORMS OF OPINIONS OF BOND COUNSEL

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[Opinion of Bass Berry Sims]

October 19, 2011

The Health and Educational Facilities Board
of the City of Johnson City, Tennessee
Johnson City, Tennessee

The Bank of New York Mellon Trust Company, N.A.,
Bond Trustee and Master Trustee
St. Louis, Missouri

U.S. Bank National Association
St. Louis, Missouri

PNC Bank, National Association
Pittsburgh, Pennsylvania

Merrill Lynch, Pierce, Fenner & Smith Incorporated
New York, New York

Re: The Health and Educational Facilities Board of the City of Johnson City, Tennessee $_____ Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011A and $_____ Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011B

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by The Health and Educational Facilities Board of the City of Johnson City, Tennessee (the "Issuer") of its $_____ Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011A (the "Series 2011A Bonds") and its $_____ Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011B (the "Series 2011B Bonds" and together with the Series 2011A Bonds, the "Series 2011 Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. Reference is made to the forms of the Series 2011 Bonds for additional information concerning their details, payment and redemption provisions and the proceedings pursuant to which they were issued.

The Series 2011A Bonds are issued pursuant to a Bond Trust Indenture dated as of October 1, 2011 (the "Series 2011A Bond Indenture"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Series 2011A Bond Trustee"). The proceeds from the sale of the Series 2011A Bonds will be loaned by the Board to Mountain States Health Alliance, a not-for-profit corporation incorporated under the laws of the State of Tennessee (the "Alliance"), under a Loan Agreement dated as of October 1, 2011 (the "Series 2011A Loan Agreement"), between the Issuer and the Alliance, which loan will be evidenced by the $_____ Mountain States Health Alliance Note, Series 2011A (The Health and Educational Facilities Board of the City of Johnson City, Tennessee) (the "Series 2011A Obligation") issued pursuant to an Amended and Restated Master Trust Indenture dated as of February 1, 2000, as heretofore amended and as amended by a Thirty-First Supplemental Master Trust Indenture dated as of October 1, 2011 (collectively, the "Master Indenture"), between the Alliance and The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee"). Under the Series 2011A Loan Agreement and the Series 2011A Obligation, the Alliance has agreed to make payments to be used to pay when due the principal of and premium, if any, and interest on the Series 2011A Bonds, and such payments and other revenues under the Series 2011A Loan Agreement and the Series 2011A Obligation (collectively, the "2011A Revenues") and the rights of the Issuer under the Series 2011A Loan Agreement (except certain rights to indemnification, reimbursement and administrative fees) are pledged and assigned by the Issuer as security for the Series 2011A Bonds.

U.S. Bank National Association, a national banking association (the "U.S. Bank"), has issued an irrevocable letter of credit dated the date hereof (the "2011A Letter of Credit") to secure payment of the principal of and up to 37 days' accrued interest on the Series 2011A Bonds which expires, unless extended, on _____.

The Series 2011A Bonds are payable solely from the 2011A Revenues and draws on the 2011A Letter of Credit.

The Series 2011B Bonds are issued pursuant to a Bond Trust Indenture, dated as of October 1, 2011 (the "Series 2011B Bond Indenture"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Series 2011B Bond Trustee"). The proceeds from the sale of the Series 2011B Bonds will be loaned by the Board to Mountain States Health Alliance, a not-for-profit corporation incorporated under the laws of the State of Tennessee (the "Alliance"), under a Loan Agreement dated as of October 1, 2011 (the "Series 2011B Loan Agreement"), between the Issuer and the Alliance, which loan will be evidenced by the $_____ Mountain States Health Alliance Note, Series 2011B (The Health and Educational Facilities Board of the City of Johnson City, Tennessee) (the "Series 2011B Obligation") issued pursuant to an Amended and Restated Master Trust Indenture dated as of February 1, 2000, as heretofore amended and as amended by a Thirty-First Supplemental Master Trust Indenture dated as of October 1, 2011 (collectively, the "Master Indenture"), between the Alliance and The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee"). Under the Series 2011B Loan Agreement and the Series 2011B Obligation, the Alliance has agreed to make payments to be used to pay when due the principal of and premium, if any, and interest on the Series 2011B Bonds, and such payments and other revenues under the Series 2011B Loan Agreement and the Series 2011B Obligation (collectively, the "2011B Revenues") and the rights of the Issuer under the Series 2011B Loan Agreement (except certain rights to indemnification, reimbursement and administrative fees) are pledged and assigned by the Issuer as security for the Series 2011B Bonds.

PNC Bank, National Association, a national banking association (the "PNC"), has issued an irrevocable letter of credit dated the date hereof (the "2011B Letter of Credit") to secure payment of the principal of and up to 37 days' accrued interest on the Series 2011B Bonds which expires, unless extended, on _____.

The Series 2011B Bonds are payable solely from the 2011B Revenues and draws on the 2011B Letter of Credit.

Reference is made to an opinion of even date of Anderson, Fugate & Givens, counsel to the Alliance, with respect, among other matters, to the corporate status, good standing and qualification to do business of the Alliance, the corporate power of the Alliance to enter into and perform the Loan Agreements, the Series 2011 Obligations and the Master Indenture and the authorization, execution and delivery of the Loan Agreements, the Series 2011 Obligations and the Master Indenture by the Alliance and with respect to the Loan Agreements, the Series 2011 Obligations and the Master Indenture being binding and enforceable upon the Alliance.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and the Alliance contained in the Bond Indentures and the Loan Agreements, the certified proceedings and other certifications of public officials furnished to us, and certifications furnished to us by or on behalf of the Alliance (including certifications as to the use of bond proceeds and other bond issues which are material to paragraph 4 below), without undertaking to verify the same by independent investigation.

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

1. The Issuer is duly created and validly existing as a public, nonprofit corporation, organized and existing under the laws of the State of Tennessee with the corporate power to enter into and perform the Bond Indenture and issue the Series 2011 Bonds.

2. Each Bond Indenture has been duly authorized, executed and delivered by the Issuer and is a valid and binding obligation of the Issuer enforceable against the Issuer. Each Bond Indenture creates a valid lien on the Revenues and on the rights of the Issuer under the corresponding Loan Agreement (except certain rights to indemnification, reimbursement and administrative fees) for the benefit of the corresponding Series 2011 Bonds.

3. The Series 2011 Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer, payable solely from the Revenues and draws on the applicable Letter of Credit.

4. Interest on the Series 2011 Bonds (a) will not be included in gross income for federal income tax purposes and (b) will not be an item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum income tax on corporations. The foregoing opinion is given in reliance upon certifications by representatives of the Issuer and the Alliance as to certain facts relevant to both the opinion and the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Issuer and/or the Alliance have covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Series 2011 Bonds and the timely payment of arbitrage profits with respect to the Series 2011 Bonds to the United States. Failure by the Issuer or the Alliance to comply with such covenants could cause interest on the Series 2011 Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue. We express no opinion regarding other federal tax consequences arising with respect to the Series 2011 Bonds.

5. The Series 2011 Bonds and the income therefrom shall be exempt from all state, county and municipal taxation in Tennessee except (a) inheritance, gift and estate taxes, (b) excise taxes on all or a portion of the interest on any of the Series 2011 Bonds during the period such Series 2011 Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Series 2011 Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership.

It is to be understood that the rights of the holders of the Series 2011 Bonds and the enforceability of the Series 2011 Bonds and each Bond Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Our services as bond counsel have been limited to rendering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Series 2011 Bonds and the excludability of the interest on the Series 2011 Bonds from gross income for federal income tax purposes. We have not made any investigation concerning the financial resources of the Alliance and, therefore, we express no opinion as to the business or financial resources of the Alliance, its ability to provide for the payment of the Series 2011 Bonds or the accuracy or completeness of any information, including the Preliminary Official Statement dated _____ and the Official Statement dated _____, as both have been supplemented, that may have been relied on by anyone in making the decision to purchase the Series 2011 Bonds.

Very truly yours,

[Opinion of Bass Berry Sims]

October 19, 2011

Industrial Development Authority of Smyth County
Marion, Virginia

The Bank of New York Mellon Trust Company, N.A.,
Bond Trustee and Master Trustee
St. Louis, Missouri

U.S. Bank National Association
St. Louis, Missouri

Merrill Lynch, Pierce, Fenner & Smith Incorporated
New York, New York

Mizuho Corporate Bank, Ltd.,
New York Branch
New York, New York

Re: Industrial Development Authority of Smyth County $_____ Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011C and $_____ Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011D

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Industrial Development Authority of Smyth County (the "Issuer") of its $_____ Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011C (the "Series 2011C Bonds") and its $_____ Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011D (the "Series 2011D Bonds" and together with the Series 2011C Bonds, the "Series 2011 Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. Reference is made to the forms of the Series 2011 Bonds for additional information concerning their details, payment and redemption provisions and the proceedings pursuant to which they were issued.

The Series 2011C Bonds are issued pursuant to a Bond Trust Indenture dated as of October 1, 2011 (the "Series 2011C Bond Indenture"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Series 2011C Bond Trustee"). The proceeds from the sale of the Series 2011C Bonds will be loaned by the Board to Mountain States Health Alliance, a not-for-profit corporation incorporated under the laws of the State of Tennessee (the "Alliance"), under a Loan Agreement dated as of October 1, 2011 (the "Series 2011C Loan Agreement"), between the Issuer and the Alliance, which loan will be evidenced by the $_____ Mountain States Health Alliance Note, Series 2011C (Industrial Development Authority of Smyth County) (the "Series 2011C Obligation") issued pursuant to an Amended and Restated Master Trust Indenture dated as of February 1, 2000, as heretofore amended and as amended by a Thirty-First Supplemental Master Trust Indenture dated as of October 1, 2011 (collectively, the "Master Indenture"), between the Alliance and The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee"). Under the Series 2011C Loan Agreement and the Series 2011C Obligation, the Alliance has agreed to make payments to be used to pay when due the principal of and premium, if any, and interest on the Series 2011C Bonds, and such payments and other revenues under the Series 2011C Loan Agreement and the Series 2011C Obligation (collectively, the "2011C Revenues") and the rights of the Issuer under the Series 2011C Loan Agreement (except certain rights to indemnification, reimbursement and administrative fees) are pledged and assigned by the Issuer as security for the Series 2011C Bonds.

U.S. Bank National Association, a national banking association (the "U.S. Bank"), has issued an irrevocable letter of credit dated the date hereof (the "2011C Letter of Credit") to secure payment of the principal of

and up to 37 days' accrued interest on the Series 2011C Bonds which expires, unless extended, on _____.

The Series 2011C Bonds are payable solely from the 2011C Revenues and draws on the 2011C Letter of Credit.

The Series 2011D Bonds are issued pursuant to a Bond Trust Indenture, dated as of October 1, 2011 (the "Series 2011D Bond Indenture"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Series 2011D Bond Trustee"). The proceeds from the sale of the Series 2011D Bonds will be loaned by the Board to Mountain States Health Alliance, a not-for-profit corporation incorporated under the laws of the State of Tennessee (the "Alliance"), under a Loan Agreement dated as of October 1, 2011 (the "Series 2011D Loan Agreement"), between the Issuer and the Alliance, which loan will be evidenced by the $_____ Mountain States Health Alliance Note, Series 2011D (Industrial Development Authority of Smyth County) (the "Series 2011D Obligation") issued pursuant to an Amended and Restated Master Trust Indenture dated as of February 1, 2000, as heretofore amended and as amended by a Thirty-First Supplemental Master Trust Indenture dated as of October 1, 2011 (collectively, the "Master Indenture"), between the Alliance and The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee"). Under the Series 2011D Loan Agreement and the Series 2011D Obligation, the Alliance has agreed to make payments to be used to pay when due the principal of and premium, if any, and interest on the Series 2011D Bonds, and such payments and other revenues under the Series 2011D Loan Agreement and the Series 2011D Obligation (collectively, the "2011D Revenues") and the rights of the Issuer under the Series 2011D Loan Agreement (except certain rights to indemnification, reimbursement and administrative fees) are pledged and assigned by the Issuer as security for the Series 2011D Bonds.

Mizuho Corporate Bank, Ltd., New York Branch (the "Mizuho"), has issued an irrevocable letter of credit dated the date hereof (the "2011D Letter of Credit") to secure payment of the principal of and up to 37 days' accrued interest on the Series 2011D Bonds which expires, unless extended, on _____.

The Series 2011D Bonds are payable solely from the 2011D Revenues and draws on the 2011D Letter of Credit.

Reference is made to an opinion of even date of Anderson, Fugate & Givens, counsel to the Alliance, with respect, among other matters, to the corporate status, good standing and qualification to do business of the Alliance, the corporate power of the Alliance to enter into and perform the Loan Agreements, the Series 2011 Obligations and the Master Indenture and the authorization, execution and delivery of the Loan Agreements, the Series 2011 Obligations and the Master Indenture by the Alliance and with respect to the Loan Agreements, the Series 2011 Obligations and the Master Indenture being binding and enforceable upon the Alliance.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and the Alliance contained in the Bond Indentures and the Loan Agreements, the certified proceedings and other certifications of public officials furnished to us, and certifications furnished to us by or on behalf of the Alliance (including certifications as to the use of bond proceeds and other bond issues which are material to paragraph 4 below), without undertaking to verify the same by independent investigation.

As to all matters of Virginia law, we have relied upon the attached opinion of Hunton & Williams LLP, Virginia bond counsel.

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

1. The Issuer is duly created and validly existing as a public, nonprofit corporation, organized and existing under the laws of the State of Tennessee with the corporate power to enter into and perform the Bond Indenture and issue the Series 2011 Bonds.

2. Each Bond Indenture has been duly authorized, executed and delivered by the Issuer and is a valid and binding obligation of the Issuer enforceable against the Issuer. Each Bond Indenture creates a valid lien on the Revenues and on the rights of the Issuer under the corresponding Loan Agreement (except certain rights to indemnification, reimbursement and administrative fees) for the benefit of the corresponding Series 2011 Bonds.

3. The Series 2011 Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer, payable solely from the Revenues and draws on the applicable Letter of Credit.

4. Interest on the Series 2011 Bonds (a) will not be included in gross income for federal income tax purposes and (b) will not be an item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum income tax on corporations. The foregoing opinion is given in reliance upon certifications by representatives of the Issuer and the Alliance as to certain facts relevant to both the opinion and the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Issuer and/or the Alliance have covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Series 2011 Bonds and the timely payment of arbitrage profits with respect to the Series 2011 Bonds to the United States. Failure by the Issuer or the Alliance to comply with such covenants could cause interest on the Series 2011 Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue. We express no opinion regarding other federal tax consequences arising with respect to the Series 2011 Bonds.

5. Under current law, interest on the Series 2011 Bonds is exempt from income taxation by the Commonwealth of Virginia and any political subdivision thereof.

It is to be understood that the rights of the holders of the Series 2011 Bonds and the enforceability of the Series 2011 Bonds and each Bond Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Our services as bond counsel have been limited to rendering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Series 2011 Bonds and the excludability of the interest on the Series 2011 Bonds from gross income for federal income tax purposes. We have not made any investigation concerning the financial resources of the Alliance and, therefore, we express no opinion as to the business or financial resources of the Alliance, its ability to provide for the payment of the Series 2011 Bonds or the accuracy or completeness of any information, including the Preliminary Official Statement dated _____ and the Official Statement dated _____, as both have been supplemented, that may have been relied on by anyone in making the decision to purchase the Series 2011 Bonds.

Very truly yours,

[*Opinion of Hunton & Williams LLP]*

October __, 2011

Industrial Development Authority of
Smyth County
Marion, Virginia

Bass, Berry & Sims PLC
Nashville, Tennessee

Industrial Development Authority of Smyth County
Hospital Revenue Bonds
(Mountain States Health Alliance)

Series 2011C	**Series 2011D**
$_____	**$_____**

Ladies and Gentlemen:

We have examined the applicable law, including the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended (the "Act"), and certified copies of proceedings and documents relating to the organization of the Industrial Development Authority of Smyth County (the "Authority") and the issuance and sale by the Authority of its $_____ Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011C (the "Series 2011C Bonds"), and its $_____ Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011D (the "Series 2011D Bonds" and, together with the Series 2011C Bonds, the "Bonds"). Reference is made to the form of the Bonds for additional information concerning their details, payment and redemption provisions and the proceedings pursuant to which they are issued. Terms used but not defined herein are defined in the Bond Indentures, as defined below.

The Series 2011C Bonds are issued pursuant to the provisions of a Bond Trust Indenture dated as of October 1, 2011 (the "Series 2011C Bond Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as Bond Trustee (the "Bond Trustee"). The proceeds of the Series 2011C Bonds are being loaned by the Authority to Mountain States Health Alliance (the "Alliance"), Norton Community Hospital ("Norton") and Smyth County Community Hospital ("Smyth"), pursuant to a Loan Agreement dated as of October 1, 2011 (the "Series 2011C Loan Agreement").

The Series 2011D Bonds are issued pursuant to the provisions of a Bond Trust Indenture dated as of October 1, 2011 (the "Series 2011D Bond Indenture" and, together with the Series 2011C Bond Indenture, the "Bond Indentures"), between the Authority and the Bond Trustee. The proceeds of the Series 2011D Bonds are being loaned by the Authority to the Alliance, Johnston Memorial Hospital ("JMH") and Smyth pursuant to a Loan Agreement dated as of October 1, 2011 (the "Series 2011D Loan Agreement" and, together with the Series 2011C Loan Agreement, the "Loan Agreements"). Pursuant to the Loan Agreements, the Authority assigns to the Bond Trustee (a) as security for the Series 2011C Bonds, a $_____ promissory note of the Alliance dated October __, 2011 (the "Series 2011C Note"), (b) as security for the Series 2011D Bonds, a $_____ promissory note of the Alliance dated October __, 2011 (the "Series 2011D Note" and, together with the Series 2011C Note, the "Notes"), and (c) the Authority's rights (except for its rights to indemnification, payment of fees and expenses and receipt of certain notices).

The Notes state that they are issued pursuant to and governed by an Amended and Restated Master Trust Indenture dated as of February 1, 2000 (the "Master Indenture"), between the Alliance and The Bank of New York

Mellon Trust Company, N.A., as Master Trustee, as supplemented by a Thirty-First Supplemental Master Indenture dated as of October 1, 2011.

As further security for the Series 2011C Bonds, U.S. Bank National Association (the "Series 2011C Bank") has issued its irrevocable letter of credit (the "Series 2011C Letter of Credit") in an amount not to exceed $_____ authorizing the Bond Trustee to draw on the Series 2011C Bank, in accordance with the terms and conditions therein set forth, for payment of principal of, premium, if any, and up to 37 days' interest on the Series 2011C Bonds. Reference is also made to the opinion of Thompson Coburn LLP, counsel to the Series 2011C Bank, dated today, as to the validity and enforceability of the Series 2011C Letter of Credit against the Series 2011C Bank, upon which you are relying as to matters therein.

As further security for the Series 2011D Bonds, Mizuho Corporate Bank, Ltd. (the "Series 2011D Bank" and, together with the Series 2011C Bank, the "Banks") has issued its irrevocable letter of credit (the "Series 2011D Letter of Credit" and, together with the Series 2011C Letter of Credit, the "Letters of Credit") in an amount not to exceed $_____ authorizing the Bond Trustee to draw on the Series 2011D Bank, in accordance with the terms and conditions therein set forth, for payment of principal of, premium, if any, and up to 37 days' interest on the Series 2011D Bonds. Reference is also made to the opinion of Thompson Coburn LLP, counsel to the Series 2011D Bank, dated today, as to the validity and enforceability of the Series 2011D Letter of Credit against the Series 2011D Bank, upon which you are relying as to matters therein.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the Alliance, Norton, Smyth, JMH, Smyth County, Virginia, and the Authority as to certain facts relevant to our opinion. We have not been requested to express, and therefore do not express, any opinion herein as to the treatment of interest on the Bonds under federal tax law, the necessity of registration of the Bonds under the Securities Act of 1933, as amended, or any state "Blue Sky" law, or any required qualification or registration under the Trust Indenture Act of 1939, as amended.

Based on the foregoing and assuming the due authorization, execution and delivery of all documents by parties other than the Authority, we are of the opinion that:

1. The Authority is duly organized and validly existing as an industrial development authority under the Act and has authority under the Act to issue and sell the Bonds.

2. The Bonds have been duly authorized and issued in accordance with the Act and constitute valid and binding limited obligations of the Authority, payable as to principal, premium, if any, and interest solely from the revenues and receipts derived from the Loan Agreements, including payments received under the Notes, and draws under the Letters of Credit. The Bonds do not create or constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any political subdivision thereof, including the Authority and Smyth County, Virginia.

3. The Loan Agreements have been duly authorized, executed and delivered by the Authority, constitute valid and binding agreements of the Authority, and are enforceable against the Authority in accordance with their terms.

4. The Bond Indentures have been duly authorized, executed and delivered by the Authority, constitute valid and binding agreements of the Authority, assign and pledge to the Bond Trustee, as security for the Bonds, the Notes and all rights of the Authority under the Loan Agreements (except for its rights to indemnification, payment of fees and expenses and receipt of certain notices), and are enforceable against the Authority in accordance with their terms.

5. The rights of the holders of the Bonds and the enforceability of such rights, including enforcement by the Bond Trustee of the obligations of the Authority under the Loan Agreements and the Bond Indentures, may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws affecting the rights of creditors generally, and (b) principles of equity, whether considered at law or in equity.

6. Under current law, interest on the Bonds is exempt from income taxation by the Commonwealth of Virginia and any political subdivision thereof.

Our services as bond counsel to the Authority have been limited to delivering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds. We express no opinion herein as to the financial resources of the Alliance and related entities, the Banks, their ability to provide for the payment of the Bonds or the accuracy or completeness of any information, including the Official Statement dated October __, 2011, that may have been relied on by anyone in making the decision to purchase the Bonds.

Very truly yours,

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APPENDIX F

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is executed by the Mountain States Health Alliance, a Tennessee nonprofit corporation (the "Alliance), in connection with (i) the issuance by the Health and Educational Facilities Board of the City of Johnson City, Tennessee of its $65,260,000 Hospital Revenue Bonds (Mountain States Health Alliance) Series 2011A, and its $20,000,000 Hospital Revenue Bonds (Mountain States Health Alliance) Series 2011B, (ii) the issuance by the Industrial Development Authority of Smyth County of its $49,875,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011C and its $60,705,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2011D and (iii) the issuance by the Alliance of its $15,960,000 Taxable Bonds, Series 2011E (all such bonds, together the "Bonds").

1. Purpose of the Agreement

This Agreement is being executed and delivered by the Alliance for the benefit of the Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with the Rule (as hereinafter defined).

2. Definitions

Except as otherwise indicated, any capitalized terms used, but not defined herein shall have the meaning assigned to them in the bond indenture pursuant to which the Bonds were issued. The following capitalized terms when used in this Agreement will have the following meanings:

"Annual Disclosure" means the annual financial information, audited financial statements prepared in accordance with generally accepted accounting principles and the operating data, all to be provided by the Alliance with respect to itself and any future Obligated Issuer pursuant to the Rule and this Agreement, as provided in Section 4 hereof.

"Beneficial Owner" means any person who (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.

"Listed Events" means any of the events listed below under "Reporting of Significant Events."

"MSRB" means the Municipal Securities Rulemaking Board, or any successor thereto. Currently, the MSRB's address is: MSRB, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314, Attn: Disclosure.

"Official Statement" means the Official Statement, dated October 14, 2011, pursuant to which the Bonds were sold.

"Quarterly Disclosure" means the provision of the Quarterly Financial Information and any other financial information as provided in Section 5, hereof.

"Quarterly Financial Information" means (i) the Alliance's quarterly financial results in the form of its unaudited quarterly statement of excess of revenue over expenses and its unaudited quarterly balance sheet, each on a consolidated basis for the combined Obligated Group (as defined in the bond documents pursuant to which the Bonds are issued) and (ii) two calculations of the Historical Maximum Annual Debt Service Coverage Ratio (one utilizing a *pro forma* Total Income Available for Debt Service based upon the results of such quarter and the other utilizing Total Income Available for Debt Service over the rolling twelve month period ended with the end of such quarter).

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as previously amended and as the same may be amended from time to time.

"Underwriter" means Merrill Lynch & Co., as managing underwriter.

3. Provision of Annual Disclosure and Quarterly Disclosure

Not later than four months after the end of each fiscal year, the Alliance will file its Annual Disclosure with the MSRB. The Annual Disclosure may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided below.

Not later than 45 days after the end of each quarter of the Alliance's fiscal year the Alliance shall file its Quarterly Financial Information with the MSRB.

If the Annual Disclosure is not filed as provided in the preceding paragraph, the Alliance will send a notice to that effect to the MSRB.

4. Content of Annual Disclosure

The Alliance and any future Obligated Issuer shall provide and incorporate the following information in its Annual Disclosure:

(a) The audited financial statements of the Alliance and any future Obligated Issuer; and

(b) To the extent not included in the audited financial statements of the Alliance, the Alliance annually will make available the following financial and operating data:

(i) The patient origin analysis from all service areas as a percent of the discharges in Alliance-owned facilities for the prior 12 month period, as set forth under the caption "SERVICE AREA, MARKET SHARE AND COMPETITION – Patient Origin -- Alliance-Owned Facilities Patient Origin by Fiscal Year" in Appendix A of the Official Statement.

(ii) The percentage of gross patient revenues received by the Alliance from each program (i.e., Medicare, TennCare/Medicaid, Managed Care, Commercial and Other, and Private Pay) for the most recently concluded fiscal year, as set forth under the caption "SOURCES OF REVENUE – Gross Patient Revenues by Source of Payment (Payor Mix)" in Appendix A of the Official Statement.

(iii) The historic patient utilization for the Alliance and aggregate utilization for all divisions for the prior 12 month period ending June 30, as set forth under the caption "HISTORICAL UTILIZATION INFORMATION – Utilization by Fiscal Year" in Appendix A of the Official Statement.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Alliance is an "obligated person" (as defined by the Rule), which have been filed in accordance with the Rule and the other rules of the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must have been filed with and be available from the MSRB. The Alliance must clearly identify each such other document so incorporated by reference.

5. Content of Quarterly Disclosure

The Alliance's Quarterly Disclosure will contain its Quarterly Financial Information.

6. Reporting of Significant Events

The following are Listed Events:

(a) principal and interest payment delinquencies;

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

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

(d) unscheduled draws on any credit enhancement reflecting financial difficulties;

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

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

(g) modifications of rights of the holders of the Bonds, if material;

(h) bond calls, if material, and tender offers;

(i) defeasance of all or any portion of the Bonds;

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

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the Issuer;

(m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

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

If the Alliance obtains knowledge of the occurrence of a Listed Event, the Alliance will, in a timely manner, file a notice of such occurrence with the MSRB. Notice of Listed Events described in subsections (h) and (i) will be disseminated automatically, but will not be given any earlier than the notice (if any) of the underlying event is given to the Beneficial Owners of affected Bonds pursuant to the governing bond documents. The content of any notice of the occurrence of a Listed Event will be determined by the Alliance.

7. Filing Method

Any filing required hereunder shall be made by transmitting such disclosure, notice or other information in electronic format to the MSRB through the MSRB's Electronic Municipal Market Access (EMMA) system pursuant to procedures promulgated by the MSRB.

8. Termination of Reporting Obligation

The Alliance's obligations under this Agreement will terminate upon the defeasance (within the meaning of the Rule), prior redemption or payment in full of all of the Bonds. The Alliance will notify the MSRB that the Alliance's obligations under this Agreement have terminated. If the Alliance's obligations are assumed in full by some other entity, such person will be responsible for compliance with this Agreement in the same manner as if it were the Alliance and the Alliance will have no further responsibility hereunder.

9. Dissemination Agent

The Alliance may, from time to time, appoint a dissemination agent to assist it in carrying out its obligations under this Agreement, and the Alliance may, from time to time, discharge the dissemination agent, with

or without appointing a successor dissemination agent. If at any time there is not a designated dissemination agent, the Alliance will be the dissemination agent.

10. Amendment

This Agreement may not be amended unless independent counsel experienced in securities law matters has rendered an opinion to the Alliance to the effect that the amendment does not violate the provisions of the Rule.

In the event that this Agreement is amended or any provision of this Agreement is waived, the notice of a Listed Event pursuant to subsection (6) under the heading "Reporting of Significant Events" will explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided in the Annual Disclosure. If an amendment or waiver is made in this Agreement which allows for a change in the accounting principles to be used in preparing financial statements, the Annual Disclosure for the year in which allows for a change in the accounting principles to be used in preparing financial statements, the Annual Disclosure for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison will include a qualitative discussion of the differences in the accounting principles and impact of the change in the accounting principles on the presentation of the financial information. A notice of the change in the accounting principles will be deemed to be material and will be filed with the MSRB.

11. Additional Information

Any registered owner of $1,000,000 or more in principal amount of Bonds shall receive, upon written request, any of the Annual Financial Information, Audited Financial Information or Quarterly Financial Information directly from the Alliance, by sending such request to Mountain States Health Alliance, 400 North State of Franklin Road, Johnson City, Tennessee 37604, Attn: Chief Financial Officer.

Nothing in this Agreement will be deemed to prevent the Alliance from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Alliance chooses to include any information in any Annual Disclosure or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Agreement, the Alliance will have no obligation under this Agreement to update such information or include it any future Annual Disclosure or notice of occurrence of a Listed Event.

12. Default

In the event of a failure of the Alliance to comply with any provision of this Agreement, the Underwriter or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Alliance to comply with its obligations under this Agreement. A default under this Agreement will not be deemed an Event of Default under the bond documents, and the sole remedy under this Agreement in the event of any failure of any party to comply with this Agreement will be an action to compel performance.

Acting by and through its duly authorized officer, the Alliance has caused this Continuing Disclosure Agreement to be executed under seal as of the 1st day of October, 2011.

MOUNTAIN STATES HEALTH ALLIANCE

By: _____
Its: Senior Vice President and
Chief Financial Officer

APPENDIX G

THE BANKS

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APPENDIX G-1

CERTAIN INFORMATION CONCERNING
MIZUHO CORPORATE BANK, LTD.

The delivery of this Appendix to the Official Statement shall not create any implication that there has been no change in the affairs of Mizuho since the date hereof, or that the information contained or referred to in this Appendix G-1 is correct as of any time subsequent to its date.

Mizuho Corporate Bank, Ltd. ("Mizuho") is a wholly-owned subsidiary of Mizuho Financial Group, Inc. ("MHFG"), a corporation organized under the laws of Japan.

MHFG is one of the largest financial institutions in the world, offering a broad range of financial services including banking, securities, trust and asset management, credit card, private banking, and venture capital through its group companies. MHFG's principal banking subsidiaries include Mizuho, Mizuho Bank, Ltd., and Mizuho Trust & Banking Co., Ltd. Mizuho was established on April 1, 2002, following a split and merger process of The Dai-Ichi Kangyo Bank, Limited, The Fuji Bank, Limited and The Industrial Bank of Japan, Limited.

Mizuho's New York branch (the "New York Branch") is licensed by the Banking Department of the State of New York as a branch to transact banking business in New York. The New York Branch is subject to supervision, examination and regulation by the New York State Banking Department and the Federal Reserve Board.

The long-term credit ratings of Mizuho by Moody's, Standard & Poor's and Fitch are A1, A+ and A, respectively, and the short-term credit ratings of Mizuho by Moody's, Standard & Poor's, and Fitch are P-1, A-1 and F 1, respectively.

A security rating is not a recommendation to buy, sell or hold securities and should be evaluated independently of any other rating. The rating is subject to revision or withdrawal at any time by the assigning rating organization.

Additional information, including the most recent annual report on Form 20-F for the fiscal year ended March 31, 2011, of MHFG, and additional annual, quarterly and current reports filed with or furnished to the Securities and Exchange Commission (the "SEC"), may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to Mizuho Corporate Bank, Ltd., 1251 Avenue of the Americas, New York, New York 10020. This information is also available at www.mizuho-fg.co.jp/english/ and at the SEC's website at www.sec.gov.

THE MIZUHO LETTER OF CREDIT IS AN OBLIGATION OF MIZUHO AND IS NOT AN OBLIGATION OF MHFG. NO SUBSIDIARY OR AFFILIATE CONTROLLED BY MHFG, EXCEPT MIZUHO, IS OBLIGATED TO MAKE PAYMENTS UNDER THE MIZUHO LETTER OF CREDIT.

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APPENDIX G-2

August 10, 2011

PNC BANK, NATIONAL ASSOCIATION

This summary incorporates by reference certain Call Reports of PNC Bank, National Association ("PNC Bank"), filed with the Office of the Comptroller of the Currency ("OCC"), and certain reports of its parent, The PNC Financial Services Group, Inc. ("PNC Financial"), filed with the Securities and Exchange Commission ("SEC"), as set forth below under the heading "Incorporation of Certain Documents by Reference." You should read those reports and the information set forth below under the headings "PNC Bank and PNC Financial" and "Supervision and Regulation."

You should also understand that, except to the limited extent described herein, this summary does not describe the business or analyze the condition, financial or otherwise, of PNC Bank or otherwise describe any risks associated with PNC Bank or the Letter of Credit. You must rely on your own knowledge, investigation and examination of PNC Bank and PNC Bank's creditworthiness.

Neither PNC Bank nor PNC Financial makes any representation regarding the Bonds or the advisability of investing in the Bonds, nor do they make any representation regarding, nor has PNC Bank or PNC Financial participated in the preparation of, any document of which this summary is a part other than the information supplied by PNC Bank or PNC Financial and presented in this summary headed "PNC Bank, National Association."

THE LETTER OF CREDIT IS SOLELY AN OBLIGATION OF PNC BANK AND IS NEITHER AN OBLIGATION OF NOR GUARANTEED BY PNC FINANCIAL OR ANY OF ITS OTHER AFFILIATES.

PNC Bank and PNC Financial

PNC Bank is a national banking association with its headquarters in Pittsburgh, Pennsylvania and its main office in Wilmington, Delaware. PNC Bank is a wholly-owned indirect subsidiary of PNC Financial. PNC Bank's origins as a national bank date to 1865. PNC Bank and its subsidiaries offer a wide range of commercial banking, retail banking, and trust and wealth management services to their customers. PNC Bank's business is subject to examination and regulation by federal banking authorities. Its primary federal bank regulator is the OCC and its deposits are insured by the Federal Deposit Insurance Corporation ("FDIC").

PNC Financial, the parent company of PNC Bank, is one of the largest diversified financial services companies in the United States and is headquartered in Pittsburgh, Pennsylvania. PNC Financial was incorporated under the laws of the Commonwealth of Pennsylvania in 1983 with the consolidation of Pittsburgh National Corporation and Provident National Corporation. Since 1983, PNC Financial has diversified its geographic presence, business mix and product capabilities through internal growth, strategic bank and non-bank acquisitions and equity investments, and the formation of various non-banking subsidiaries.

PNC Financial has businesses engaged in retail banking, corporate and institutional banking, asset management, and residential mortgage banking. PNC Financial provides many of its products and services nationally and others in PNC Financial's primary geographic markets located in Pennsylvania, Ohio, New Jersey, Michigan, Maryland, Illinois, Indiana, Kentucky, Florida, Virginia, Missouri, Delaware, Washington, D.C., and Wisconsin. PNC Financial also provides certain products and services internationally.

On June 19, 2011, PNC Financial entered into a definitive agreement for PNC Financial to acquire RBC Bank (USA), the U.S. retail banking subsidiary of Royal Bank of Canada. Raleigh, N.C.-based RBC Bank (USA) has approximately $25 billion of assets and 424 branches in North Carolina, Florida, Alabama, Georgia, Virginia and South Carolina. Based on RBC Bank (USA) balances as of April 30, 2011, the acquisition would add approximately $19 billion of deposits and $16 billion of loans, net of agreed upon loan and deposit transfers. PNC Financial has also agreed to acquire certain credit card accounts of RBC Bank (USA) customers issued by RBC Bank (Georgia), National Association, a wholly-owned subsidiary of Royal Bank of Canada. The transaction is expected to close in March 2012, subject to customary closing conditions including regulatory approvals. Upon

closing, PNC Financial intends to merge RBC Bank (USA) into PNC Bank, with PNC Bank continuing as the surviving entity.

On July 26, 2011, PNC Financial entered into a definitive agreement for the acquisition of 27 branches in metropolitan Atlanta, Georgia from Flagstar Bank, FSB, a subsidiary of Flagstar Bancorp, Inc., and the assumption of approximately $240 million of deposits associated with those branches, based on balances as of June 30, 2011. No loans will be acquired in the transaction. This transaction is expected to close in December 2011, subject to customary closing conditions including regulatory approvals.

PNC Financial
in billions

	June 30, 2011	December 31, 2010
Total assets	$263.1	$264.3
Total deposits	$181.9	$183.4
Shareholders' equity	$32.2	$30.2

PNC Bank
in billions

	June 30, 2011	December 31, 2010
Total assets	$254.8	$256.6
Total loans (net of unearned income) and loans held for sale	$153.2	$154.2
Total deposits	$188.1	$191.9
Total equity capital	$35.2	$33.8

Supervision and Regulation

PNC Financial, the parent company of PNC Bank, is a bank and financial holding company and is subject to numerous governmental regulations involving both its business and organization. To a substantial extent, the purpose of the regulation and supervision of financial services institutions and their holding companies is not to protect shareholders and non-customer creditors, but rather to protect customers and the financial markets in general.

Applicable laws and regulations restrict permissible activities and investments and require compliance with protections for loan, deposit, brokerage, fiduciary, mutual fund and other customers, among other things. They also restrict PNC Financial's ability to repurchase its stock or to receive dividends from its subsidiaries that operate in the banking and securities businesses and impose capital adequacy requirements. The consequences of noncompliance can include substantial monetary and nonmonetary sanctions. In addition, PNC Financial and PNC Bank are subject to comprehensive examination and supervision by banking and other regulatory bodies. Examination reports and ratings (which often are not publicly available) and other aspects of this supervisory framework could materially impact the conduct, growth, and profitability of the company's operations.

There have been numerous legislative and regulatory developments and dramatic changes in the competitive landscape of the financial services industry over the last several years. The United States and other governments have undertaken major reform of the regulatory oversight structure of the financial services industry, including engaging in new efforts to impose requirements designed to protect consumers and investors from financial abuse. PNC Financial expects to face further increased regulation of the financial services industry as a result of current and future initiatives intended to provide economic stimulus, financial market stability, and enhanced regulation of financial services companies and to enhance the liquidity and solvency of financial institutions and markets. PNC Financial and PNC Bank also expect in many cases more intense scrutiny from bank supervisors in the examination process and more aggressive enforcement of regulations on both the federal and state levels. Compliance with regulations and other supervisory initiatives will likely increase the company's costs and reduce its revenue, and may limit its ability to pursue certain desirable business opportunities.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") mandates the most wide-ranging overhaul of financial industry regulation in decades. Dodd-Frank was signed into law on July 21, 2010. Although Dodd-Frank and other reforms will affect a number of the areas in which PNC Financial does business, it is not clear at this time the full extent of the adjustments that will be required and the extent to which PNC Financial will be able to adjust its businesses in response to the requirements. Many parts of the law are now in effect and others are now in the implementation stage, which is likely to continue for several years. The law requires that regulators, some of which are new regulatory bodies created by Dodd-Frank, draft, review and approve more than 300 implementing regulations and conduct numerous studies that are likely to lead to more regulations, a process that, while well underway, is proceeding somewhat slower than originally anticipated, thus extending the uncertainty surrounding the ultimate impact of Dodd-Frank on PNC Financial and its subsidiaries.

A number of reform provisions are likely to significantly impact the ways in which bank holding companies and banks, including PNC Financial and PNC Bank, do business. Additional information regarding a number of these provisions (including new consumer protection regulation, enhanced capital requirements, limitations on investment in and sponsorship of funds, risk retention by securitization participants, new regulation of derivatives, potential applicability of state consumer protection laws, and limitations on interchange fees) and some of their potential impacts on PNC Financial is provided in Item 1A Risk Factors included in Part II of PNC Financial's second quarter 2011 Quarterly Report on Form 10-Q.

You will find a general discussion of some of the elements of the regulatory framework affecting PNC Financial and its subsidiaries, additional information discussing the regulatory environment for the financial services industry, and discussion of certain business and regulatory risks that affect PNC Financial in the following sections of PNC Financial's 2010 Annual Report on Form 10-K and its 2011 Quarterly Reports on Form 10-Q, as applicable: for the 2010 Form 10-K, the Supervision And Regulation section included in Item 1 – Business, Item 1A – Risk Factors, and Note 21 Regulatory Matters, Note 22 Legal Proceedings, and Note 23 Commitments and Guarantees of the Notes To Consolidated Financial Statements included in Item 8 of that report; and for the 2011 Form 10-Qs, Item 1A – Risk Factors included in Part II, and the Legal Proceedings and Commitments and Guarantees Notes of the Notes To Consolidated Financial Statements included in Part I, of those respective reports as applicable.

Incorporation of Certain Documents by Reference

PNC Bank submits certain unaudited reports called "Consolidated Reports of Condition and Income" ("Call Reports") to the OCC, its primary federal bank regulator, quarterly. Each Call Report consists of a balance sheet, income statement, changes in bank equity capital, and other supporting schedules as of the end of or for the period to which the report relates. The Call Reports are prepared in accordance with regulatory instructions issued by the Federal Financial Institutions Examination Council. Because of the special supervisory, regulatory and economic policy needs served by the Call Reports, those regulatory instructions do not in all cases follow accounting principles generally accepted in the United States, including the opinions and statements of the Accounting Principles Board or the Financial Accounting Standards Board ("U.S. GAAP"). While the Call Reports are supervisory and regulatory documents, not primarily financial accounting documents, and do not provide a complete range of financial disclosure about PNC Bank, the reports nevertheless provide important information concerning the financial condition and results of operations of PNC Bank.

The publicly available portions of the Call Reports are on file with, and publicly available on written request to, the FDIC, Public Information Center, 3501 North Fairfax Drive, Arlington, VA 22226, or by calling the FDIC Public Information Center at 877-275-3342 or 703-562-2200. The Call Reports are also available by accessing the FDIC's website at http://www.fdic.gov.

PNC Financial, the parent company of PNC Bank, is subject to the informational requirements of the Securities Exchange Act of 1934 ("Exchange Act"). In accordance with the Exchange Act, PNC Financial files annual, quarterly and current reports, proxy statements, and other information with the SEC. PNC Financial's SEC File Number is 001-09718. You may read and copy this information at the SEC's Public Reference Room, located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330 or 202-551-8090. You can also obtain copies of this information by mail from the public reference section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates.

The SEC also maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers, like PNC Financial, who file electronically with the SEC. The address of that website is http://www.sec.gov. You can also inspect reports, proxy statements and other information about PNC Financial at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

We have included the web addresses of the FDIC and the SEC as inactive textual references only. Except as specifically incorporated by reference into this summary, information on those websites is not part hereof.

The publicly-available portions of PNC Bank's Call Reports for the years ended December 31, 2010, 2009, and 2008 and for the quarters ended March 31, 2011 and June 30, 2011, and of any amendments or supplements thereto, as filed by PNC Bank with the OCC, are incorporated herein by reference. The publicly-available portions of each other PNC Bank Call Report, and of any amendments or supplements thereto or to any of the PNC Bank Call Reports listed above, filed with the OCC after December 31, 2010 and prior to the expiration of the Letter of Credit are also incorporated herein by reference and will be deemed a part hereof from the date of filing of each such document. Subsequently filed reports, and amendments or supplements to reports, will automatically update and supersede prior information.

In addition to the Call Reports referred to above, PNC Bank incorporates herein by reference the following documents: PNC Financial's Annual Report on Form 10-K for the year ended December 31, 2010; PNC Financial's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011 and June 30, 2011; PNC Financial's Current Reports on Form 8-K filed with the SEC on February 15, 2011, March 1, 2011, March 7, 2011, April 14, 2011, May 2, 2011, June 20, 2011 (with respect to Item 1.01 and Exhibit 2.1 thereof), and July 27, 2011; and any amendments or supplements to those reports. Each other annual, quarterly and current report, and any amendments or supplements thereto or to any of the PNC Financial reports listed above, filed by PNC Financial with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act after December 31, 2010 and prior to the expiration of the Letter of Credit is also incorporated herein by reference and will be deemed a part hereof from the date of filing of each such document. Subsequently filed reports, and amendments or supplements to reports, will automatically update and supersede prior information. The information incorporated by reference herein does not include any report, document or portion thereof that PNC Financial furnishes to, but does not file with, the SEC unless otherwise specifically provided above.

Neither the delivery of this document nor the sale of any Bonds will imply that the information herein or in any document incorporated by reference is correct as of any time after its date. Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes hereof to the extent that a statement contained therein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part hereof.

Any of the above documents incorporated herein by reference (other than exhibits to such documents unless such exhibits are specifically incorporated by reference into such documents) are available upon request by holders of the Bonds or by prospective investors in the Bonds without charge: (1) in the case of PNC Bank documents, by written request addressed to Ronald Lewis, Manager of Regulatory Reporting, at The PNC Financial Services Group, Inc., One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707; or (2) in the case of PNC Financial documents, (a) for copies without exhibits, by contacting Shareholder Services at 800-982-7652 or via the online contact form at wwww.computershare.com/contactus, and (b) for exhibits, by contacting Shareholder Relations at 800-843-2206 or via e-mail at investor.relations@pnc.com. The interactive data file ("XBRL") exhibit is only available electronically.

APPENDIX G-3

U. S. BANK NATIONAL ASSOCIATION

U.S. Bank National Association ("USBNA") is a national banking association organized under the laws of the United States and is the largest subsidiary of U.S. Bancorp. At June 30, 2011, USBNA reported total assets of $310 billion, total deposits of $219 billion and total shareholders' equity of $34 billion. The foregoing financial information regarding USBNA has been derived from and is qualified in its entirety by the unaudited financial information contained in the Federal Financial Institutions Examination Council report Form 031, Consolidated Report of Condition and Income for a Bank with Domestic and Foreign Offices ("Call Report"), for the quarter ended June 30, 2011. The publicly available portions of the quarterly Call Reports with respect to USBNA are on file with, and available upon request from, the FDIC, 550 17th Street, NW, Washington, D.C. 20429 or by calling the FDIC at (877) 275-3342. The FDIC also maintains an Internet website at www.fdic.gov that contains reports and certain other information regarding depository institutions such as USBNA. Reports and other information about USBNA are available to the public at the offices of the Comptroller of the Currency at One Financial Place, Suite 2700, 440 South LaSalle Street, Chicago, IL 60605.

U.S. Bancorp is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the "SEC"). U.S. Bancorp is not guaranteeing the obligations of USBNA and is not otherwise liable for the obligations of USBNA.

Except for the contents of this appendix, USBNA and U.S. Bancorp assume no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement.

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APPENDIX H

BOOK-ENTRY ONLY SYSTEM

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BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and premium, if any, and interest on the Bonds to The Depository Trust Company, New York, New York, its nominee, Participants or Beneficial Owners (each as hereinafter defined), confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, Participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each Series of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "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, however, are 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 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 holding 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to each of the respective Issuer or the Alliance, as applicable, 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 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 Alliance or the Bond Trustee on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Trustee, each of the Issuers or the Alliance, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Alliance or the Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the respective Issuer or the Alliance. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates will be printed and delivered.

The respective Issuer or the Alliance may decide to discontinue the respective Issuer's use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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

Neither the respective Issuer nor the Registrar has any responsibility or obligation to the Direct or Indirect Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (b) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Bond Resolution to be given to Bondholders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only holder of Bonds for all purposes under the Bond Resolution.

The respective Issuer may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.

MOUNTAIN STATES HEALTH ALLIANCE • HOSPITAL REVENUE BONDS, SERIES 2011A, SERIES 2011B, SERIES 2011C, SERIES 2011D AND TAXABLE BONDS, SERIES 2011E

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Exhibit 11.4

Attachment B

Mountain States Bonds Official Statement for 2012 Bonds

NEW ISSUE - Book-Entry Only **Ratings: (See "RATINGS")**

In the opinion of Bass, Berry & Sims PLC, Bond Counsel, under existing law and subject to conditions described in "TAX MATTERS," interest on the Series 2012A Bonds (a) will not be included in gross income for federal income tax purposes, and (b) will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; such interest, however, is taken into account in determining the adjusted current earnings for purposes of the alternative minimum tax on corporations. Interest on the Series 2012A Bonds will be exempt from all state, county and municipal taxation in Tennessee except inheritance, transfer, estate taxes and except that interest may not be exempt from Tennessee franchise and excise taxes. A holder may be subject to other federal tax consequences as described in "TAX MATTERS."

$55,000,000
THE HEALTH AND EDUCATIONAL FACILITIES BOARD OF THE CITY OF JOHNSON CITY, TENNESSEE
HOSPITAL REVENUE BONDS
(MOUNTAIN STATES HEALTH ALLIANCE)
SERIES 2012A

Dated: Date of Delivery **Maturity: As shown on inside cover page**

At the request of Mountain States Health Alliance, a Tennessee non-profit corporation (the "Alliance"), The Health and Educational Facilities Board of the City of Johnson City, Tennessee (the "Issuer") is issuing its $55,000,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2012A (the "Series 2012A Bonds"), pursuant to a Bond Trust Indenture dated as of September 1, 2012 (the "Bond Indenture"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee"). The Series 2012A Bonds are limited obligations of the Issuer, payable from payments to be made by the Alliance to the Bond Trustee pursuant to a Loan Agreement dated as of September 1, 2012 (the "Loan Agreement"), between the Issuer and the Alliance, and pursuant to the Series 2012A Obligation, hereinafter defined, which is issued under and secured by the Amended and Restated Master Trust Indenture dated as of February 1, 2000, as amended (the "Master Indenture"), between (1) the Alliance, Blue Ridge Medical Management Corporation, Norton Community Hospital, and Smyth County Community Hospital, and (2) The Bank of New York Mellon Trust Company, N.A., as master trustee, which provides the security for the Series 2012A Obligation.

Simultaneously with the issuance of the Series 2012A Bonds, the Issuer is issuing its approximately $30,230,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2012B (the "Series 2012B Bonds"), and the Industrial Development Authority of Wise County (Virginia) is issuing its approximately $9,790,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2012C (the "Series 2012C Bonds"), also for the benefit of the Alliance. The Series 2012B Bonds and the Series 2012C Bonds are being sold pursuant to a separate Official Statement.

The Series 2012A Bonds will be issued in denominations of $5,000 or any integral multiple thereof and will bear interest from the date of delivery thereof until maturity as shown on the inside cover hereof. The Series 2012A Bonds will bear interest at the rates specified on the inside cover hereof, payable on each February 15 and August 15, commencing on February 15, 2013.

The Series 2012A Bonds will be subject to redemption prior to maturity, including optional redemption, mandatory sinking fund redemption and extraordinary redemption as described herein.

The Series 2012A Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2012A Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2012A Bonds purchased. Interest on the Series 2012A Bonds will accrue from the date of issuance and be payable by the Bond Trustee to DTC for the account of DTC Participants, who are responsible for crediting the accounts of the beneficial owners.

The Series 2012A Bonds will be limited obligations of the Issuer, payable solely from the sources described in this Official Statement and will not constitute or create any debt, liability or obligation of the State of Tennessee or any political subdivision or agency thereof or a pledge of the faith and credit of the State of Tennessee or any political subdivision or agency thereof. Neither the faith and credit nor taxing power of any state or any political subdivision or agency thereof will be pledged to the payment of the Series 2012A Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information necessary to make an informed investment decision. For a description of certain risk factors relating to the Series 2012A Bonds, see "CERTAIN RISK FACTORS."

The Series 2012A Bonds are offered when, as and if issued, subject to the approving opinion of Bass, Berry & Sims PLC, Nashville and Knoxville, Tennessee, as Bond Counsel, and certain other conditions. In connection with the issuance of the Series 2012A Bonds, certain legal matters will be passed upon by Anderson & Fugate, Johnson City, Tennessee, as counsel to the Alliance, Samuel B. Miller, Esq., Johnson City, Tennessee, as counsel to the Issuer, and Hunton & Williams LLP, as Underwriter's Counsel. The Public Advisory Corporation serves as financial advisor to the Alliance. It is expected that the Series 2012A Bonds will be issued and available for delivery to DTC in New York, New York, on or about September 18, 2012.

BofA Merrill Lynch

Dated: August 24, 2012

SERIES 2012A BONDS

$55,000,000 5.000% Term Bonds due August 15, 2042, priced at 103.391% to yield 4.570% *, CUSIP 478271 JV2**

*Yield calculated based on the Series 2012A Bonds being priced to the first optional redemption date (8/15/2022).

**CUSIP numbers have been assigned by an organization not affiliated with the Issuer or the Alliance and are included solely for the convenience of the holders of the Series 2012A Bonds. The Issuer and the Alliance are not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2012A Bonds or as indicated above.

No dealer, salesperson, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Series 2012A Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer, the Alliance or the Underwriter. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Alliance or others since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been obtained from the Issuer, the Alliance and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by the Underwriter.

THE PRICES AT WHICH THE SERIES 2012A BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE FOREGOING PAGE. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS TO DEALERS AND OTHER FROM THE PRICES AT WHICH THE SERIES 2012A BONDS ARE OFFERED TO THE PUBLIC. IN CONNECTION WITH THE OFFERING OF THE SERIES 2012A BONDS, THE UNDERWRITER MAY EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2012A 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 SERIES 2012A BONDS WILL NOT BE REGISTERED BY THE ISSUER OR THE ALLIANCE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE, MUNICIPAL, OR OTHER GOVERNMENTAL ENTITY OR AGENCY SHALL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS FORWARD-LOOKING STATEMENTS THAT ARE SUBJECT TO A NUMBER OF RISKS AND UNCERTAINTIES, INCLUDING THOSE DESCRIBED IN "CERTAIN RISK FACTORS," MANY OF WHICH ARE BEYOND THE ISSUER'S AND THE ALLIANCE'S CONTROL. FORWARD-LOOKING STATEMENTS ARE TYPICALLY IDENTIFIED BY WORDS SUCH AS "BELIEVE," "EXPECT," "ANTICIPATE," "INTEND," "ESTIMATE" AND SIMILAR EXPRESSIONS. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE CONTEMPLATED BY THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF FACTORS ("CAUTIONARY STATEMENTS") SUCH AS THOSE DESCRIBED IN "CERTAIN RISK FACTORS" HEREIN. IN LIGHT OF THESE RISKS AND UNCERTAINTIES, THERE CAN BE NO ASSURANCE THAT THE RESULTS AND EVENTS CONTEMPLATED BY THE FORWARD-LOOKING INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT WILL IN FACT TRANSPIRE. YOU ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS. NEITHER THE ISSUER NOR THE ALLIANCE UNDERTAKE ANY OBLIGATION TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS. ALL SUBSEQUENT WRITTEN OR ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO THE ISSUER AND THE ALLIANCE OR PERSONS ACTING ON THEIR BEHALF ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS.

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OFFICIAL STATEMENT

INTRODUCTION

The Series 2012A Bonds

This Official Statement, including its cover page and appendices, provides information in connection with the issuance and sale by The Health and Educational Facilities Board of the City of Johnson City, Tennessee (the "Issuer") of its $55,000,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2012A (the "Series 2012A Bonds"), for the benefit of Mountain States Health Alliance (the "Alliance"). The Series 2012A Bonds are issued pursuant to a Bond Trust Indenture dated as of September 1, 2012 (the "Bond Indenture"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., New York, New York, as bond trustee (the "Bond Trustee"), and the proceeds thereof will be loaned to the Alliance pursuant to a Loan Agreement dated as of September 1, 2012 (the "Loan Agreement"), between the Issuer and the Alliance.

This introduction is not a summary of this Official Statement. It is only a summary description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2012A Bonds to potential investors is made only by means of the entire Official Statement.

The Alliance

The Mountain States Health Alliance (the "Alliance") is a Tennessee nonprofit corporation that is an "exempt organization" under Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"). The Alliance provides an integrated, comprehensive continuum of care to people in portions of Tennessee, Virginia, Kentucky, and North Carolina. The Alliance currently operates 13 hospital facilities containing a total of 1,623 licensed beds, and serves a population of more than 1,000,000 in 29 counties and two independent cities in the States of Tennessee, Virginia, Kentucky and North Carolina. Its integrated health care delivery system also includes 23 primary/preventive care centers and 12 outpatient care sites. **For additional information regarding the Alliance, see Appendix A.**

The Obligated Issuers

The Alliance, Blue Ridge Medical Management Corporation ("Blue Ridge"), Norton Community Hospital ("Norton") and Smyth County Community Hospital ("Smyth") are each an Obligated Issuer as such term is used in the Amended and Restated Master Trust Indenture dated as of February 1, 2000, as amended (the "Master Indenture"), between (1) the Alliance, Blue Ridge, Norton, and Smyth, and (2) The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee"). Only the Obligated Issuers are obligated to make payments on the Series 2012A Bonds. See Appendix A - "HISTORY AND OVERVIEW - Operations of Subsidiary and Other Affiliates" and "CONDENSED SUMMARY OF REVENUE AND EXPENSES; FINANCIAL STATEMENTS."

Plan of Finance

The proceeds of the Series 2012A Bonds are being loaned to the Alliance pursuant to the Loan Agreement and will be used by the Alliance to (1) finance a surgery center project at the Alliance hospital in Johnson City, Tennessee; and (2) pay certain expenses incurred in connection with the issuance of the Series 2012A Bonds. See "PLAN OF FINANCE."

Book-Entry Registration

The Series 2012A Bonds initially will be issued in the form of one registered bond in the aggregate principal amount of each maturity of each Series and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will maintain a book-entry system for recording ownership interest in the Series 2012A Bonds. Purchasers will not receive certificates representing their

ownership interest in the Series 2012A Bonds purchased. Principal of, any redemption price for, and interest on the Series 2012A Bonds will be payable by the Bond Trustee to DTC for the account of DTC Participants (as defined herein), who are responsible for crediting the accounts of the beneficial owners. See Appendix F - "BOOK-ENTRY ONLY SYSTEM."

Sources of Payment and Security for the Series 2012A Bonds

The Series 2012A Bonds shall not constitute a debt or obligation of the State of Tennessee or any political subdivision or agency thereof or a pledge of the faith and credit of any state or any political subdivision or agency of any state, including the Issuer. The Series 2012A Bonds are special, limited obligations of the Issuer, payable from the Trust Estate as described in "THE SERIES 2012A BONDS - General" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS - Trust Estate."

To evidence the Alliance's repayment obligations in connection with the Series 2012A Bonds, the Alliance will issue its $55,000,000 Mountain States Health Alliance Note (The Health and Educational Facilities Board of the City of Johnson City, Tennessee) Series 2012A (the "Series 2012A Obligation"), pursuant to the Master Indenture.

In the Master Indenture, the Alliance and the other Obligated Issuers have covenanted, and any future Obligated Issuer would be required to covenant, to operate its facilities in such a manner and to charge such fees and rates as will be sufficient to provide funds (together with other available amounts) to pay debt service on its outstanding indebtedness, to pay certain other expenses and indebtedness of the Alliance and all future Obligated Issuers, and to maintain a coverage ratio of Income Available for Debt Service to Maximum Annual Debt Service equal to at least 1.30:1. For a description of such covenants, including exceptions thereto, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS" and Appendix C - "SUMMARY OF THE FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE."

Certain existing bonds of the Issuer and other issuers, as well as bonds of the Alliance, previously have been issued and are secured by Obligations issued by the Alliance under the Master Indenture ("Master Obligations") and therefore are secured on a parity with the Series 2012A Bonds. The Alliance and any future Obligated Issuer have the right, subject to specified conditions, to incur additional indebtedness on a parity with the Series 2012A Obligation and the Series 2012A Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS - Additional Indebtedness."

No Debt Service Reserve Fund

The Series 2012A Bonds are not secured by any Debt Service Reserve Fund.

Tax Matters

In the opinion of Bass, Berry & Sims PLC, Bond Counsel, under existing law and subject to conditions described under "TAX MATTERS," interest on the Series 2012A Bonds (a) will not be included in gross income for federal income tax purposes and (b) will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest on the Series 2012A Bonds is taken into account in determining a corporation's alternative minimum income tax. In the opinion of Bond Counsel, interest on the Series 2012A Bonds will be exempt from all state, county, and municipal taxation in the State of Tennessee except inheritance, gift, and estate taxes and except that interest may not be exempt from Tennessee franchise and excise taxes. Holders of Series 2012A Bonds may be subject to other federal tax consequences, as described herein under "TAX MATTERS."

Continuing Disclosure

To permit compliance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12"), the Alliance will execute a Continuing Disclosure Agreement in connection with the issuance of the Series 2012A Bonds in which it will agree for the benefit of the holders of the Series 2012A Bonds to provide

certain annual financial information and operating data and certain quarterly financial data as to the Alliance and any future Obligated Issuer under the Master Indenture, and to provide notice of certain enumerated events, if material. See "CONTINUING DISCLOSURE AGREEMENT" for a more complete description of the Continuing Disclosure Agreement and the Alliance's performance under previous continuing disclosure agreements.

Professionals Involved in the Offering

Bass, Berry & Sims PLC will act as Bond Counsel in connection with the issuance of the Series 2012A Bonds. In connection with the issuance of the Series 2012A Bonds, certain legal matters will be passed upon by Anderson & Fugate, Johnson City, Tennessee, as counsel to the Alliance, Samuel B. Miller, Esq., Johnson City, Tennessee, as counsel to the Issuer, and Hunton & Williams LLP, as Underwriter's Counsel. The Alliance's consolidated financial statements for the fiscal years ended June 30, 2011 and 2010, included in Appendix B hereto, have been audited by Pershing Yoakley & Associates, P.C.

Relationships of the Parties

The Alliance has entered into interest rate exchange agreements, or swap agreements, with Bank of America, which is an affiliate of Bank of America Merrill Lynch, underwriter for the Series 2012A Bonds.

Acceleration

Subject to certain conditions, the Series 2012A Bonds are subject to acceleration of the maturity date upon the happening of an Event of Default under the Master Indenture and the Bond Indenture. See "SUMMARY OF THE FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE" and "- SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE" in Appendix C.

Bondholders' Risks

Payment of the Series 2012A Bonds is dependent on the ability of the Alliance and the other Obligated Issuers to make payments under the Loan Agreement and the Master Indenture. The Alliance's ability to make such payments may be adversely affected by many factors. There may also be legal and practical limitations on the enforcement of remedies and amounts that may be realized upon enforcement of remedies available to the Bond Trustee and owners of the Series 2012A Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS" and "CERTAIN RISK FACTORS" herein and "SOURCES OF REVENUE" in Appendix A.

Legal Document Summaries and Definitions

Certain provisions of the Master Indenture, the Bond Indenture and the Loan Agreement are summarized in Appendix C hereto. Other definitions of certain terms used in this Official Statement are also set forth in Appendix C hereto.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The quotations from, and summaries and explanations of, the statutes, regulations and documents referenced herein do not purport to be complete and reference is made to those statutes, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such documents may be obtained during the offering period, upon request to the Alliance and upon payment to the Alliance of a charge for copying, mailing and handling, at 400 North State of Franklin Road, Johnson City, TN 37604-6094, Attn: Legal Department.

Purchasers of the Series 2012A Bonds should note the use of forward-looking information and the covenants related thereto.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Issuer or the Alliance and the purchasers or holders of any of the Series 2012A Bonds.

This introduction is not a summary of this Official Statement. It is only a summary description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2012A Bonds to potential investors is made only by means of the entire Official Statement.

THE ISSUER

The Issuer is a public nonprofit corporation organized under the laws of the State of Tennessee. The Issuer was incorporated on May 3, 1973, by the Board of Commissioners of the City of Johnson City, Tennessee, pursuant to the laws now codified under Tennessee Code Annotated Section 48-101-301, *et seq.* (the "Tennessee Act"). The Tennessee Act authorizes the Issuer, among other things, to issue its bonds, to acquire, improve, maintain, extend, equip and furnish hospital facilities either within or without the corporate limits of the City of Johnson City, and in certain other jurisdictions in Tennessee, to mortgage its projects, to pledge the revenues and receipt therefrom, and to sell, exchange, donate and convey any or all of its properties. The Issuer has no taxing power.

THE ALLIANCE

The Alliance is a Tennessee nonprofit corporation recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"). Today, the Alliance directly and through related entities provides an integrated, comprehensive continuum of care to people in 29 counties and two independent cities in Tennessee, Virginia, Kentucky and North Carolina. The Alliance was initially incorporated as Memorial Hospital on April 12, 1945, as a non-sectarian, general welfare, not-for-profit corporation. In connection with the relocation of its operations, it changed its name to Johnson City Medical Center Hospital, Inc. in 1983. In 1998, Johnson City Medical Center Hospital, Inc. assumed operating responsibility for five hospitals and related assets acquired from Columbia/HCA. In recognition of its expanded facilities and scope of services resulting from the 1998 acquisition, Johnson City Medical Center Hospital, Inc. changed its name to Mountain States Health Alliance.

The Alliance currently owns or controls the following facilities:

Facility	Location
Johnson City Medical Center	Johnson City, TN
James H. & Cecile Quillen Rehabilitation Hospital	Johnson City, TN
Woodridge Hospital	Johnson City, TN
Franklin Woods Community Hospital	Johnson City, TN
Indian Path Medical Center	Kingsport, TN
Sycamore Shoals Hospital	Elizabethton, TN
Johnson County Community Hospital	Mountain City, TN
Smyth County Community Hospital[(1)]	Marion, VA
Norton Community Hospital[(2)]	Norton, VA
Dickenson Community Hospital[(2)]	Clintwood, VA
Russell County Medical Center	Lebanon, VA
Johnston Memorial Hospital[(2)]	Abingdon, VA

(1) 80% membership interest held by the Alliance.
(2) 50.1% membership interest held by the Alliance.

The Alliance now has a total of 1,623 licensed beds serving a population of more than 1,000,000. In addition to its hospitals, the Alliance's integrated health care delivery system includes 23 primary/preventive care centers and 12 outpatient care sites. The Alliance's medical facilities provide a full spectrum of general and specialty medical services, including rehabilitative services for individuals with brain injuries, strokes and spinal cord injuries, in-patient psychiatric services and centers for health focusing on cardiovascular health, pulmonary medicine, women's health and cancer therapy, among other services. The Alliance also serves as a clinical training facility for medical students, residents, and nursing students from the East Tennessee State University's James H. Quillen College of Medicine and the School of Public and Allied Health. **For additional information regarding the Alliance, see Appendix A.**

The Alliance, Blue Ridge, Norton and Smyth are each an Obligated Issuer as such term is used in the Master Indenture. Blue Ridge is a wholly-owned, for-profit subsidiary of the Alliance. Norton is a Virginia non-stock corporation in which the Alliance owns a 50.1% interest. Smyth is a Virginia non-stock corporation in which the Alliance owns an 80% interest. See Appendix A - "HISTORY AND OVERVIEW - Operations of Subsidiary and Other Affiliates."

The Alliance also operates the hospital facilities in Dickenson County and Washington County, Virginia, through ownership of a majority interest in the membership of the corporations owning such facilities. None of such corporations are an Obligated Issuer or otherwise are responsible for repayment of amounts due from the Alliance with respect to the Series 2012A Bonds, and none of the assets of such corporations are pledged as security for the Alliance's payment obligations.

Only the Obligated Issuers are obligated to pay the Series 2012A Bonds. The audited and unaudited financial statements of the Alliance included as Appendices B and C reflect the assets, liabilities, revenues and expenses of related organizations that are not Obligated Issuers. See Appendix A − "CONDENSED SUMMARY OF REVENUE AND EXPENSES; FINANCIAL STATEMENTS."

THE SERIES 2012A BONDS

Set forth below is a summary of certain provisions of the Series 2012A Bonds. General information describing the Series 2012A Bonds appears elsewhere in this Official Statement. That information should be read in conjunction with this summary, which is qualified in its entirety by reference to the Bond Indenture, and the form of the Series 2012A Bonds. See "SUMMARY OF THE FINANCING DOCUMENTS" in Appendix C hereto.

General

The Series 2012A Bonds shall be initially issued as fully registered bonds without coupons in authorized denominations of $5,000 and integral multiples thereof. The Series 2012A Bonds will mature, subject to prior redemption as described herein, on August 15, in the years and at the fixed interest rates set forth on the inside cover of this Official Statement, with such interest payable on February 15 and August 15 of each year, commencing February 15, 2013.

The Series 2012A Bonds initially will be dated the date of issuance thereof. Except as described in the next sentence, subsequently issued Series 2012A Bonds will be dated as of the later of the date of original issuance of the Series 2012A Bonds or the most recent preceding interest payment date to which interest has been paid thereon. Series 2012A Bonds issued on an interest payment date to which interest has been paid will be dated as of such date. For a description of method of payment of principal, premium, if any and interest on the Series 2012A Bonds and matters pertaining to transfers and exchange while registered in the name of Cede & Co., see "BOOK-ENTRY ONLY SYSTEM" in Appendix F.

The principal and premium, if any, of the Series 2012A Bonds shall be payable at the office of the Bond Trustee in East Syracuse, New York, upon surrender of the Series 2012A Bonds at such office. Interest on the Series 2012A Bonds (other than Defaulted Interest) shall be payable by check or draft drawn upon the Bond Trustee (or, as to any owner of $1,000,000 or more in aggregate principal amount of Series 2012A Bonds who so elects, by wire transfer of funds to such wire transfer address within the continental United States as the registered owner shall

have furnished to the Bond Trustee in writing) and paid to the Persons in whose names the Series 2012A Bonds are registered on the Bond Register maintained by the Bond Trustee as of the close of business on the Record Date (each February 1 and August 1) next preceding the relevant interest payment date. Any interest on any Series 2012A Bond which is payable but which is not punctually paid or duly provided for on the due date ("Defaulted Interest") shall cease being payable to the person in whose name such Bond is registered on the Record Date and instead shall be payable to the person in whose name such Bond is registered at close of business on a Special Record Date selected by the Bond Trustee and which shall be at least 10 days but not more than 15 days before the date selected by the Alliance for payment of such Defaulted Interest. The Bond Trustee shall give Notice by Mail of the Special Record Date and date for payment of Defaulted Interest at least 10 days before the Special Record Date.

THE SERIES 2012A BONDS ARE, AND ARE TO BE, EQUALLY AND RATABLY SECURED, TO THE EXTENT PROVIDED IN THE BOND INDENTURE, SOLELY BY A PLEDGE OF THE REVENUES AND OTHER FUNDS PLEDGED UNDER THE BOND INDENTURE. THE SERIES 2012A BONDS, TOGETHER WITH PREMIUM, IF ANY, AND THE INTEREST THEREON, ARE SPECIAL AND LIMITED OBLIGATIONS OF THE ISSUER. THE SERIES 2012A BONDS AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF TENNESSEE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF JOHNSON CITY, TENNESSEE. THE CITY OF JOHNSON CITY, TENNESSEE, SHALL NOT IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2012A BONDS, OR FOR THE PERFORMANCE OF ANY PLEDGE, MORTGAGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER THEREIN OR INDEBTEDNESS BY THE ISSUER, AND NEITHER THE SERIES 2012A BONDS NOR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS DESCRIBED IN THE SERIES 2012A BONDS OR OTHERWISE SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF THE CITY OF JOHNSON CITY, TENNESSEE, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS WHATSOEVER. THE ISSUER HAS NO TAXING AUTHORITY.

Registration of Transfer or Exchange of Series 2012A Bonds

The Bond Indenture contains the following provisions with respect to registration of transfer or exchange of Series 2012A Bonds. Such provisions do not apply while the Series 2012A Bonds are held by DTC. See Appendix F - "BOOK-ENTRY ONLY SYSTEM."

Only upen surrender for transfer of any Series 2012A Bond at the corporate trust office of the Bond Trustee in East Syracuse, New York, shall the Issuer execute and the Bond Trustee authenticate and deliver in the name of the transferee or transferees a new fully registered Series 2012A Bond or Series 2012A Bonds of the same series and maturity and of authorized denomination for the aggregate principal amount which the registered owner is entitled to receive.

Any Series 2012A Bond or Series 2012A Bonds may be exchanged at said office of the Bond Trustee for a like aggregate principal amount of Series 2012A Bond or Series 2012A Bonds of the same series and maturity of other authorized denominations. The execution by the Issuer of any Series 2012A Bond shall constitute full and due authorization of such Series 2012A Bond, and the Bond Trustee shall thereby be authorized to authenticate, date and deliver such Series 2012A Bond.

All Series 2012A Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Bond Trustee, duly executed by the registered owner or by such owner's duly authorized attorney.

No service charge shall be imposed for any exchange or transfer of Series 2012A Bonds. The Issuer and the Bond Trustee may, however, require payment by the person requesting an exchange or transfer of Series 2012A Bonds of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto, except in the case of the issuance of a Series 2012A Bond or Series 2012A Bonds for the unredeemed portion of a Series 2012A Bond surrendered for redemption.

The Issuer and the Bond Trustee shall not be required to register the transfer of or exchange any Series 2012A Bond after notice calling such Series 2012A Bond or portion thereof for redemption has been mailed or

during the 15 day period next preceding the mailing of a notice of redemption of any Series 2012A Bonds of the same series and maturity.

New Series 2012A Bonds delivered upon any transfer or exchange shall be valid obligations of the Issuer, evidencing the same debt as the Series 2012A Bonds surrendered, shall be secured by the Bond Indenture and shall be entitled to all of the security and benefits thereof to the same extent as the Series 2012A Bond surrendered.

The Issuer and the Bond Trustee may treat the registered owner of any Series 2012A Bond as the absolute owner thereof for all purposes, whether or not such Series 2012A Bond shall be overdue, and shall not be bound by any notice to the contrary. All payments of or on account of the principal of and premium, if any, and interest on any such Series 2012A Bond as herein provided shall be made only to or upon the written order of the registered owner thereof or his legal representative, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2012A Bond to the extent of the sum or sums so paid.

Redemption

The Series 2012A Bonds may not be called for redemption except as described below. The Series 2012A Bonds are subject to optional redemption, extraordinary redemption and mandatory sinking fund redemption prior to maturity as described below.

Optional Redemption. The Series 2012A Bonds are subject to redemption prior to maturity on or after August 15, 2022, upon direction of the Alliance, in whole at any time, or in part (and, if in part, by maturities or portions thereof designated by the Alliance) from time to time on any interest payment date, at the redemption price of 100% of the outstanding principal amount thereof, plus accrued interest thereon to the date of redemption. No redemption of less than all of the Series 2012A Bonds at the time outstanding shall be made pursuant to the foregoing unless the aggregate principal amount to be redeemed is equal to or more than $100,000.

Extraordinary Redemption. The Series 2012A Bonds are callable for extraordinary redemption prior to maturity in the event of damage to or destruction of the Property of any member of the Obligated Group or any part thereof or condemnation of the Facilities or any part thereof, if the net proceeds of insurance or condemnation received in connection therewith after expenses of recovery of such proceeds to the extent such net proceeds are not applied either to any lawful purposes of the Obligated Group or to the repair, replacement, restoration or reconstruction of the affected Facilities pursuant to the Master Indenture, but only to the extent of the funds provided for in the Master Indenture. If thus called for redemption, the Series 2012A Bonds shall be subject to redemption by the Issuer at any time, in whole or in part, and if in part, the Alliance may decide the amount of Series 2012A Bonds to be redeemed and the order of maturity or portion of each maturity within such Series to be redeemed, and within such maturity of such Series, the Bond Trustee shall select the bonds to be redeemed by lot. Such redemption shall be at the principal amount thereof plus accrued interest to the redemption date, and without premium, from the proceeds of such insurance or condemnation award or such sale but not in excess of the amount of such proceeds applied to such purpose. If no direction is given by the Alliance, the Bond Trustee will redeem Series 2012A Bonds and each Series of Additional Bonds then outstanding under the Bond Indenture pro rata based on the then outstanding principal amount of each Series under the Bond Indenture and within each Series will redeem bonds in the inverse order of maturity thereof. No redemption of less than all of the Series 2012A Bonds at the time outstanding shall be made pursuant to the foregoing unless the aggregate principal amount to be redeemed is equal to or more than $100,000.

Purchase of Bonds. In lieu of redeeming Series 2012A Bonds, the Bond Trustee may, at the request of the Issuer, use such funds otherwise available under the Bond Indenture for optional or extraordinary redemption of Series 2012A Bonds to purchase such Bonds in the open market at a price not exceeding the redemption price then applicable under the Bond Indenture. In the case of any extraordinary redemption or any purchase and cancellation of the Series 2012A Bonds, the Issuer shall receive credit against its required deposits to the Bond Sinking Fund with respect to Series 2012A Bonds of the maturity redeemed or purchased in such order as the Issuer elects prior to such extraordinary redemption or purchase and cancellation or, if no election is made, in the inverse order thereof.

Credit Against Bond Sinking Fund Deposits. In the case of any extraordinary redemption or any purchase and cancellation of the Series 2012A Bonds, the Issuer shall receive credit against its required Bond Sinking Fund deposits with respect to Series 2012A Bonds in such order as the Alliance elects prior to such extraordinary redemption or purchase and cancellation or, if no election is made, in the inverse order thereof.

Mandatory Sinking Fund Redemption. With respect to the payment of the Series 2012A Bonds by maturities or mandatory redemption through the Bond Sinking Fund, the Issuer (to the extent funds are available through the Revenue Fund held under the Bond Indenture) shall cause the Alliance to have on deposit in the Bond Sinking Fund on August 15 of each of the following years moneys to be applied to the redemption of Series 2012A Bonds in the amounts and at the times, respectively, as follows:

Payment of Series 2012A Bonds at Maturity and Pursuant to Mandatory Bond Sinking Fund Redemption

Year	Principal Amount	Year	Principal Amount
2039	$12,735,000	2041	14,075,000
2040	13,390,000	2042*	14,800,000

*At maturity

Such amounts set forth above shall be reduced (i) by the principal amount of Series 2012A Bonds acquired and delivered in satisfaction of such Bond Sinking Fund requirements and (ii) in connection with a redemption of all or a portion of the Series 2012A Bonds if the Alliance elects to reduce mandatory Bond Sinking Fund redemptions for the Series 2012A Bonds in the manner described in "THE SERIES 2012A BONDS—Redemption−*Credit Against Bond Sinking Fund Deposits"* above.

Moneys on deposit in the Bond Sinking Fund on August 15 of each of the years 2039 through 2041 shall be applied to redeem Series 2012A Bonds maturing August 15, 2042, in the respective amounts indicated in the table above, by lot in such manner as may be designated by the Bond Trustee, upon the notice, and in the manner provided in the Bond Indenture. Moneys on deposit in the Bond Sinking Fund on August 15, 2042, shall be applied to the payment of Series 2012A Bonds maturing on such date.

Payment or redemption of the Series 2012A Bonds through the Bond Sinking Fund shall be without premium. In the event the Series 2012A Bonds maturing on a specific date as aforesaid have been fully paid and moneys are on deposit in the Bond Sinking Fund to redeem the Series 2012A Bonds maturing on that specific maturity date, then such moneys on deposit in the Bond Sinking Fund shall be applied to Series 2012A Bonds maturing on the next succeeding maturity date in the order above set forth.

Notice of Redemption. The Bond Trustee shall cause notice of the call for any such redemption identifying the Series 2012A Bonds to be redeemed to be sent not less than 30 nor more than 60 days prior to the redemption date (a) by first-class mail postage prepaid, to the holder of each such Series 2012A Bond to be redeemed at his address as it appears on the registration books of the Bond Trustee, (b) by first-class mail, to at least two organizations registered with the Securities and Exchange Commission as securities depositories, and (c) to at least one information service of national recognition which disseminates redemption information with respect to municipal securities. Failure to give any notice described in (a), or any defect therein, shall not affect the validity of any proceedings for the redemption of any Series 2012A Bonds with respect to which no such failure has occurred and failure to give any notice described in (b) or (c), or any defect therein, shall not affect the validity of any proceedings for the redemption of any Series 2012A Bonds with respect to which the notice specified in (a) is correctly given. Any notice mailed as described above shall conclusively be presumed to have been given whether or not actually received by any holder. All Series 2012A Bonds called for redemption shall cease to bear interest on the specified redemption date provided funds for their redemption are on deposit at the place of payment on the date fixed for redemption.

With respect to optional redemption, such notice shall be conditional upon moneys being on deposit with the Bond Trustee on or prior to the redemption date in an amount sufficient to pay the redemption price on the redemption date. If moneys are not received, such notice shall be of no force and effect, the Bond Trustee shall not

redeem such Series 2012A Bonds and the Bond Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Series 2012A Bonds will not be redeemed.

The notice of redemption may be in the form prepared by Bond Counsel or Counsel to the Bond Trustee. Any notice of the call for redemption of the Series 2012A Bonds shall state the following: (1) the name, including series designation, of the Series 2012A Bonds, (2) the CUSIP number, if any, and bond certificate number of the Series 2012A Bonds to be redeemed, (3) the original dated date of the Series 2012A Bonds, (4) the interest rate and stated maturity of the Series 2012A Bonds to be redeemed, (5) the date of the redemption notice, (6) the redemption date, (7) the redemption price, (8) if less than all of a Series 2012A Bond is to be redeemed, the amount of such Bond to be redeemed and (9) the address and telephone number of the principal offices of the Bond Trustee. In addition, in preparing such notice, the Bond Trustee shall take into account, to the extent applicable, the prevailing municipal securities industry standards and any regulatory statement of any federal industry standards and any regulatory statement of any federal or state administrative body having jurisdiction over the Issuer, or the municipal securities industry, including without limitation Release No. 34-23856 of the Securities and Exchange Commission, or any subsequent amending or superseding release.

Notwithstanding the foregoing, in the event that the depository for the Series 2012A Bonds is DTC, the Bond Trustee will follow the procedure for redemption, and selection of Bonds for redemption, prescribed by DTC.

Purchase of Bonds in Lieu of Redemption. In lieu of redeeming Series 2012A Bonds, the Bond Trustee may, at the request of the Alliance, use such funds otherwise available under the Bond Indenture for redemption of Bonds to purchase Bonds in the open market at a price not exceeding the redemption price then applicable under the Bond Indenture.

PLAN OF FINANCE

Application of Proceeds

The proceeds of the Series 2012A Bonds are being loaned to the Alliance pursuant to the Loan Agreement and will be used by the Alliance to (1) finance a surgery center project at the Alliance hospital in Johnson City, Tennessee; and (2) pay certain expenses incurred in connection with the issuance of the Series 2012A Bonds. The Alliance expects that, simultaneously with the issuance of the Series 2012A Bonds, (1) the Issuer will issue its $30,230,000 Hospital Revenue Bonds (Mountain States Health Alliance) Series 2012B (the "Series 2012B Bonds") and (2) the Industrial Development Authority of Wise County will issues its $9,790,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2012C (the "Series 2012C Bonds"). The Series 2012B Bonds and the Series 2012C Bonds will be secured on a parity with the Series 2012A Bonds and all other bonds secured by Obligations under the Master Indenture.

Estimated Sources and Uses of Funds

The sources and uses of the proceeds of the Series 2012A Bonds are set forth below.

Sources of Funds	
Principal Amount	$55,000,00.00
Premium	1,865,050.00
TOTAL	$56,865,050.00
Uses of Funds	
Projects	$55,727,749.00
Costs of Issuance	1,137,301.00
TOTAL	$56,865,050.00

Current and Pro Forma Long-Term Debt

The left column of the following table reflects the total outstanding debt of the Alliance under the Master Indenture as of June 30, 2012, prior to the issuance of the Series 2012A Bonds, the Series 2012B Bonds and the Series 2012C Bonds (collectively, the "Series 2012 Bonds"). The right column of the following table shows the outstanding debt of the Alliance under the Master Indenture as of June 30, 2012, but adjusted to show the effect of the issuance of the Series 2012 Bonds. The table below and in the immediate following section does not include the indebtedness of certain entities controlled by the Alliance that are not Obligated Issuers.

Outstanding Long-Term Debt (at June 30, 2012)		Pro Forma Long-Term Debt (at June 30, 2012)	
Description	**Principal Amount**	**Description**	**Principal Amount**
Debt:		***Debt:***	
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Refunding Bonds, Series 2000A	$32,885,459[1]	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Refunding Bonds, Series 2000A	$32,885,459[1]
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Bonds, Series 2000C	33,230,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Bonds, Series 2000C	33,230,000
Mountain States Health Alliance Taxable Note, Series 2000D	14,315,000	Mountain States Health Alliance Taxable Note, Series 2000D	14,315,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Bonds, Series 2001A	22,300,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Bonds, Series 2001A	22,300,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Bonds, Series 2006A	168,990,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Bonds, Series 2006A	168,990,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2007B-1	26,170,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2007B-1	26,170,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2007B-2	102,750,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2007B-2	102,750,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2007B-3	27,840,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2008A	13,245,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2008A	13,245,000	Industrial Development Authority of Russell County Hospital Revenue Bonds, Series 2008B	52,930,000
Industrial Development Authority of Russell County Hospital Revenue Bonds, Series 2008B	52,930,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2009A	5,560,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2009A	5,560,000	Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2009B	5,535,000
Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2009B	5,535,000	Industrial Development Authority of Washington County, Virginia, Hospital Revenue Bonds, Series 2009C	115,955,000
Industrial Development Authority of Washington County, Virginia, Hospital Revenue Bonds, Series 2009C	115,955,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2010A	161,935,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2010A	161,935,000	Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2010B	32,460,000
Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2010B	32,460,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2011A	65,260,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2011A	65,260,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2011B	20,000,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2011B	20,000,000	Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2011C	49,875,000
Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2011C	49,875,000	Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2011D	60,705,000
Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2011D	60,705,000	Mountain States Health Alliance Taxable Bonds, Series 2011E	15,960,000
Mountain States Health Alliance Taxable Bonds, Series 2011E	15,960,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2012A	55,000,000
		The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2012B[2]	30,230,000
		Industrial Development Authority of Wise County Hospital Revenue Bonds, Series 2012C[2]	9,790,000
Total Long-Term Debt	**$1,027,900,459**	**Total Long-Term Debt**	**$1,095,080,459**
Less: 2000 Reserve Fund	$ 7,000,000	Less: 2000 Reserve Fund	$ 7,000,000
2006A Reserve Fund	17,303,000	2006A Reserve Fund	17,303,000
NET TOTAL LONG-TERM DEBT	**$1,003,597,459**	**NET TOTAL LONG-TERM DEBT**	**$1,070,777,459**

Notes:
(1) Value of CABS accreted to July 1, 2012.
(2) Amount subject to change.

Estimated Annual Debt Service Requirements

The following table reflects the estimated outstanding debt service obligations of the Alliance on all long term indebtedness secured under the Master Indenture following the issuance of the Series 2012 Bonds. The estimated annual debt service with respect to outstanding indebtedness assumes a 3.50% interest rate on all variable rate bonds, and does not take into account any interest rate hedges that may exist or may be executed in the future.

	Estimated Annual Debt Service Requirements			Estimated Annual Debt Service on Other Long-Term Outstanding Indebtedness*	Estimated Total Annual Long-Term Debt Service Requirements
	Series 2012A		Series 2012B&C		
Year Ending June 30	Principal	Interest	Debt Service		
2013	-	$ 1,122,917	$ 490,245	$ 22,993,434	$ 24,606,596
2014	-	2,750,000	1,200,600	70,894,975	74,845,575
2015	-	2,750,000	1,963,975	68,626,588	73,340,563
2016	-	2,750,000	1,226,600	69,364,631	73,341,231
2017	-	2,750,000	1,175,850	69,408,888	73,334,738
2018	-	2,750,000	1,855,500	68,724,744	73,330,244
2019	-	2,750,000	1,854,500	68,725,406	73,329,906
2020	-	2,750,000	1,887,375	68,693,809	73,331,184
2021	-	2,750,000	2,484,975	68,095,825	73,330,800
2022	-	2,750,000	2,241,200	67,089,228	72,080,428
2023	-	2,750,000	2,200,575	66,523,184	71,473,759
2024	-	2,750,000	997,800	66,593,178	70,340,978
2025	-	2,750,000	1,303,150	68,597,894	72,651,044
2026	-	2,750,000	1,293,850	68,722,175	72,766,025
2027	-	2,750,000	1,368,275	68,673,150	72,791,425
2028	-	2,750,000	1,366,275	68,641,538	72,757,813
2029	-	2,750,000	1,359,050	68,359,638	72,468,688
2030	-	2,750,000	1,356,600	68,255,613	72,362,213
2031	-	2,750,000	1,348,925	67,953,091	72,052,016
2032	-	2,750,000	1,119,475	67,125,869	70,995,344
2033	-	2,750,000	1,443,300	63,715,113	67,908,413
2034	-	2,750,000	1,441,875	63,997,094	68,188,969
2035	-	2,750,000	1,440,000	65,088,725	69,278,725
2036	-	2,750,000	1,442,600	64,983,450	69,176,050
2037	-	2,750,000	1,439,675	64,873,100	69,062,775
2038	-	2,750,000	1,441,225	64,666,438	68,857,663
2039	-	2,750,000	1,442,175	64,773,706	68,965,881
2040	$12,735,000	2,431,625	6,963,450	-	22,130,075
2041	13,390,000	1,778,500	6,962,500	-	22,131,000
2042	14,075,000	1,091,875	6,965,700	-	22,132,575
2043	14,800,000	370,000	6,962,900	-	22,132,900
	$55,000,000	**$78,294,917**	**$68,040,195**	**$1,774,160,481**	**$1,975,495,593**

* Table does not include the debt service related to approximately $43 million of outstanding long-term indebtedness of Johnston Memorial Hospital. Johnston Memorial Hospital is not a member of the Obligated Group and the Obligated Issuers will not be required to pay debt service on such indebtedness.

JMH Financing

It is expected that shortly after the issuance of the Series 2012A Bonds, Johnston Memorial Hospital ("JMH") will enter into an approximately $18,000,000 taxable loan (the "JMH Loan") for the benefit of JMH. JMH is not a member of the Obligated Group and the Obligated Issuers will not be required to pay debt service on the JMH Loan. The JMH Loan is not included in the tables in the sections "Current and Pro Forma Long Term Debt" and "Estimated Annual Debt Service Requirements" above.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS

Special, Limited Obligations of the Issuer

The Series 2012A Bonds will be issued under and secured by the Bond Indenture and are payable from moneys received by the Bond Trustee from the Alliance, as further described in "Trust Estate" below.

Trust Estate

The Series 2012A Bonds are payable from the Trust Estate under the Bond Indenture, which consists of (i) payments or prepayments to be made on the Series 2012A Obligation, and any additional obligations of the Alliance to the Issuer to the extent such additional obligations may be pledged under the Bond Indenture in the future; (ii) other payments under the Loan Agreement (other than fees and expenses payable to the Issuer and the Issuer's rights to notices and indemnification in certain circumstances); (iii) all moneys and investments held under the Bond Indenture as security for the Series 2012A Bonds (excluding funds held in the Rebate Fund established in the Bond Indenture); and (iv) in certain circumstances, proceeds from certain insurance and condemnation awards.

Pursuant to the Series 2012A Obligation, the Alliance is required to make payments to the Bond Trustee for deposit into the Revenue Fund established under the Bond Indenture, at the times and in amounts sufficient to pay the principal of and interest on the Series 2012A Bonds.

Payment of principal and interest on the Series 2012A Bonds will not be secured by any encumbrance, mortgage or other pledge of any property of any Issuer. **The Series 2012A Bonds will not constitute a debt or indebtedness of any state or any political subdivision or agency thereof, including The Health and Educational Facilities Board of the City of Johnson City, Tennessee, within the meaning of any constitutional or statutory provision or limitation. The Issuer does not have taxing power.**

Master Indenture Covenants

In the Master Indenture, the Alliance has made certain covenants, on behalf of itself and the Obligated Group (as defined in the Master Indenture), regarding maintenance of fees and rates, and any future Obligated Issuer would be required to make similar covenants upon joining the Obligated Group. These covenants provide, among other matters, that each Obligated Issuer (including the Alliance) will continue to impose such fees as are included within the Gross Revenues, operate on a revenue producing basis, and charge such fees and rates for its facilities and services and exercise such skill and diligence as to provide income from its property together with other available funds sufficient to pay promptly all payments of principal and interest on its indebtedness secured by the Master Indenture, all expenses of operation, maintenance, and repair of its property subject to the Master Indenture, and all other payments required to be made by it under the Master Indenture to the extent permitted by law. Each Obligated Issuer (including the Alliance) also covenants to use its best efforts to maintain in each Fiscal Year a ratio of total Income Available for Debt Service to Maximum Annual Debt Service for all Obligated Issuers at least equal to 1.30 to 1. Each Obligated Issuer (including the Alliance) further covenants that it will from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of the Master Indenture described in this paragraph. See Appendix C - "SUMMARY OF THE FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Rates and Charges."

The Master Indenture defines "Income Available for Debt Service" of the Alliance or other Obligated Issuer to mean, with respect to any period of time, the excess of revenues over expenses, or, in the case of for-profit entities, net income after tax, as determined in accordance with generally accepted accounting principals, to which shall be added, in either case, (i) depreciation, (ii) amortization, (iii) interest expense on Long-Term Indebtedness (as defined in the Master Indenture) and (iv) to the extent not already included, contributions and donations and from which shall be excluded any extraordinary items, any impairment losses, any gain or loss resulting from either the extinguishment of indebtedness or the sale, exchange or other disposition of assets not made in the ordinary course of business, provided, however, that (a) no determination of Income Available for Debt Service will take into account any gains or losses resulting from the periodic valuation of investments or Hedge Agreements that do not

involve the sale, transfer or other disposition of any such investment or Hedge Agreement or the termination of any Hedge Agreement and (b) a person may include in its net income such person's share of the net income of any person controlled by such person or in whom such person has a legal interest. The Master Indenture contains provisions relating to the calculation of Maximum Annual Debt Service that provides for reallocation of amounts due on balloon indebtedness and assumptions as to the interest rates on variable rate indebtedness and payment of guaranties. For financial information of the Alliance, see Appendix A and the Alliance's audited consolidated financial statements for the fiscal years ended June 30, 2011 and June 30, 2010, included as Appendix B. For a more complete description of the covenants under the Master Indenture, see "SUMMARY OF THE FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Rates and Charges" in Appendix C.

Only Obligated Issuers are obligated to make payments on the Series 2012A Bonds and to abide by the covenants under the Master Indenture. The audited and unaudited financial statements included as Appendices B and C reflect the assets and operations of entities that are not Obligated Issuers. See Appendix A − "CONDENSED SUMMARY OF REVENUE AND EXPENSES; FINANCIAL STATEMENTS."

Amendment of Master Indenture

By purchasing the Series 2012A Bonds, the initial holders thereof will consent to an amendment to the definition of "Debt Service Requirement" in the Master Indenture and an amendment to the requirements applicable to interest rate swaps. Such amendments will not become effective immediately and will become effective only upon receipt of the consent of the required percentage of bondholders and credit enhancers under the terms of the Master Indenture.

Both the existing definition and the proposed definition are set forth in Appendix C, "SUMMARY OF THE FINANCING DOCUMENTS – DEFINITIONS OF CERTAIN TERMS." The definition of "Debt Service Requirement" is utilized in calculations under both the additional debt test and the rate covenant under the Master Indenture, and such amendment may in certain circumstances increase or decrease the amount of the Debt Service Requirement in any required calculation. See "Additional Long-Term Indebtedness" and "Rates and Charges" in "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE" in Appendix C.

Both the existing requirements and the proposed new requirements for interest rate swaps are set forth in Appendix C.

Pledged Assets; Mortgage

Currently, the Series 2012A Bonds are secured by the Trust Estate, including the assignment of the Series 2012A Obligation. As security for its Master Obligations, the Alliance has granted to the Master Trustee a security interest in its Pledged Assets, subject to Permitted Liens. The Pledged Assets consist of: Receivables, Inventory, Equipment, General Intangibles, Contracts and Contract Rights, Government Approvals, Fixtures and other personal property, goods, instruments, chattel paper, documents, credits, claims, demands and assets. For a definition of these terms see Appendix C - "SUMMARY OF THE FINANCING DOCUMENTS - DEFINITIONS OF CERTAIN TERMS." Financing statements will be filed in the appropriate records of the Office of the Tennessee Secretary of State to perfect the security interest in Pledged Assets and Equipment to the extent possible by such filing. Continuation statements meeting the requirements of the Uniform Commercial Code of Tennessee (the "UCC") must be filed every five years to continue the perfection of such security interest. The security interest in the Pledged Assets and Equipment is subject to Permitted Liens that exist prior to or may be created subsequent to the time the security interest granted by the Master Indenture attaches.

The security interest in any item of inventory will be inferior to the interest of a buyer in the ordinary course of business and will be inferior to a purchase money security interest, as defined in the UCC, perfected in connection with the sale to an Obligated Issuer of such item. The lien on certain other Pledged Assets may not be enforceable against third parties unless such other Pledged Assets are transferred to the Master Trustee (which transfer Obligated Issuers are not required by the Master Indenture to make prior to an Event of Default thereunder and which transfer may be set aside if it occurs within 90 days of the filing of a petition in bankruptcy) and is subject

to exception under the UCC. The federal government may in the future proscribe or restrict the assignment of rights arising out of Medicare, Medicaid or other federal programs.

As a condition to becoming a Member of the Obligated Group, an entity must grant to the Master Trustee a security interest in its Pledged Assets.

Pursuant to the Master Indenture, the Obligated Issuers agree that they will not create or suffer to be created or exist any Lien other than Permitted Liens, as defined under "SUMMARY OF THE FINANCING DOCUMENTS - DEFINITIONS OF CERTAIN TERMS" in Appendix C, upon any of their facilities now owned or hereafter acquired.

The Series 2012A Obligation is also secured by a mortgage on the Johnson City Medical Center located in Johnson City, Tennessee, and the Sycamore Shoals Hospital facility in Elizabethton, Tennessee (together, the "Mortgaged Property"). Such mortgage secures all Master Obligations issued under the Master Indenture.

Subject to certain conditions, in case of the failure of the Obligated Issuers to make any payment on the Master Obligations when due or upon any other event of default under the Master Indenture, the Master Trustee may, after such notice as is required by the Master Indenture and the applicable security instruments, take possession of Mortgaged Property or, upon such public notice as required by Tennessee statute, sell the Mortgaged Property, and apply the proceeds to payment of principal of and interest on the Master Obligations (and thereby on the Series 2012A Bonds) on a parity basis with any other Master Obligation.

Additional Indebtedness

The Alliance has certain debt outstanding under the Master Indenture. The Master Indenture permits the Alliance and any other members of the Obligated Group to incur Additional Indebtedness (including Guaranties), all upon the terms and subject to the conditions specified therein. Such Additional Indebtedness may, but need not, be evidenced or secured by a Master Obligation. Additional Indebtedness may be issued to the Issuer or to persons other than the Issuer.

The reimbursement obligations of the Alliance with respect to the Letters of Credit will also be secured under the Master Indenture.

Except as noted in the preceding paragraph, the Master Indenture, the Alliance and each other Obligated Issuer agrees that it will not incur other Additional Indebtedness unless it can demonstrate that certain coverage ratios have been and will be met between debt service obligations and Income Available for Debt Service. Under the Master Indenture, Additional Indebtedness may be Long-Term Indebtedness or Short-Term Indebtedness. The Master Indenture allows any future Obligated Issuer to incur Additional Indebtedness under the Master Indenture as a Master Obligation constituting the joint and several obligation of the Alliance and all other Obligated Issuers and subject to cross-guarantees of all Obligated Issuers, including the Alliance. Except to the extent entitled to the benefits of additional security as permitted by the Master Indenture and except for Subordinated Indebtedness, all Master Obligations will be equally and ratably secured by the Master Indenture. See Appendix C - "SUMMARY OF THE FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE."

Subject to certain conditions set forth in the Master Indenture, Additional Indebtedness incurred by any Member of the Obligated Group may be secured by security which does not extend to any other Indebtedness. Such security may include Liens on the Property (including health care facilities) of the Members of the Obligated Group, letters or lines of credit or insurance, and could also consist of Liens on cash or securities deposited or held in any depreciation reserve, debt service or interest reserve, debt service or similar fund established pursuant to the terms of any Supplemental Master Indenture, Related Bond Indenture or Related Loan Document. The Master Indenture provides that Supplemental Master Indentures pursuant to which one or more series of Master Obligations entitled to additional security are issued may provide for such amendments to provisions of the Master Indenture, including the provisions thereof relating to the exercise of remedies upon the occurrence of an event of default, as are necessary to

provide for such security and to permit realization upon such security solely for the benefit of the Master Obligation secured thereby.

Defeasance

If the interest on, and the principal or redemption price (as the case may be) of the Series 2012A Bonds have been paid, or the required amount of money and/or Defeasance Investment (see "SUMMARY OF THE FINANCING DOCUMENTS - DEFINITIONS OF CERTAIN TERMS" in Appendix C) have been deposited with the Bond Trustee to provide sufficient amounts to pay the principal of, and premium, if any, and interest due and to become due on such Series 2012A Bonds on or prior to the redemption date or maturity date thereof, such Series 2012A Bonds shall no longer be deemed outstanding under the Bond Indenture and will no longer be secured thereby. If all Series 2012A Bonds have been so provided for, the Bond Trustee shall cancel and discharge the Bond Indenture. See "SUMMARY OF THE FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE - Defeasance" in Appendix C.

Bankruptcy

The lien on the Pledged Assets and Equipment given for the benefit of holders of Master Obligations (and thereby the Series 2012A Bonds) are generally superior to the claims of other creditors (subject to the limitations set forth above). However, bankruptcy and similar proceedings and usual equity principles may affect the enforcement of rights to such security. If such security is inadequate for payment in full of the Bonds, bankruptcy proceedings and usual equity principles may also limit any attempt by the Master Trustee to seek payment from other property of the Alliance or future Obligated Issuers. In particular, federal bankruptcy law permits adoption of a reorganization plan even though it has not been accepted by the holders of a majority in aggregate principal amount of the Bonds if the holders are provided with the benefit of their original lien or the "indubitable equivalent." In addition, if the bankruptcy court concludes that the holders have "adequate protection," it may (1) substitute other security for the security subject to the lien of the holders and (2) subordinate the lien of the holders to claims by entities or persons supplying post petition financing to the Alliance after bankruptcy. Furthermore, the reasonable and necessary costs and expenses of preserving or disposing of the Pledged Assets and Equipment in a bankruptcy may, in certain circumstances, reduce the value of the lien on the Pledged Assets and Equipment to the extent such costs and expenses benefit the Master Trustee (and holders). In the event of the bankruptcy of the Alliance, the amount realized by the holders might depend on the bankruptcy court's interpretation of "indubitable equivalent" and "adequate protection" under the then existing circumstances, which may result in a reduction in the security for or proceeds available to the holders.

INTEREST RATE SWAPS

The Alliance has various interest rate swaps and related derivatives currently in place, as described in Appendix A. Some of the existing arrangements have been entered into with affiliates of the Underwriter. The Alliance may in the future enter into swap agreements with respect to some or all of its obligations issued under the Master Indenture. See "MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE − Interest Rate Swaps and Derivatives" in Appendix A.

CERTAIN RISK FACTORS

The purchase of the Series 2012A Bonds involves certain risks that are discussed throughout this Official Statement. Each prospective purchaser of the Series 2012A Bonds should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision. Certain of these risks are described below.

General

The ability of the Obligated Issuers to make payments on the Series 2012A Bonds is dependent upon the ability of the Obligated Issuers to generate revenue sufficient to cover collective operating expenses and debt service on the Series 2012A Bonds and other indebtedness of the Obligated Issuers. Health care providers, especially

hospitals, face increasing economic pressures from both governmental health care programs and private purchasers of health care such as insurance companies and health maintenance organizations (collectively, "third-party payors"). The dependence of hospitals on governmental programs requires hospitals to accept both limitations on payments and regulations and other restrictions and requirements triggered by participation in such programs. Many governmental and private third-party payors have required healthcare providers to accept "capitated" or other fixed payments, which have the affect of shifting significant economic risk to healthcare providers.

Health care, especially at the hospital level, is a highly regulated industry with complicated and frequently changing regulations arising both from payment programs and governmental police power generally. Health care providers are increasingly subject to audits, investigations, fines and litigation that may threaten access to governmental reimbursement programs, require substantial payments, generate adverse publicity and create significant legal and other transaction costs. See below "Health Care Revenues." In addition, because the Alliance and a number of its affiliates are tax-exempt charitable organizations under the Internal Revenue Code ("Exempt Organizations"), they are subject to increasing regulation and restrictions that may have adverse effects on their economic performance or threaten their tax-exempt status and the economic benefits derived from it. In particular, such regulations and restrictions may require the facilities of the Alliance or such affiliates to provide health care services for which they do not receive payment. In addition, Congress is likely to consider imposing additional regulations and restrictions on Exempt Organizations.

Future economic and other conditions, including inflation, demand for health care services, the ability of the Alliance and other members of the Obligated Group to provide the services required or requested by patients, physicians' confidence in the Alliance, economic developments in the applicable service areas, employee relations and unionization, competition, the level of rates or charges, increased costs, availability of professional liability insurance, casualty losses, third-party reimbursement and changes in governmental regulation may adversely affect revenues and, consequently, the ability of the Alliance and other members of the Obligated Group to generate revenues sufficient for the payment of the principal of and interest on the Series 2012A Obligation.

Certain more specific factors that could affect the Series 2012A Bonds and the future financial condition of the Alliance and any future members of the Obligated Group are described below. This discussion of risk factors is not intended to be exhaustive.

Discretion of the Board and Management

The Master Indenture does not significantly restrict the ability of the Alliance to enter into transactions that could materially affect the business, organizational structure and control of the Alliance and any future members of the Obligated Group. Such transactions could include, for example, such things as divestitures of Affiliates, substantial new joint ventures, and mergers, consolidations or other forms of affiliations in which control of the Alliance and any future members of the Obligated Group could be materially changed. As a substantial health system, the Alliance regularly considers and analyzes opportunities for such undertakings. The ability of the Alliance to generate revenues sufficient to pay debt service on the Series 2012A Obligation is dependent in large measure on the decisions of the Board of Directors and management of the Alliance with respect to such opportunities.

Voting Control Under Master Indenture

Certain amendments and waivers to the provisions of the Master Indenture may be made with the consent of the owners of 75% of the aggregate principal amount of the Master Obligations then outstanding. Certain other amendments may be made with the consent of the owners of two-thirds (2/3) in aggregate principal amount of Master Obligations related to bonds that are not the beneficiaries of certain municipal bond insurance policies and the consent of the provider of certain municipal bond insurance policies. Such amendments may adversely affect the security of the holders of the Series 2012A Bonds.

For a discussion of what actions may be taken with the consent or direction of a majority percent or more of the holders of outstanding Master Obligations under the Master Indenture, see the discussion under "SUMMARY OF THE FINANCING DOCUMENTS" in Appendix C.

Matters Relating to Enforceability of the Master Indenture

The practical realization of any rights upon any default under the Loan Agreement or under the Master Indenture may depend upon the exercise of various remedies specified in such instruments, as restricted by federal and state laws. The federal bankruptcy laws may adversely affect the ability of the Bond Trustee, the Master Trustee and the owners of the Series 2012A Bonds to enforce their claims granted by the Bond Indenture, the Loan Agreement or the Master Indenture. The obligation of the Alliance on the Series 2012A Obligation and other Master Obligations will be limited to the same extent as the obligations of debtors typically are affected by bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium or other similar laws affecting the enforcement of creditors' rights and by the availability of equitable remedies.

The remedies available to the Bond Trustee, the Master Trustee, the Issuer or the owners of the Series 2012A Bonds upon an event of default under the Master Indenture, the Bond Indenture, the Loan Agreement or the Series 2012A Obligation are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including, specifically, Title 11 of the United States Code (the "Bankruptcy Code"), the remedies provided in the Master Indenture, the Bond Indenture, the Loan Agreement and the Series 2012A Obligation and other Master Obligations may not be readily available or may be limited.

There is no clear precedent in the law as to whether transfers from an Affiliate in order to pay debt service on the Master Obligations issued for the benefit of another Affiliate may be voided by a trustee in bankruptcy in the event of a bankruptcy of the transferring Affiliate or by third-party creditors in an action brought pursuant to state fraudulent conveyances statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under state fraudulent conveyances statutes, 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 state fraudulent conveyances statutes, or the guarantor is undercapitalized.

Limited Value at Foreclosure

The Mortgaged Property was constructed for the provision of hospital care. The number of entities that could be expected to purchase or lease the Mortgaged Property are limited, and thus, the ability of the Master Trustee to realize funds from the sale or rental of the Mortgaged Property upon an event of default may be limited.

Bond Ratings

There is no assurance that the ratings assigned to the Series 2012A Bonds 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 2012A Bonds. See "RATINGS."

Market for the Series 2012A Bonds

The relative buying and selling interest of market participants in securities such as the Series 2012A Bonds, and in the market for such securities as a whole, will vary over time, and such variations may be affected by, among other things, news relating to the Alliance and the other Obligated Issuers, the attractiveness of alternative investments, the perceived risk of owning the security (whether related to credit, liquidity or any other risk), the tax treatment accorded the instruments, the accounting treatment accorded such securities, reactions to regulatory actions or press reports, financial reporting cycles and marketing sentiment generally. Shifts of demand in response to any one or simultaneous particular events cannot be predicted and may be short-lived or exist for longer periods. See below "Matters Affecting Tax Exemption."

Health Care Revenues

There are a number of factors that could adversely affect both revenues and expenses of the Alliance. Some but not all such factors are discussed briefly below. Governmental payment provisions, regulations and other restrictions change frequently and may be altered or expanded while the Series 2012A Bonds are outstanding.

Dependence on Governmental and Other Third-Party Payors. The Alliance receives a substantial portion of its revenues from Medicare, Medicaid, TennCare and other third-party health care programs. See in Appendix A - "SOURCES OF REVENUE." Receipt of such revenues subjects the Alliance to extensive regulation and the risks of enforcement as described below. Both governmental payment programs and private third-party payors such as insurance and managed care programs have increasingly imposed limitations on the payment for services. These limitations often require hospitals to provide certain services below cost. Congress in the past has imposed substantial restrictions on federal health care programs that have adversely affected the financial condition of hospitals, and it may do so in the future.

TennCare. In 1994, the State of Tennessee, with the approval of the federal government, withdrew from the Medicaid program and began providing services to Medicaid eligible and uninsurable or uninsured persons through TennCare. Like traditional Medicaid programs, TennCare is funded with a combination of federal and State of Tennessee funds. The federal government has approved the TennCare Program through June 30, 2010. The Alliance is a significant provider of health care services to TennCare enrollees and as a result thereof has incurred substantial losses serving beneficiaries of the program. Approximately 8.3% of the Alliance's gross patient service charges for the fiscal year ended June 30, 2011, was derived from patients covered by TennCare.

Because of problems with managed care organizations through which TennCare operates, the State assumed total medical risk for the program in 2002 and implemented changes designed to reduce costs and fraud. The State of Tennessee initiated a plan to disenroll 323,000 individuals statewide from TennCare and to institute significant benefit cuts resulting in the disenrollment of 28,000 individuals in the Alliance's market and a decrease in the level of benefits for 40,000 individuals in the Alliance's market. The disenrollment changes took place on August 1, 2005, however, the benefit cuts have not been implemented.

On April 1, 2007, the State of Tennessee began placing the managed care organizations back at risk, starting with the Middle Tennessee Region. The State of Tennessee placed the East Tennessee Region's managed care organizations (where the Alliance operates its Tennessee facilities) back at risk on January 1, 2009. It cannot be predicted whether the funding sources for TennCare or other states' Medicaid programs will be adequate to meet the funding needs of such programs. In addition, it cannot be predicted whether funding pressures or other factors will lead to decreased TennCare and Medicaid reimbursement to providers, including the Members of the Obligated Group, or to an increase in uninsured patients seeking care from the Members of the Obligated Group.

A number of proposals have been made for changes in funding for TennCare, some of which could substantially reduce the amounts payable to the Alliance's facilities in Tennessee. There remains substantial risk that TennCare will continue to impose substantial financial burdens on the Alliance or that changes in the program could lead to further burdens or increase the cost of uncompensated care provided by the Alliance.

Virginia Medicaid Program. The hospitals of the Alliance located in Virginia receive a substantial portion of their revenues under the federal Medicare Program. Reimbursement under this program is controlled by extensive regulations and procedures. Under the current Medicare payment system payment for inpatient hospital services is been tied to predetermined amounts based on national averages of costs for categories of treatments and conditions known as diagnosis related groups ("DRGs"). DRG reimbursement may provide a hospital less than its actual costs in providing services. The Medicare Program reimburses for outpatient hospital services through a similar prospective payment system based on ambulatory payment classifications ("APCs") of clinically-related and resource-similar items and services. Reimbursement for outpatient services under the APC system and for other services provided by the hospitals of the Alliance may not reflect the actual costs incurred in providing such services or items.

Medicare reimbursement in recent years has been subject to changes that have adversely affected hospitals, and the Alliance cannot predict how future limitations, cutbacks or modifications by Congress or regulatory agencies to such reimbursement may affect the financial condition of the Alliance.

Hospital Regulation. The operation of hospitals is extensively regulated by the federal and state governments. These regulations affect virtually every aspect of hospital operations, including (1) imposing procedures that increase costs (including complicated billing and other record-keeping procedures), (2) requiring the provision of services free or below cost, (3) limiting the ability to make decisions based on economic best interest and (4) restricting the ability to pursue advantageous business opportunities with physicians and other health care providers.

Significant restrictions include (1) the Physicians Self-Referral ("Stark") and "Anti-Kickback" laws, which severely restrict financial relationships with and referrals by private physicians; (2) the Emergency Medical Treatment and Active Labor Act ("EMTALA"), imposing operating requirements on emergency rooms; and (3) the federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and the Health Information Technology for Economic and Clinical Health Act (HITECH), enacted as part of the American Recovery and Reinvestment Act of 2009 and both affecting the privacy and security of personal health information. Compliance with HIPAA, HITECH and related regulations has imposed substantial financial burdens on the Alliance and related entities in such areas as electronic billing and other electronic transactions and in implementing procedures and altering facilities to promote privacy of patient records.

Federal and state governments have a range of criminal, civil and administrative sanctions available to penalize and remediate violations of existing laws and regulations, including criminal fines, civil monetary penalties, repayment of erroneously paid claims, prison terms and exclusion from the Medicare, Medicaid, TennCare and/or other governmental payment programs. Because of the complexity of the regulations and the increased enforcement, there are numerous circumstances where alleged violations may trigger investigations, audits and inquiries that could result in expensive and prolonged enforcement actions against the Alliance. Enforcement actions may be initiated and prosecuted by one or more government entities and/or private individuals, and in some circumstances more than one of the available penalties may be imposed for each violation. An exclusion from participation in Medicare, Medicaid, TennCare or other governmental health programs likely would result in a loss of substantial revenues.

National Healthcare Reform

Comprehensive health care reform legislation was enacted by the federal government in March 2010 through the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Healthcare Reform Act"). The Healthcare Reform Act provides for fundamental changes to the health care system and the manner in which services are provided and paid for generally, including substantial increases in health care insurance for persons not currently covered, new requirements on employers who provide health benefits to their employees, reimbursement reductions and methodology changes, and the imposition of further restrictions and requirements adversely affecting tax-exempt hospitals such as the Alliance and its related entities.

Implementation of the Healthcare Reform Act is to take place over an eight year period, and over that time the Healthcare Reform Act is likely to have a variety of effects on both the operations and financial performance of all hospitals. In particular, extension of health insurance to those not currently insured and the costs associated therewith may result in (1) inadequate reimbursement to cover costs under such new coverage, (2) offsetting reductions in reimbursements for the provision of services under Medicare, Medicaid and other federally funded programs and (3) increased costs of compliance generally. In addition, the Healthcare Reform Act is likely to have significant indirect effects on the Alliance and related hospitals as a result of the Act's effects on other healthcare industry participants, including pharmaceutical and medical device companies, health insurers, and others with which the Alliance and related hospitals do business.

The Healthcare Reform Act imposes substantial and costly additional requirements on nonprofit hospitals. Failure of any hospital with 501(c)(3) status to comply with such requirements may result in significant penalties

including, but not limited to, the loss of tax-exempt status. See below "Matters Affecting Tax Exemption − Tax Exemption for Non-profit Corporations."

The United States Supreme Court recently upheld the constitutionality of the Health Care Reform Act. There have been, and will likely continue to be, legislative efforts in Congress to repeal, amend or defund the Healthcare Reform Act or otherwise block its implementation. The outcome of such efforts will be affected by the 2012 Congressional and Presidential elections. Thus it is impossible to predict the extent to which the Healthcare Reform Act will be implemented or the effects it will have to the extent it is implemented.

Competition

The Alliance faces competition not only from other area hospitals (see in Appendix A -"SERVICE AREA, MARKET SHARE AND COMPETITION"), but also from other forms of health care providers, including health maintenance organizations, preferred provider organizations, specialty hospitals, home health agencies, surgical centers, rehabilitation and therapy centers, physician group practices and other alternative delivery systems and non-hospital providers of medical services. Increasing costs of health care services are likely to stimulate additional forms of competition. Many new forms of health care providers may not be subject to the restrictions imposed on the Alliance by its participation in governmental health care programs and as part of a tax-exempt organization. The application of federal and state antitrust laws to health care is still evolving, and enforcement and other developments in this area could adversely affect the Alliance's competitive position.

Other Economic Developments

Other economic developments that could adversely affect operations at the Alliance include (1) unexpected increases in costs of labor and equipment (including new technologies) that cannot be recovered through charges, (2) increased costs of maintaining malpractice and general liability insurance, and (3) availability of, or the cost of, required specialty employees, including nurses and other health care professionals.

Matters Affecting Tax Exemption

Tax Exemption for Non-profit Corporations. Loss of tax-exempt status by the Alliance could result in loss of tax exemption for interest on the Series 2012A Bonds and of other tax-exempt debt issued for the benefit of the Alliance, and defaults in covenants regarding the Series 2012A Bonds and other tax-exempt debt would likely be triggered. Such an event would have material adverse consequences on the financial condition of the Alliance. See "TAX MATTERS."

The maintenance by the Alliance of its tax-exempt status and that of its related entities depends, in part, upon its maintenance of status as an organization (an "Exempt Organization") described in Section 501(c)(3) of the Code. The maintenance of such status is contingent upon compliance with provisions of the Code and related regulations and administrative interpretations regarding the organization and operation of tax-exempt entities, including its operation for charitable and educational purposes and its avoidance of transactions that may cause its assets to inure to the benefit of private individuals.

The Internal Revenue Service (the "IRS") has announced that it intends to closely scrutinize transactions between Exempt Organizations and for-profit entities and has issued audit guidelines for tax-exempt hospitals. In March 1998, the IRS issued a revenue ruling that places restrictions upon the participation of Exempt Organizations (including hospitals) in joint venture arrangements with for-profit entities. Although specific activities of hospitals, such as medical office building leases and compensation arrangements and other contracts with physicians, have been the subject of interpretations by the IRS in the form of Private Letter Rulings, many activities have not been addressed in any official opinion, interpretation or policy of the IRS. Because the Alliance conducts large-scale and diverse operations involving private parties, there can be no assurances that certain of its transactions would not be challenged by the IRS.

The IRS has taken the position that hospitals that violate the federal Anti-kickback Law may also be subject to revocation of their tax-exempt status. As a result, tax-exempt hospitals, such as those of the Alliance, which have

and will continue to have, extensive transactions with physicians are subject to an increased degree of scrutiny and perhaps enforcement by the IRS.

Also, under legislation passed by Congress in 2010, a hospital entity can lose its status as an Exempt Organization if it fails to comply with requirements under new Internal Revenue Code Section 501(r). Such requirements include conducting community health needs assessments, the development of written financial assistance policies, limiting the amounts charged for emergency or medically necessary care provided to individuals eligible for financial assistance, and limitations on certain "extraordinary" collections actions against such individuals. In some cases failure to comply with Section 501(r) will result in the imposition of an excise tax. Such requirements also could adversely affect the financial performance of the Obligated Group. The Alliance believes that it is currently in compliance with Section 501(r).

Periodically, Congress considers options and recommendations in the area of taxation of unrelated business income of Exempt Organizations. The scope and effect of legislation, if any, that may be adopted at the federal and state levels with respect to unrelated business income cannot be predicted at this time. However, any such legislation could have the effect of subjecting a portion of the income of the Alliance to federal or state income taxes.

In addition to the foregoing proposals with respect to income by Exempt Organizations, various state and local governmental bodies have challenged the tax-exempt status of such institutions and have sought to remove the exemption of property from real estate taxes of part or all of the property of various nonprofit institutions on the grounds that a portion of such property was not being used to further the charitable purposes of the institutions or that the institutions did not provide sufficient care to indigent persons so as to warrant exemption from taxation as a charitable institution. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of Exempt Organizations. There can be no assurance that future changes in the laws and regulations of federal, state or local governments, or the interpretation of such laws by courts or other governmental entities, will not materially adversely affect the operations and financial condition of the Alliance by requiring any of its entities to pay income or local property taxes.

Tax-Exempt Status of the Series 2012A Bonds. Any failure by the Alliance or related entities to remain qualified as tax-exempt under Section 501(c)(3) of the Code could affect the amount of funds that would be available to pay debt service on the Series 2012A Bonds. If the Alliance or the respective Issuer fails to comply continuously with certain covenants contained in the Bond Indenture and the Loan Agreement after delivery of the Series 2012A Bonds, interest on the Series 2012A Bonds could become taxable from the date of delivery of the Series 2012A Bonds regardless of the date on which the event causing such taxability occurs. See "TAX MATTERS."

In recent years, the IRS has undertaken an extensive audit program that involves review of both the general tax-exempt status of non-profit hospitals and the tax-exempt status of bonds issued for their benefit.

Legislative Proposals. Current and future legislative proposals, if enacted into law, could cause interest on the Series 2012A Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent owners thereof from realizing the full current benefit of the tax-exempt status of such interest. On September 12, 2011, the Obama Administration announced a legislative proposal, the "American Jobs Act of 2011" (the "Jobs Act"). If enacted in the form proposed, the Jobs Act would limit the exclusion from gross income of interest on obligations like the Series 2012A Bonds for individual taxpayers whose income is subject to higher marginal tax rates. The enactment of the Jobs Bill or similar provisions could adversely affect the tax treatment of interest on the Series 2012A Bonds for holders thereof and adversely affect the market price of the Series 2012A Bonds.

Other Risk Factors Generally Affecting Health Care Facilities

In the future, the following factors, among others, may adversely affect the operations of the Alliance to an extent that cannot be determined at this time:

1. Health care systems are major employers, combining a complex mix of professional, quasi-professional, technical, clerical, housekeeping, maintenance, dietary and other types of workers in a single operation. As with all large employers, the Alliance bears a wide variety of risks in connection with its employees. These risks include strikes and other related work actions, contract disputes, discrimination claims, personal tort actions, work-related injuries, exposure to hazardous materials, interpersonal torts (such as between employees, between physicians or management and employees, or between employees and patients), and other risks that may flow from the relationships between employer and employee or between physicians, patients and employees. Many of these risks are not covered by insurance, and certain of them cannot be anticipated or prevented in advance. The Alliance is subject to all of the risks listed above. Such risks, alone or in combination, could have material adverse consequences to the financial condition or operations of the Alliances.

2. Competition from other health care systems and other competitive facilities now or hereafter located in the respective service areas of the Alliance's facilities may adversely affect revenues. Development of health maintenance and other alternative health delivery programs could result in decreased usage of inpatient hospital facilities and other facilities operated by the Alliance.

3. Cost and availability of any insurance, such as malpractice, fire, automobile, and general comprehensive liability, that hospitals and other health care facilities of similar size and type as the facilities generally carry may adversely affect revenues, as would any losses that exceed amounts covered.

4. The occurrences of natural disasters may damage some or all of the facilities, interrupt utility service to some or all of the facilities, significantly increase the demand on some or all of the facilities or otherwise impair the operation of some or all of the facilities or the generation of revenues from some or all of the facilities.

5. Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety and outpatient health care delivery may reduce utilization and revenues of the facilities. Technological advances in recent years have accelerated the trend toward the use by hospitals of sophisticated and costly equipment and services for diagnosis and treatment. The acquisition and operation of certain equipment or services may continue to be a significant factor in hospital utilization, but the ability of the Alliance 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.

6. Reduced demand for the services of the Alliance that might result from decreases in population in the services areas of facilities operated by the Alliance.

7. Increased unemployment or other adverse economic conditions in the service areas of the Alliance that would increase the proportion of patients who are unable to pay fully for the cost of their care.

8. Any increase in the quantity or cost of indigent care provided that is mandated by law or required due to increase needs of the community in order to maintain the charitable status of the Alliance.

9. Regulatory actions that might limit the ability of the Alliance to undertake capital improvements to their respective facilities or to develop new institutional health services.

LITIGATION

There is no action, suit, or proceeding pending or, to the knowledge of the Issuer, threatened restraining or enjoining the execution or delivery of the Series 2012A Bonds, or in any way contesting or affecting the validity of the Series 2012A Bonds, the Bond Indenture, the Master Indenture, or any proceedings of the Issuer or the Alliance, as applicable, taken with respect thereto. No securities of any Issuer have been in default as to principal or interest payments or in any other material respect, and no agreements or legal proceedings of any Issuer relating to its

securities have been declared invalid or unenforceable since the formation of each Issuer. Each Issuer will provide a certificate to this effect at the time of delivery of the Series 2012A Bonds.

There is no action, suit, or proceeding pending or threatened restraining or enjoining the execution or delivery of the Series 2012A Obligation, or in any way contesting or affecting the validity of the Series 2012A Obligation, the Master Indenture, the Loan Agreement or any proceedings of the Alliance taken with respect thereto. No securities of the Alliance have been in default as to principal or interest payments or in any other material respect, and no agreements or legal proceedings of the Alliance relating to its securities have been declared invalid or unenforceable since the original formation of the corporation now called Mountain States Health Alliance. The Alliance will provide a certificate to this effect at the time of delivery of the Series 2012A Bonds.

For other litigation matters involving the Alliance, see "HISTORY AND OVERVIEW - Insurance; Litigation" in Appendix A hereto.

LEGAL MATTERS

Legal matters relating to the authorization and issuance of the Series 2012A Bonds are subject to the approving opinion of Bass, Berry & Sims PLC of Nashville and Knoxville, Tennessee, as Bond Counsel, which will be delivered with the Series 2012A Bonds. Certain legal matters relating to the Series 2012A Bonds will also be passed upon by Samuel B. Miller, Esq., Johnson City, Tennessee, as counsel to the Issuer, and by Anderson & Fugate, Johnson City, Tennessee, as counsel to the Alliance. Certain legal matters will be passed upon by Hunton & Williams LLP, as counsel to the Underwriter.

TAX MATTERS

In the opinion of Bond Counsel, under existing law, interest on the Series 2012A Bonds (a) will not be included in gross income for federal income tax purposes, and (b) will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; such interest, however, is taken into account in determining the adjusted current earnings for purposes of the alternative minimum tax on corporations (as defined for federal income tax purposes).

In the opinion of Bond Counsel, under existing laws of the State of Tennessee, the Series 2012A Bonds and the income therefrom shall be exempt from all state, county, and municipal taxation in the State of Tennessee except for inheritance, transfer, gift and estate taxes and except to the extent interest on the Series 2012A Bonds may be included within the measure of certain franchise and excise taxes imposed under Tennessee law.

Bond Counsel's tax opinion is given in reliance upon certifications by representatives of the Issuer and the Alliance as to certain facts relevant to both the opinion and the requirements of the Code. The Issuer and/or the Alliance have covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditures, and investment of the proceeds of the Bonds and the timely payment of arbitrage profits with respect to the Bonds to the United States. Failure by the Issuer or the Alliance to comply with such covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, certain S corporations, certain foreign corporations subject to the branch profits tax, corporations subject to the environmental tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Particular Tax Situations

Prospective purchasers of Bonds should consult their own tax advisors as to the applicability and extent of federal, state, local or other tax consequences to the purchase, ownership and disposition of Bonds in light of their particular tax situation.

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Services, Inc. ("Moody's") and Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. ("S&P") have assigned the Series 2012A Bonds the respective ratings set forth below:

Moody's:	Baa1
Standard & Poor's:	BBB+
Fitch:	BBB+

Certain materials and information relating to the Series 2012A Bonds and the Alliance that may not be described in this Official Statement were furnished to the rating agencies in connection with the issuance of the ratings. Generally, rating agencies base their ratings on such materials and information and on their own investigations, studies and assumptions. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant.

No information is provided regarding the ratings of other outstanding bonds issued for the benefit of the Alliance and related entities.

UNDERWRITING

The Series 2012A Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, (the "Underwriter") pursuant to a purchase contract with the Issuer dated August 24, 2012 (the "Bond Purchase Agreement"). The Bond Purchase Agreement sets forth the Underwriter's obligation to purchase the Series 2012A Bonds at an aggregate purchase price of $56,364,550.00, representing the par amount plus an original issue premium of $1,865,050.00 and less an Underwriter's discount of $500,500.00 (0.91% of the principal amount thereof) and is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2012A Bonds if any are purchased. The Underwriter may offer and sell the Series 2012A Bonds to certain dealers (including dealers depositing the Series 2012A Bonds into investment trusts) and others at prices or yields different from the public offering prices and yields stated on the inside cover of this Official Statement. The public offering prices and yields may be changed from time to time at the discretion of the Underwriter. From time to time, the Underwriter may enter into other transactions with the Alliance, including interest rate swaps and options, for which it receives other compensation.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its affiliates may, from time to time, perform various financial advisory and investment banking services for the Alliance, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Alliance. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

INDEPENDENT AUDITORS

The consolidated financial statements of the Alliance as of and for the years ended June 30, 2011 and 2010, included in Appendix B to this Official Statement, have been audited by Pershing Yoakley & Associates, P.C.

CONTINUING DISCLOSURE AGREEMENT

The Agreement

To permit compliance by the Underwriter with the continuing disclosure requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the Alliance will execute a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") at closing pursuant to which the Alliance will agree to provide certain quarterly and annual financial information and material event notices required by the Rule. Such information will be filed through the Electronic Municipal Market Access System ("EMMA") maintained by the Municipal Securities Rulemaking Board and may be accessed through the Internet at emma.mrsb.org. The proposed form of the Continuing Disclosure Agreement is set forth in Appendix E. It requires the Alliance to provide **only limited information at specific times, and the information provided may not be all the information necessary to value the Series 2012A Bonds at any particular time.** The Alliance may from time to time disclose certain information and data in addition to that required by the Continuing Disclosure Agreement. If the Alliance chooses to provide any additional information, the Alliance shall have no obligation to continue to update such information or to include it in any future disclosure filing.

Failure by the Alliance to comply with the Continuing Disclosure Agreement is not an Event of Default under the Loan Agreement. The Continuing Disclosure Agreement provides that the only remedy for its violation is a lawsuit seeking specific performance.

Prior Undertakings

In connection with the issuance of previous bonds, the Alliance has entered into continuing disclosure undertakings similar to the Continuing Disclosure Agreement. Prior to July 1, 2009, the Alliance's filings under such undertakings were made through the then existing national recognized municipal securities information repositories. Since then filings have been made through EMMA.

The Alliance failed to make certain filings previously scheduled under previous continuing disclosure undertakings. In November, 2008, the Alliance submitted Annual Financial Information for the fiscal years ended June 30, 2000, through June 30, 2008, and Quarterly Financial Information for the quarters ended March 31, 2000, through June 30, 2008. Such filings were not timely under the Alliance's existing continuing disclosure undertakings. The Alliance has made timely filings of the Quarterly Financial Information for the quarters ending September 30, 2008, through June 30, 2012. The Alliance believes it has now made all filings required under all of its continuing disclosure undertakings.

RELATIONSHIPS OF PARTIES

As noted above, the Alliance or its affiliates have entered into interest rate swaps and other financial transactions with affiliates of the Underwriter.

From time to time, Bond Counsel and Hunton & Williams LLP have represented the Alliance in other matters, and may do so in the future. Bond Counsel also has represented the Underwriter in unrelated transactions. Anderson & Fugate, counsel to the Alliance, receives a substantial portion of its annual legal fee income from the Alliance. The Alliance typically engages in bidding to select the contractors for its capital projects. Whether or not such projects are bid, from time to time the contractor selected may be one in which members of the board of directors the Issuer or the Alliance have an interest.

MISCELLANEOUS

This Official Statement and its distribution and use by the Underwriter have been duly authorized and approved by the Issuer and by the Alliance. This Official Statement has been executed and delivered by the Chairman of each Issuer on behalf of each Issuer and by the Senior Vice President and Chief Financial Officer of the Alliance on behalf of the Alliance.

So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

The Appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement.

THE HEALTH AND EDUCATIONAL FACILITIES BOARD OF THE CITY OF JOHNSON CITY, TENNESSEE

By /s/ *W. Hanes Lancaster*
Chairman

MOUNTAIN STATES HEALTH ALLIANCE

By */s/ Marvin H. Eichorn*
Senior Vice President and Chief Financial Officer

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APPENDIX A

MOUNTAIN STATES HEALTH ALLIANCE

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HISTORY AND OVERVIEW

Background

Mountain States Health Alliance (the "Alliance"), a Tennessee not-for-profit corporation headquartered in Johnson City, Tennessee, was originally incorporated as Memorial Hospital on April 12, 1945. In January 1951, the corporation acquired Appalachian Hospital and Training School, an 82-bed acute care facility in Johnson City, and simultaneously opened a 120-bed acute care facility in Johnson City. By 1977 its facilities had expanded to include 369 acute care beds and a 52-bed nursing home. In September 1980, the facilities were relocated and began operating as the Johnson City Medical Center ("JCMC"). In 1983 the corporation changed its name to the Johnson City Medical Center Hospital, Inc. The corporation has been determined to be an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

In 1998, the Alliance purchased the assets and assumed certain liabilities of five hospitals from Columbia/HCA (the "1998 Acquisition") located in Johnson City, Kingsport, and Elizabethton, Tennessee. In 1999, the corporation changed its name to Mountain States Health Alliance. On May 1, 2005, the Alliance purchased the assets of Woodridge Hospital, an acute inpatient psychiatric facility in Johnson City. On November 1, 2006, the Alliance purchased an 80% membership interest in Smyth County Community Hospital, which owns a general acute care facility and a 109-bed long-term care facility in Southwest Virginia. On October 31, 2007, the Alliance purchased a 50.1% membership interest in Norton Community Hospital, which owns and operates both Norton Community Hospital and Dickenson County Community Hospital in Southwest Virginia. On January 31, 2008, the Alliance acquired the assets and liabilities of Russell County Medical Center in Lebanon, Virginia. On April 1, 2009, the Alliance acquired a 50.1% interest in Johnston Memorial Hospital, which owns a 116-bed facility in Abingdon, Virginia. Listed below are facilities currently owned or controlled by the Alliance:

Facility	Location	Licensed Beds (excludes nursery)
Johnson City Medical Center ("JCMC")*	Johnson City, TN	514
James H. & Cecile Quillen Rehabilitation Hospital ("Quillen") *	Johnson City, TN	60
Woodridge Hospital ("Woodridge")*	Johnson City, TN	84
Franklin Woods Community Hospital ("Franklin Woods")	Johnson City, TN	80
Indian Path Medical Center ("Indian Path")	Kingsport, TN	261
Sycamore Shoals Hospital ("Sycamore Shoals")	Elizabethton, TN	121
Johnson County Community Hospital ("Johnson County Community ")	Mountain City, TN	2
Smyth County Community Hospital ("Smyth County Community") (1)	Marion, VA	153
Norton Community Hospital ("Norton Community") (2)	Norton, VA	129
Dickenson Community Hospital ("Dickenson Community") (2)	Clintwood, VA	25
Russell County Medical Center ("Russell")	Lebanon, VA	78
Johnston Memorial Hospital ("Johnston Memorial") (2)	Abingdon, VA	116
		1,623

*JCMC, Quillen and Woodridge are operated under a single 658-bed hospital license.
(1) 80% membership interest held by the Alliance.
(2) 50.1% membership interest held by the Alliance.

In addition to the above-described hospital facilities, the Alliance owns directly or through wholly-owned subsidiaries, medical office buildings, physician practices, undeveloped land and outpatient surgery centers.

Operations of the Alliance

The facilities of the Alliance are naturally divided geographically into two groupings: (i) the "Tennessee Facilities," which include JCMC, Quillen, Woodridge, and Franklin Woods, all in Washington County; Indian Path, in Sullivan County; Sycamore Shoals, in Carter County; and Johnson County Community, in Johnson County; and (ii) the "Virginia Facilities," which include Smyth County Community, in Smyth County; Norton Community, in the City of Norton; Dickenson Community, in Dickenson County; Russell, in Russell County; and Johnston Memorial, in Washington County. All of the Tennessee hospital facilities and Russell are owned by the Alliance. Smyth

County Community is owned by Smyth County Community Hospital; Norton Community is owned by Norton Community Hospital; and Johnston Memorial is owned by Johnston Memorial Hospital.

Johnson City Medical Center is a 514 licensed bed, general acute care facility located on a 75-acre site on State of Franklin Road, a major regional thoroughfare in Johnson City. JCMC provides a wide array of acute care services on an inpatient and outpatient basis, including a complete range of cardiovascular, neurology, oncology, skilled nursing, and rehabilitation services. JCMC also operates a 69 licensed bed children's hospital with the region's only pediatric-specific emergency department. JCMC is designated as a Level III Perinatal Center and a Level I trauma center. JCMC earned international recognition as a Magnet Hospital by the American Nurses Credentialing Center. On or adjacent to JCMC's main campus are seven physician office buildings providing office space for approximately 75 physicians.

The James H. & Cecile C. Quillen Rehabilitation Hospital (formerly Northeast Tennessee Rehabilitation Hospital) is a 60 licensed bed rehabilitation and skilled nursing hospital in Johnson City, operated under the JCMC license. This facility provides a complete array of skilled nursing services as well as rehabilitative services for individuals with brain injury, stroke, or spinal cord injury, amputation and other orthopedic and neurological diagnosis. These rehabilitative services include respiratory, occupational, physical, and speech therapy. The facility also provides pediatric outpatient rehab services. The facility was constructed in 1991.

Woodridge Hospital is an 84 licensed bed, acute-care facility located in Johnson City, offering psychiatric and substance abuse services. This facility was purchased in May, 2005 and is operated under the JCMC license.

Franklin Woods Community Hospital is an 80 licensed bed facility offering a full array of primary care and some specialty services. Franklin Woods opened in July 2010 (replacing Johnson City Specialty and North) and was the first "green" hospital in the state.

Indian Path Medical Center is a 261 licensed bed facility in Kingsport. This facility provides a complete range of medical/surgical, acute care, psychiatric and skilled nursing services on an inpatient basis and a full complement of outpatient services. The facility is located on an 80 acre campus that also includes nine medical office buildings. Indian Path Medical Center was constructed in 1974.

Sycamore Shoals Hospital is a 121 licensed bed general acute care hospital in Elizabethton, Tennessee (Carter County). The facility provides inpatient, geropsychiatric, and outpatient services for acute care and medical/surgical patients. Sycamore Shoals was founded in 1955 as Carter County Memorial Hospital. It was moved to a newly constructed facility in 1986. A medical office building constructed in 2010 is also located on the main campus.

Johnson County Community Hospital is a facility located in Mountain City with two licensed beds and critical access designation. Johnson County offers inpatient care, emergency care, and outpatient services.

Smyth County Community Hospital is a 153 licensed bed, general acute, skilled and long term care hospital in Marion, Virginia, owned by Smyth County Community Hospital (the "Smyth County Corporation"), a Virginia non-stock corporation in which the Alliance controls an 80% interest. The current facility was built in 2012, and provides a full range of acute inpatient and outpatient care, including OB/GYN, general surgery, urology, ENT, orthopedics, cardiology, oncology, and skilled nursing services. The new facility meets LEED standards and is certified as a "green" facility. Nursing home services provided by Francis Marion Manor, a 109 licensed bed long term care facility, are included as part of Smyth County Community's bed complement. Smyth County Corporation is a member of the Obligated Group.

Norton Community Hospital, located in the City of Norton, Virginia, is a 129 licensed bed, acute-care facility, which has served Southwest Virginia and Southeastern Kentucky since 1949. Norton Community is owned and operated by Norton Community Hospital (the "Norton Corporation"), a Virginia non-stock corporation in which the Alliance controls a 50.1% interest. The largest healthcare facility in the coalfield region, Norton Community provides a wide array of services through highly trained physicians and support staff. Norton Community is a member of the Virginia Hospital and Healthcare Association and is accredited by the American Osteopathic

Association. Norton Community was the first AOA accredited teaching facility in the state of Virginia. The Norton Corporation is a member of the Obligated Group.

Dickenson Community Hospital, located in Clintwood, Virginia, opened in November 2003. It is a 25 licensed bed critical access hospital owned and operated by the Norton Corporation. A recent expansion included a 5,700 square foot physician office building on the hospital campus. Dickenson Community offers laboratory, imaging, inpatient acute care and a wide array of therapy services. Dickenson Community is not a member of the Obligated Group.

Russell County Medical Center is a 78-bed acute care hospital located in Lebanon, Virginia, which includes a 20-bed inpatient psychiatric unit. Russell offers cardiac, home health, hospice, surgical and behavioral healthcare services. Russell is wholly owned by the Alliance, which is an Obligated Issuer.

Johnston Memorial Hospital is a 116 licensed bed, general acute care hospital in Abingdon, Virginia, which can trace its history back to a 12 bed facility started in 1905. Johnston Memorial provides a wide array of healthcare services in a newly constructed facility that opened in 2011. Johnston Memorial is owned and operated by Johnston Memorial Hospital, Inc. (the "Johnston Corporation"), in which the Alliance owns a 50.1% interest. The Johnston Corporation is not a member of the Obligated Group and the Obligated Issuers are not required to pay debt service on the JMH Bonds.

Operations of Subsidiary and Other Affiliates

The Alliance directly owns and operates the hospital facilities listed above that are located in Tennessee, and directly owns and operates Russell in Lebanon, Virginia. It has controlling membership interests in the corporations that own Smyth County Community, Norton Community, Dickinson Community and Johnston Memorial. Additionally, the Alliance owns or otherwise controls a number of for-profit and not-for-profit affiliates that provide complementary health care services and help support the health care needs of the region. The principal affiliates are Mountain States Foundation, Inc., Mountain States Health Alliance Auxiliary, Integrated Solutions Health Network ("ISHN"), and Blue Ridge Medical Management Corporation ("Blue Ridge").

ISHN is a Tennessee for-profit limited liability company established in 2009 and 98% owned by the Alliance. ISHN has two lines of business: (1) an accountable care organization (the "ACO") and (2) CrestPoint Health ("CrestPoint"). The ACO has created a network of participating physicians, hospitals and other health care providers, and participates, pursuant to a contract with the Centers for Medicare and Medicaid Services, in the Medicare Shared Savings Program established pursuant to Section 3022 of the Patient Protection and Affordable Care Act and its implementing regulations. The ACO may enter into shared savings or other contracts with other third party payors. CrestPoint provides third party administrator services to the Alliance for its self-insured employee health plan.

Blue Ridge is a Tennessee for-profit stock corporation, and the Alliance owns 100% of its stock. Blue Ridge in turn owns all of the stock or other ownership interest in the following entities (collectively, the "Blue Ridge Affiliates"): Mountain States Physician Group, Inc., Mountain States Properties, Inc., Mediserve Medical Equipment of Kingsport, Inc., Wilson Pharmacy, Inc., and Synergy Health Group LLC. While Blue Ridge is an Obligated Issuer under the Master Indenture, none of the Blue Ridge Affiliates is an Obligated Issuer. Blue Ridge provides, directly or through the Blue Ridge Affiliates, management services for clinics in ten counties at 90 locations (46 specialty care, 34 primary care, and 10 urgent care and occupational medicine clinics). At the 90 locations, Blue Ridge provides management services to a total of 182 practicing physicians, 59 nurse practitioners, 12 physician assistants and five nurse anesthetists. Blue Ridge has various levels of ownership in five surgery centers and owns and/or manages a total of 26 medical office buildings, six of which are held in condominium-ownership form.

Obligated Issuers

The Obligated Issuers under the Amended and Restated Master Trust Indenture dated as of February 1, 2000, as amended (the "Master Indenture"), with The Bank of New York Mellon Trust Company, N.A., as master trustee, are the Alliance, Smyth County Community Hospital, Norton Community Hospital an Blue Ridge Medical Management Corporation.

Inpatient Bed Complement

The following table shows the Alliance's licensed bed capacity by service line as of July 1, 2012:

Service	Licensed Beds	Distribution
Medical/Surgical	989	61%
OB/GYN	93	6
Critical Care	125	8
Neonatal	51	3
Psychiatry	136	8
Rehabilitation	51	3
Skilled Nursing / Nursing Home	178	11
Total	1,623	100%

Source: The Alliance.

Educational Programs

Pursuant to an agreement with the Division of Health Sciences at East Tennessee State University ("ETSU"), the Alliance provides JCMC as a site for clinical and other training of medical students and residents from ETSU's James H. Quillen College of Medicine ("QCM"), nursing students at the associate, baccalaureate and master's level from the School of Nursing and students from the School of Public and Allied Health. Woodridge provides sites for clinical training for QCM psychiatric residents. Approved medical residencies are offered by ETSU in Family Medicine, Internal Medicine/Psychiatry, OB/GYN, Pathology, Pediatrics, Cardiology, Infectious Disease, Pulmonary/Critical Care, Sleep and General Surgery. Approved fellowships are offered by ETSU in Gastroenterology and Medical Oncology. JCMC is also a clinical site for various health professional and allied health programs located in Tennessee, Kentucky, Virginia and North Carolina.

QCM, which is located adjacent to JCMC, has made a commitment to promote medical educational programs in Johnson City, Tennessee. With QCM's location adjacent to JCMC and the Veteran Affairs Medical Center at Mountain Home, a large portion of QCM's clinical training occurs at JCMC. An ETSU facility housing clinical training programs is located across the street from JCMC. QCM's presence promotes the presence of substantial numbers of physicians in private practice. Additionally, the concentration of medical specialists, researchers, and medical educators in Johnson City make the Alliance competitively stronger in patient care opportunities in the region and also provides a good source of nurses for Alliance facilities.

Licenses and Accreditation

The Tennessee Facilities are licensed by the State of Tennessee Department of Health and Environment; the Virginia Facilities are licensed by the Virginia Department of Health. All facilities are accredited by The Joint Commission ("TJC"). Norton and Quillen are accredited by the Commission of Accreditation of Rehabilitation Facilities. The Alliance facilities are accredited by the College of American Pathologists. JCMC is also accredited by the American College of Surgeons Commission on Cancer and is designated as a Regional Perinatal Center by the Tennessee Department of Health and Environment.

Employees

As of June 30, 2012, the Alliance employed a staff of 9,130 persons (equal to approximately 7,735 full-time equivalent employees), including 3,634 registered/licensed practical nurses. The Alliance's employees are covered for a variety of employee benefits, including a qualified defined contribution pension plan, health and dental insurance, life insurance and vacation, holiday and sick time benefits. Certain employees at Norton Community and Dickenson Community are represented by a union. The Alliance has never experienced a strike or other work stoppage by its employees. The Alliance considers its employee relations to be excellent.

Pension Plan

The Alliance has a qualified defined contribution pension plan covering substantially all of its employees. Contributions to the defined contribution pension plan are current. The Norton Corporation has a defined benefit plan that was terminated and all benefit accruals were frozen effective December 31, 2006. The Norton Corporation's defined benefit plan has met the ERISA minimum funding requirements.

Insurance; Litigation

The Alliance is substantially self-insured and has established self-insurance reserves to provide for professional and general liability claims and related expenses in amounts based upon an annual actuarial valuation. The self-insurance program currently has the following limits: $10,000,000 per claim; with an annual aggregate of $15,000,000. The Alliance has never had a claim to exceed the self-insurance limits. The Alliance maintains a $25,000,000 excess/umbrella policy, which attaches over the self-insurance fund's $10,000,000 per claim, $15,000,000 annual aggregate retention.

Additionally, the Alliance is self-insured for employee health and worker's compensation claims for the Tennessee Facilities. For the Virginia Facilities, the Alliance is self-insured for employee health and maintains a large deductible policy for worker's compensation claims with limits of $750,000 per employee per accident, $2,500,000 aggregate, $5,000,000 all covered bodily injury aggregate maximum for the policy period. The Alliance recognizes expense each year based upon actual claims paid and an estimate of claims incurred, but not yet paid. The Alliance has established a reserve for reported and unreported worker's compensation claims based upon an annual actuarial valuation.

The Alliance and related entities are defendants in litigation relating to medical malpractice, worker's compensation and other claims arising in the ordinary course of business. Based on an evaluation of pending and threatened actions, management of the Alliance does not believe that any existing litigation, individually or collectively, would materially and adversely affect the financial resources of the Alliance or the business or continuous operation of the Alliance. Furthermore, the Alliance has accrued amounts in its self-insurance reserves at levels that it believes are sufficient to provide for payments reasonably projected to be due in connection with pending and potential claims and liabilities of the Alliance.

MEDICAL SERVICES

The Alliance provides a wide range of general and specialty medical services for the residents of Northeast Tennessee and Southwest Virginia and the surrounding states of Kentucky and North Carolina. The majority of tertiary care provided by the Alliance is concentrated at Johnson City Medical Center. Some highlights of the medical services and programs offered by the Alliance are described below.

Surgical Services. The Alliance has approximately 60 operating rooms located in eight facilities. The Alliance's surgical facilities are equipped with state-of-the-art technologies to meet the health care needs of the region. The Alliance provides services in all major surgical specialties including orthopedics, vascular, cardiothoracic, neurological, general, gynecological, laparoscopic, laser, urological, oncological, pediatric, plastic, ear, nose and throat, dental and transplant services.

Cardiovascular Services. The Alliance offers comprehensive regional cardiac services and highly advanced equipment for the detection, treatment, care and rehabilitation of those with heart problems. Advanced services include a wide range of non-invasive tests, cardiac catheterization, angioplasty and open-heart surgery. JCMC is known throughout the region for its medical expertise in cardiac care and has been recognized as the region's top hospital for cardiovascular services by US News and World Report for three consecutive years, most recently in 2012. Indian Path provides a full complement of cardiovascular services including interventional cardiology. Johnston Memorial's services include diagnostic cardiac catherization.

Pulmonary Medicine. Respiratory therapy services are provided at each of the Alliance's facilities. The Center for Pulmonary Medicine at JCMC diagnoses and manages disorders of the respiratory and the pulmonary vascular systems, including emphysema and black-lung disease. A state-of-the-art metabolic laboratory assesses heart and respiratory problems. Pulmonary outreach services are provided at JCMC.

Comprehensive Wound Care is provided at JCMC, Norton Community, and Johnston Memorial. JCMC is the home to three hyperbaric oxygen chambers and Norton Community and Johnston Memorial each have one chamber

Women's Services. The Alliance provides specially designed women's services equipped to meet the unique health needs of women. Locations for obstetric and newborn care include The Family Birth Centers at JCMC, Franklin Woods, Indian Path, Norton Community, and Johnston Memorial. Gynecologic care is provided at each of the preceding facilities as well as Smyth County Community and Sycamore Shoals. The complement of women's services includes: routine and high-risk obstetrical care, gynecological surgery, breast disease diagnosis and treatment, fertility services, laser and microscopic surgery, plastic surgery, wellness/fitness programs, and educational sessions covering a wide spectrum of women's concerns. The Family Birth Center at JCMC includes the region's only State-designated Perinatal Center for pregnancy and newborn medical complications and a transport team to bring critically ill infants to the Niswonger Children's Hospital at JCMC.

Children's Services. The Niswonger Children's Hospital at JCMC is the only children's hospital in northeast Tennessee. More than 20 pediatric subspecialties provide specialty care through this 69 licensed bed "hospital within a hospital" and pediatric emergency department. The Children's Hospital has met stringent criteria to become a member of the National Association of Children's Hospitals and Related Institutions (NACHRI), linking providers and staff with more than 130 of the nation's leading pediatric facilities. Also located on the campus of JCMC is the region's only *Ronald McDonald House*, with the mission of meeting the support needs of pediatric patients and family members. In addition, in October 1999, the Alliance entered into a clinical affiliation with St. Jude's Children's Research Hospital to provide pediatric cancer and other catastrophic disease treatment services.

Diabetes Services. The Alliance provides diabetes management programs with specialized healthcare providers able to address the needs of the diabetic patient. The diabetes services emphasizes the importance of patient education and support with both patient and family involvement in the treatment process and provides education in all aspects of diabetes management.

Rehabilitation Services. The James H. and Cecile C. Quillen Rehabilitation Hospital provides a complete range of physical rehabilitative services for the region, including specialized rehabilitative services for individuals with brain injuries, strokes and spinal cord injuries. The Alliance also provides outpatient physical, occupational, and speech therapies at eight locations for individuals with physical disabilities.

Cancer Services. The Alliance provides comprehensive cancer treatment services throughout the system with four tertiary care facilities in Johnson City, Kingsport, Abingdon, and Marion. The Regional Cancer Center at JCMC serves as a referral center and education host for students, and is the only facility within several hours travel time with specialized infrastructure capable of supporting the treatment of complex cases such as pediatric cancers and acute leukemia. The St. Jude's Children's Research Hospital, Tri-Cities Affiliate, is located on JCMC's campus. It is a collaborative effort between the Alliance, East Tennessee State University, and St. Jude's Children's Research Hospital in Memphis to provide pediatric oncology services in the region. Regional Cancer Centers at Indian Path, Johnston Memorial, and Smyth County Community provide surgical and chemotherapy treatments to patients from northeast Tennessee and Southwest Virginia. Outpatient radiation services are provided at Regional

Cancer Centers at Indian Path and Johnston Memorial. The program emphasizes the use of market-leading facility design, multi-specialty team-based care, highly trained and certified sub-specialty staff and an emphasis on patient-centered care.

Behavioral Health Services. Respond/Crisis Line provides information, assessment, and referral assistance to patients in need of psychiatric services. Services are provided at three locations. Woodridge provides inpatient care for children, adolescents, adults, and geriatric populations and outpatient services, including Intensive Outpatient Program for adults. Sycamore Shoals provides inpatient Geropsych services. Russell provides inpatient acute psychiatry and outpatient services for adults.

In addition to the services described above, the Alliance offers many other services throughout the region including emergency departments and urgent care centers, skilled nursing facilities, and the medical air transport service called *WINGs Air Rescue*.

Medical Staff

As of June 30, 2012, there were 1,067 physicians and dentists on the Alliance's active, courtesy and consulting medical staffs. Of the 1,067 physicians on staff, 753 are board certified in their specialty. The average age of the medical staff is 50.34 years.

Medical staff appointment is available to licensed physicians, dentists, podiatrists and certain other professionals who are licensed to practice in the State of Tennessee or Virginia, as applicable, and who meet other specific requirements of the medical staff by-laws. Appointments and re-appointments are made by the Alliance Board of Directors upon the recommendations of the various medical staffs and the Alliance's administrative staff. Associate staff members are persons who have applied for active staff membership, but have been on the staff for less than two years.

The Alliance conducts a recruitment program to support the recruiting efforts of the affiliated medical staff. Recruiting assistance is provided to both private and university affiliated physicians as requested, and includes contracting and interaction with recruiting firms, receipt and screening of candidates' curriculum vitae, candidate site visit, and relocation and initial practice management assistance to the new physicians.

GOVERNANCE AND MANAGEMENT

Board of Directors

The management of the Alliance's affairs is vested in a Board of Directors consisting of not less than 9 and not more than 14 members, including the President/CEO, who serves as an ex-officio member. Except for the ex-officio member, directors serve for staggered three-year terms. Directors may be reappointed twice for a total of nine years on the Board before rotating off for at least one year before being reappointed. Standing committees of the Board of Directors include Executive, Finance, Governance/Nominating, and Corporate Audit and Compliance. Special committees may be appointed by the Chairman of the Board for specific assignments. Current officers and members of the Board of Directors and their occupations and dates of expiration of their terms are set forth below:

Name and Office Held	Business Affiliation	Term Expiration
Don Jeanes, Chairperson	Retired, Milligan College	2015
Joanne Gilmer, Vice Chairperson	Retired, General Shale Brick	2013
Clem Wilkes, Jr., Treasurer	Financial Advisor, Raymond James Financial Services	2014
Michael Christian, Secretary	Retired, Banker	2015
Bob Feathers, Past-Chair	President, Workspace Interiors, Inc.	2015
Sandra Brooks, M.D.	Pathologist, Watauga Pathology Associates	2015
Jeff Farrow, M.D.	Pulmonologist, Johnson City Medical Center	2015

Tom Fowlkes	General Counsel, The United Company	2015
Linda Garceau	Dean, College of Business & Technology, East Tennessee State University	2015
David May, M.D.	Anesthesiologist, Sycamore Shoals Anesthesia Assoc.	2013
Gary Peacock	Retired, Royal Mouldings Ltd.	2014
Rick Storey	Banker, Citizens Bank	2013
Dennis Vonderfecht, *Ex-Officio*	President and CEO of the Alliance	n/a

Further, five community-based boards serve as advisory boards for the Alliance's Board of Directors. The community-based boards represent the communities serviced by the following facilities: (1) Sycamore Shoals, (2) Johnson County Community, (3) Russell, (4) Indian Path and (5) Franklin Woods and JCMC. Four governing boards serve the Alliance's joint-ventured facilities and include: (1) Dickenson Community, (2) Johnston Memorial, (3) Norton Community, and (4) Smyth County Community. One other governing board oversees the operations of Blue Ridge Medical Management Corporation. The bylaws of the community boards are rooted in the Alliance's bylaws and the remaining boards are distinguished through separate bylaws. The bylaws of each of the community boards provide that their boards consist of no fewer than nine and no more than 18 persons. No more than thirty-three percent of the directors of each Community Board may consist of physicians. Terms vary for the remaining boards, but are predominately staggered for three-year terms.

Management of the Corporation

The President and Chief Executive Officer, selected by the Board of Directors, manages the Alliance's administrative staff and has the authority and responsibility of system-wide direction of the Alliance's facilities, subject to policies adopted by the Board of Directors or any of its committees to which it has delegated power for such action. The principal members of the administrative staff of the Alliance are described below.

Dennis Vonderfecht (61) – President and Chief Executive Officer. Mr. Vonderfecht has served as President and CEO since January 1990. Prior to joining the Alliance, he was employed by Research Health Services System in Kansas City, Missouri, where he held the position of Regional Vice President. Mr. Vonderfecht worked for Humana, Inc. for approximately eight years in capacities such as: Administrative Specialist at Humana Hospital, Greensboro, North Carolina; Associate Administrator at Gibson General Hospital, Trenton, Tennessee; Associate Executive Director for Humana Hospital, Brandon, Florida; Associate Executive Director, Humana Hospital, Greensboro, North Carolina; Project Manager for Parkway Medical Center, Cary, North Carolina; and as Executive Director, Humana Hospital, Newnan, Georgia. Mr. Vonderfecht's undergraduate study was at Colorado State University, and the University of Nebraska, where he was awarded a B.S. degree in Business Administration. He obtained two master's degrees from the University of Missouri, one in Business Administration and the other in Hospital Administration. He also holds an honorary doctorate from Milligan College. He presently serves on the Boards of Directors of Premier, Inc., ETSU Foundation, Tennessee Hospital Association, Tennessee Business Roundtable, Tennessee Valley Corridor Inc., and the Tennessee Center for Performance Excellence. Mr. Vonderfecht currently serves as Chairman of the Board for the Tennessee Center for Performance Excellence and has previously served as Chairman of the Tennessee Hospital Association Board of Directors and Chairman of the Board of Hospital Alliance of Tennessee. Mr. Vonderfecht is a Fellow in the American College of Healthcare Executives. He has been the recipient of the Distinguished Service Award and the Meritorious Service Award from the Tennessee Hospital Association and was awarded the American College of Healthcare Executives Regent's Award. He has also been recognized with the Health Care Heroes Award, as well as the Cup of Kindness Award through the Tri-Cities Business Journal. In addition, Mr. Vonderfecht was presented with a "Leaders in Christian Service" award by Milligan College and has received recognition as an "Honorary Alumni" by East Tennessee State University. Mr. Vonderfecht has announced his intention to retire as of December 31, 2013. A search committee of the Board of Directors has been formed to find replacement candidates.

Marvin Eichorn (56) - Senior Vice President and Chief Financial Officer. Mr. Eichorn has served the Alliance since August 1998, when he joined as Senior Vice President/Regional Operations. He was named Chief Financial Officer in January 1999. As Senior Vice President/Chief Financial Officer, he is responsible for all of the financial operations and services of the Alliance as well as managed care and physician operation activities for the Alliance. Prior to joining the Alliance, he was employed by Covenant Health/Fort Sanders Health System in Knoxville, Tennessee in various positions over a 14 year period including Executive Vice President/Non-Hospital Operations and Executive Vice President/Chief Financial Officer. Mr. Eichorn is a Certified Public Accountant and is a member of various health care and finance organizations. His educational background includes a bachelor's degree in finance from the University of West Florida and a master's degree in business administration from Milligan College. In 2000, Mr. Eichorn received the Meritorious Service Award for an Executive Staff member from the Tennessee Hospital Association. He also serves on the board or key committees of various national and regional healthcare related organizations.

Candace Jennings (58) **-** Senior Vice President for Tennessee Operations. Ms. Jennings joined the Alliance in 2007 as Vice President and Chief Operating Officer for Washington County, Tennessee operations. Her current responsibilities include the strategy development and operation of the Alliance's eight Tennessee hospitals, including a critical access hospital (Johnson County Community Hospital), a children's hospital (Niswonger Children's Hospital) and a new, LEED certified hospital, Franklin Woods Community Hospital which opened in July 2010. Prior to joining Mountain States Health Alliance, she was Chief Nursing Officer for St. John's Hospital in Springfield, Illinois. As a consultant with Ernst and Young, she led organizations through transformational change specializing in organizational resizing and patient focused care. She has served as a health care leader for over 20 years in tertiary teaching hospitals in Alabama, Texas, Illinois and Tennessee. Her educational background includes bachelors and master's degrees in Nursing and a master's in Health Services Administration from the University of Alabama at Birmingham (UAB). Ms. Jennings has been a Fellow in ACHE since 2001.

Ann Fleming (64) – Senior Vice President of Virginia Operations and System Cardiovascular and Oncology Strategic Service Units. Since joining the Alliance in March 2007, Ms. Fleming has served as an examiner for the Tennessee Center for Performance Excellence and a board member for the Senate Productivity and Quality Award. Prior to joining the Alliance, Ms. Fleming most recently served as VP Clinical Service Lines, Merrillville Hospital Administrator and Chief Nursing Officer at The Methodist Hospitals Inc., Gary and Merrillville, Indiana. As part of her work there, she launched the Cardiovascular, Oncology, Rehabilitation/Ortho/Neuro, Women's and Children Service Lines. Ms. Fleming also served as Rehabilitation Consultant at Porter Memorial Hospital, Valparaiso, Indiana, and served as an operating room nurse with the 475th MASH during Operation Desert Storm in Saudi Arabia and Iraq. She received a bachelor's degree in nursing from the University of Kentucky, and a master's degree in Public Administration from Kentucky State University. Ms. Fleming is a member of the American College of Health Care Executives, the Association of Nursing Executives and the Medical Group Management Association. She received the Army Commendation Medal in 1991. Ms. Fleming is a Registered Nurse, currently licensed in Tennessee, Kentucky, Virginia and Indiana.

Morris Seligman (56) – Senior Vice President and Chief Medical Officer. Dr. Seligman joined the Alliance in January 2010, and has responsibility on a system-wide basis for Medical Staff Services, Graduate Medical Education, Continuing Medical Education, Patient Resource Management (case management), Clinical Research, Accreditation, Infection Prevention, Patient Safety, Quality, Information Systems, Telecommunications, and Clinical Informatics. Prior to joining the Alliance, Dr. Seligman was employed by Trinity Regional Health System Quad Cities-Senior Affiliate of Iowa Health System, Illinois and Iowa, where he served as the Chief Medical Officer and Vice President for Physician Services. Dr. Seligman is a diplomat of the American Board of Quality Assurance Utilization Review Physicians, a Fellow of the American Institute of Healthcare Quality certified in Healthcare Quality Management (CHCQM), a Fellow of the American College of Physicians (FACP), a Fellow of the American College of Healthcare Executives (FACHE), and a Certified Physician Executive (CPE). Dr. Seligman also has a two year degree in Engineering Sciences. Dr. Seligman is a board certified internist by training and has practiced Internal Medicine, Emergency Medicine and Occupational Medicine. Dr. Seligman received his MD from the University of Missouri-Columbia and his BSBA/MBA from Washington University. Dr. Seligman also earned his CPA Certificate and previously worked at Arthur Andersen & Co.

John Schario (54), Senior Vice President, Consumer Health Services/Innovation. Prior to joining the Alliance in July 2011, Mr. Schario most recently served as Chief Executive Officer of Nueterra Holdings LLC, a privately held health care equity and management company that specializes in acquiring and developing ambulatory surgery centers, surgical hospitals and physical therapy centers. Under Mr. Schario's leadership, the company grew from nine surgical facilities to 62 surgical facilities and 30 physical therapy clinics over a ten year period. Prior to Mr. Schario's involvement with Nueterra, he held various junior and senior level management positions over a twenty-one year period with Health Midwest, a large integrated health care system in Kansas City. These positions included leadership of various business development enterprises, including mobile services, clinical outreach services, diagnostic imaging services, and employer health services. During his tenure with Health Midwest, he also served as administrator of a small, rural hospital and Vice President of the large, flagship tertiary hospital with responsibilities for cardiology, neurology, radiology, laboratory, pharmacy, physical therapy, occupational therapy and respiratory therapy. Mr. Schario holds bachelors and master's degrees from Rockhurst University in Kansas City.

SERVICE AREA, MARKET SHARE AND COMPETITION

Patient Origin

The Alliance operates hospital facilities located in the Counties of Washington, Sullivan, Carter, and Johnson in the northeastern region of Tennessee. In the southwestern region of Virginia, the Alliance operates facilities in the Counties of Smyth, Wise, Dickenson, Russell and Washington, and in the City of Norton. The core service area for the Alliance (the "Core Service Area") consists of Washington, Sullivan, Carter, Johnson, Greene, Hawkins, and Unicoi Counties in Tennessee and Smyth, Russell, Wise (including the City of Norton), Dickenson, Scott, and Washington Counties (including Bristol City) in Virginia. Approximately 93.2% of the Alliance's discharges originated from the Core Service Area for the fiscal year ended June 30, 2011. The patient origin analysis from all service areas (i.e., both the Core Service Area and the Non-Core Service Area, as defined below) as a percent of the Alliance's discharges for fiscal years 2008, 2009, 2010 and 2011 is presented in the following table:

Alliance Facilities Patient Origin
By Fiscal Year (June 30)

	2008		2009		2010		2011	
	Discharges	Percent	Discharges	Percent	Discharges	Percent	Discharges	Percent
Core Counties								
Washington, TN	16,455	30.3%	15,196	26.6%	16,167	26.9%	16,920	27.4%
Sullivan, TN	8,092	14.9	7,312	12.8	7,753	12.9	7,732	12.5
Carter, TN	6,625	12.2	5,884	10.3	6,371	10.6	6,762	10.9
Wise, VA [1]	4,453	8.2	4,170	7.3	4,327	7.2	4,224	6.8
Greene, TN	2,661	4.9	2,514	4.4	2,644	4.4	2,547	4.1
Smyth, VA	2,498	4.6	3,485	6.1	3,606	6.0	3,707	6.0
Unicoi, TN	2,172	4.0	1,942	3.4	1,863	3.1	2,094	3.4
Johnson, TN	2,009	3.7	1,771	3.1	1,923	3.2	1,914	3.1
Hawkins, TN	1,738	3.2	1,542	2.7	1,503	2.5	1,539	2.5
Russell, VA	1,303	2.4	3,142	5.5	3,306	5.5	3,134	5.1
Dickenson, VA	1,195	2.2	1,200	2.1	1,442	2.4	1,479	2.4
Scott, VA	923	1.7	914	1.6	902	1.5	943	1.5
Washington, VA [2]	760	1.4	4,170	7.3	4,207	7.0	4,595	7.4
Core Subtotal	50,886	93.7%	53,242	93.2%	56,015	93.2%	57,590	93.2%
Non-Core Subtotal	2,444	4.5%	2,856	5.0%	3,005	5.0%	2,874	4.6%
Other Areas Subtotal	978	1.8%	1,028	1.8%	1,082	1.8%	1,360	2.2%
Total	54,307	100.0%	57,127	100.0%	60,102	100.0%	61,824	100.0%

Source: The Alliance – Fiscal year data excludes normal newborns. Acquired facilities have been included from date of acquisition forward.
(1) Includes City of Norton, Virginia, data.
(2) Includes City of Bristol, Virginia, data.

The Alliance has a strong extended market encompassing numerous counties in northeastern Tennessee, western North Carolina, southwestern Virginia, and southeastern Kentucky (the "Non-Core Service Area" and, together with the Core Service Area, the "Service Area"), as shown in the map in "Service Areas and Facility Locations" below. As the table above shows, approximately 4.6% of discharges for the fiscal year ended June 30, 2011, were from the Non-Core Service Area, and approximately 2.2% of discharges were from beyond the Service Area. With the addition of Smyth County Community, Norton Community, Dickenson Community, Russell, and Johnston Memorial, the percentage of discharges from Virginia has increased. The Alliance is also a referral center for numerous advanced services such as high-risk obstetrics, perinatology, neonatology, cardiology, oncology and medical surgeries (including transplants and laparoscopies), and therefore serves many patients from outside the Service Area.

Service Area Facilities

The principal competitor of the Alliance in the Core Service Area is Wellmont Health System ("Wellmont"), which operates eight hospitals within the Alliance's Core Service Area: Holston Valley Medical Center, in Kingsport, Tennessee; Bristol Regional Medical Center, in Bristol, Tennessee; Hawkins County Memorial Hospital, in Rogersville, Tennessee; Lonesome Pine Hospital, in Big Stone Gap, Virginia; Mountain View Regional Medical Center, in Norton, Virginia; Hancock County Hospital, in Sneedville, Tennessee; Takoma Regional Hospital, in Greeneville, Tennessee; and Lee Regional Medical Center, in Pennington Gap, Virginia. Certain operating statistics for the facilities of the Alliance and Wellmont located within Tennessee are set forth below:

Core Service Area - Tennessee Hospitals
Facility Information and Selected Utilization Data – Fiscal 2011

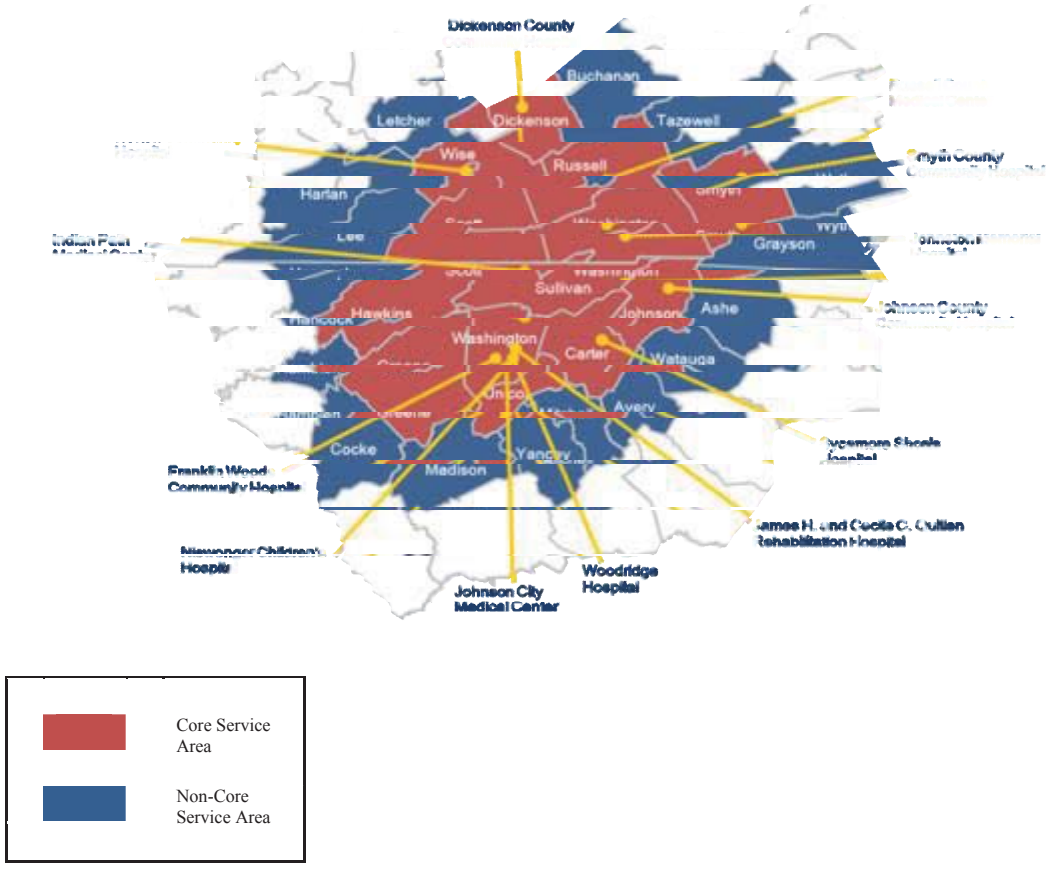
	County in Tennessee	Licensed Beds	Staffed Beds	Total Discharges	Total Patient Days	Average Daily Census
Mountain States Health Alliance						
Johnson City Medical Center	Washington	514	514	26,111	133,256	365
Quillen Rehabilitation Hospital	Washington	60	60	654	8,453	23
Woodridge Hospital	Washington	84	84	3,412	19,827	54
Franklin Woods Community Hospital	Washington	80	80	4,431	24,785	68
Indian Path Medical Center	Sullivan	261	189	6,823	29,534	81
Sycamore Shoals Hospital	Carter	121	79	3,640	15,299	42
Johnson County Community Hospital	Johnson	2	2	20	43	0
MSHA Subtotal		**1,122**	**1,008**	**45,091**	**231,197**	**633**
Wellmont Health System						
Holston Valley Medical Center	Sullivan	505	339	19,931	91,756	251
Bristol Regional Medical Center	Sullivan	312	261	15,293	66,214	181
Hawkins County Memorial Hospital	Hawkins	50	46	1,603	5,153	14
Hancock County Hospital	Hancock	10	10	245	808	2
Takoma Regional Hospital	Greene	100	100	2,494	11,508	32
Wellmont Subtotal		**977**	**756**	**39,566**	**175,439**	**480**
Other Core Service Area Facilities						
Laughlin Memorial Hospital	Greene	140	140	3,813	16,131	44
Healthsouth Rehabilitation Hospital	Sullivan	50	50	947	14,500	40
Unicoi County Memorial Hospital	Unicoi	48	15	1,214	4,568	13
Other Core Service Area Facilities		**238**	**205**	**5,974**	**35,199**	**96**
Core Service Area Total		**2,337**	**1,969**	**90,631**	**441,835**	**1,209**

Source: 2011 Tennessee Joint Annual Reports.

Service Areas and Facility Locations

The Alliance's Core and Non-Core Service Areas are depicted in the map set forth below:

Mountain States Health Alliance
Service Area



Market Share

Market share represents the proportion of service area residents discharged from each of the service area hospitals. Market share by hospital for the defined service area was calculated using data published by the Tennessee Hospital Association, the Virginia Hospital and Healthcare Association and the North Carolina Hospital Association. Hospital specific discharges are divided by service area specific discharges to estimate market share for each of the service area hospitals.

The Alliance maintains the largest market share of its core service area, capturing over 52.6% of the market for the calendar year ended 2011. Wellmont's facilities had a market share for the same period of approximately 37.0%. The following tables present calendar years 2007, 2008, 2009, 2010 and 2011, Core Service Area and total Service Area market share information for facilities currently owned or controlled by the Alliance and Wellmont.

Core Service Area Market Share Summary

System	Hospital Name	Calendar 2007 Discharges	Calendar 2007 % of Total	Calendar 2008 Discharges	Calendar 2008 % of Total	Calendar 2009 Discharges	Calendar 2009 % of Total	Calendar 2010 Discharges	Calendar 2010 % of Total	Calendar 2011 Discharges	Calendar 2011 % of Total
MSHA	Johnson City Medical Center	24,427	24.3%	25,095	24.9%	25,168	25.9%	25,048	25.8%	23,996	24.7%
	Indian Path Medical Center	5,340	5.3	5,867	5.8	5,526	5.7	6,035	6.2	5,970	6.1
	Sycamore Shoals Hospital	4,031	4.0	3,724	3.7	3,206	3.3	3,225	3.3	3,556	3.7
	Franklin Woods Community Hospital	3,106	3.1	2,655	2.6	2,384	2.5	2,683	2.8	3,920	4.0
	Johnson County Community Hospital	40	0.0	44	0.0	31	0.0	24	0.0	26	0.0
	Smyth County Community Hospital	2,139	2.1	2,113	2.1	2,164	2.2	1,958	2.0	1,664	1.7
	Norton Community Hospital	4,793	4.8	4,139	4.1	3,980	4.1	3,636	3.8	3,696	3.8
	Dickenson Community Hospital	757	0.8	366	0.4	7	0.0	2	0.0	1	0.0
	Russell County Medical Center	2,270	2.3	2,242	2.2	2,298	2.4	2,099	2.2	1,993	2.0
	Johnston Memorial Hospital	4,979	4.9	5,656	5.6	5,496	5.6	5,534	5.7	6,400	6.6
MSHA Total		51,882	51.5%	51,901	51.4%	50,260	51.7%	50,244	51.8%	51,222	52.6%
Wellmont	Wellmont Holston Valley Medical Center	16,556	16.4	16,057	15.9	16,260	16.7	16,724	17.3	16,308	16.7
	Wellmont Bristol Regional Medical Center	12,288	12.2	12,676	12.6	12,455	12.8	12,831	13.2	12,827	13.2
	Wellmont Lonesome Pine Hospital	2,745	2.7	2,656	2.6	2,181	2.2	2,005	2.1	1,785	1.8
	Wellmont Hawkins County Memorial Hospital	1,699	1.7	1,778	1.8	1,639	1.7	1,521	1.6	1,419	1.5
	Wellmont Hancock County Hospital	11	0.0	9	0.0	10	0.0	10	0.0	9	0.0
	Takoma Regional Hospital	2,227	2.2	2,320	2.3	2,093	2.2	1,827	1.9	1,939	2.0
	Lee Regional Medical Center	136	0.1	151	0.1	153	0.2	146	0.2	127	0.1
	Mountain View Regional Medical Center	1,880	1.9	2,058	2.0	1,597	1.6	1,601	1.7	1,605	1.6
Wellmont Total		37,542	37.3%	37,705	37.4%	36,388	37.4%	36,665	37.8%	36,019	37.0%
All Other		11,271	11.2%	11,272	11.2%	10,628	10.9%	10,022	10.3%	10,076	10.4%
Grand Total		100,695	100.0%	100,878	100.0%	97,276	100.0%	96,931	100.0%	97,317	100.0%

Source: Tennessee Hospital Association, the Virginia Hospital and Healthcare Association, and the North Carolina Hospital Association.
Notes:
Information based on calendar year and excludes normal newborns, psych, substance abuse, and rehab.
Acquired facilities are fully included retrospectively.
JCMC, Quillen, and Woodridge are reported together as "Johnson City Medical Center" because they operate under a single license.
Franklin Woods reflects historical values for North Side Hospital and Johnson City Specialty Hospital prior to June 2010.

Total Service Area Market Share Summary

System	Hospital Name	Calendar 2007 Discharges	Calendar 2007 % of Total	Calendar 2008 Discharges	Calendar 2008 % of Total	Calendar 2009 Discharges	Calendar 2009 % of Total	Calendar 2010 Discharges	Calendar 2010 % of Total	Calendar 2011 Discharges	Calendar 2011 % of Total
MSHA	Johnson City Medical Center	25,677	17.2%	26,404	17.6%	26,472	18.2%	26,259	18.3%	25,213	17.6%
	Indian Path Medical Center	5,547	3.7	6,091	4.1	5,711	3.9	6,242	4.4	6,162	4.3
	Sycamore Shoals Hospital	4,048	2.7	3,736	2.5	3,214	2.2	3,239	2.3	3,576	2.5
	Franklin Woods Community Hospital	3,133	2.1	2,686	1.8	2,398	1.7	2,714	1.9	3,941	2.8
	Johnson County Community Hospital	40	0.0	46	0.0	31	0.0	24	0.0	26	0.0
	Smyth County Community Hospital	2,417	1.6	2,348	1.6	2,399	1.7	2,197	1.5	1,855	1.3
	Norton Community Hospital	5,085	3.4	4,337	2.9	4,174	2.9	3,807	2.7	3,887	2.7
	Dickenson Community Hospital	765	0.5	369	0.2	7	0.0	2	0.0	1	0.0
	Russell County Medical Center	2,563	1.7	2,478	1.7	2,587	1.8	2,368	1.7	2,237	1.6
	Johnston Memorial Hospital	5,342	3.6	6,094	4.1	5,978	4.1	5,928	4.1	6,820	4.8
MSHA Total		54,617	36.5	54,589	36.4	52,971	36.5	52,780	36.8	53,718	37.6
Wellmont	Wellmont Holston Valley Medical Center	18,504	12.4	17,984	12.0	18,155	12.5	18,723	13.1	18,453	12.9
	Wellmont Bristol Regional Medical Center	13,160	8.8	13,831	9.2	13,696	9.4	14,102	9.8	14,180	9.9
	Wellmont Lonesome Pine Hospital	3,377	2.3	3,266	2.2	2,681	1.8	2,421	1.7	2,215	1.5
	Wellmont Hawkins County Memorial Hospital	1,808	1.2	1,866	1.2	1,704	1.2	1,597	1.1	1,487	1.0
	Wellmont Hancock County Hospital	375	0.3	360	0.2	303	0.2	243	0.2	202	0.1
	Takoma Regional Hospital	2,358	1.6	2,441	1.6	2,219	1.5	1,935	1.3	2,056	1.4
	Lee Regional Medical Center	2,768	1.9	2,509	1.7	2,370	1.6	2,398	1.7	2,172	1.5
	Mountain View Regional Medical Center	1,977	1.3	2,132	1.4	1,652	1.1	1,661	1.2	1,661	1.2
Wellmont Total		44,327	29.6%	44,389	29.6%	42,780	29.5%	43,080	30.0%	42,426	29.6%
All Other		50,651	33.9%	51,003	34.0%	49,314	34.0%	47,553	33.2%	46,974	32.8%
Grand Total		149,595	100.0%	149,981	100.0%	145,065	100.0%	143,413	100.0%	143,118	100.0%

Source: Tennessee Hospital Association, the Virginia Hospital and Healthcare Association, and the North Carolina Hospital Association.
Notes:
JCMC, Quillen, and Woodridge are reported together as "Johnson City Medical Center" because they operate under a single license.
Franklin Woods reflects historical values for North Side Hospital and Johnson City Specialty Hospital prior to June 2010.

Demographic and Socio-Economic Characteristics of the Service Area

The following table provides information on major employers in the region:

Major Employers in the PSA/SSA

Rank	Employer	Headquarters	Estimated Employees	Industry
1	K-VA-T Food Stores	Abingdon, VA	12,810	Retail Supermarkets
2	Mountain States Health Alliance	Johnson City, TN	9,036	Health Care
3	Wellmont Health System	Kingsport, TN	7,087	Health Care
4	Eastman Chemical Co.	Kingsport, TN	7,000	Manufacturer
5	East Tennessee State University	Johnson City, TN	2,330	Higher Education
6	James H. Quillen VA Medical Center	Mountain Home, TN	2,000	Gov't Health Care Facility
7	Sullivan County Dept. of Ed	Blountville, TN	1,646	Public Education
8	Citi Cards	Gray, TN	1,500	Retail/Call Center
9	Advanced Call Center Technologies	Berwyn, PA	1,389	Call Center
10	Washington County Dept. of Ed	Jonesborough, TN	1,300	Public Education
11	Hawkins County Board of Ed	Rogersville, TN	1,200	Public Education
12	DTR Tennessee, Inc.	Midway, TN	1,150	Manufacturer
13	A.O. Smith	Johnson City, TN	1,120	Manufacturer
14	Kingsport City Schools	Kingsport, TN	1,050	Public Education
15	Frontier Health	Johnson City, TN	983	Health Care

Source: The Business Journal of Tri-Cities/Virginia, Book of Lists, 2011

SOURCES OF REVENUE

Patient service payments are made to the Alliance by commercial insurance carriers, the federal government under the Medicare program, the State of Tennessee under the TennCare program and surrounding states under their Medicaid programs. The table below shows the percentage of gross patient revenues received by the Alliance from each program and from private pay.

Gross Patient Revenues by Source of Payment (Payor Mix)

	Audited Fiscal Years Ended June 30				Unaudited Fiscal Year Ended June 30
	2008	2009	2010	2011	2012
Medicare	41.3%	42.0%	43.4%	43.7%	44.1%
TennCare/Medicaid	15.3	15.0	14.2	13.7	14.1
Managed Care/ Commercial and Other	36.4	35.7	34.2	34.2	33.3
Private Pay	7.0	7.3	8.2	8.4	8.5
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: The Alliance.

Medicaid and Medicare

Approximately 44% and 14% of the gross patient service charges of the Alliance for the fiscal year ended June 30, 2012, were derived from the Medicare and TennCare/Medicaid programs, respectively. Medicare provides certain health care benefits to beneficiaries who generally are 65 years of age and older, are long term disabled, or qualify for the end stage renal disease ("ESRD") program. Medicare Part A covers, among other things, inpatient hospital services, skilled nursing care, hospice and some home health care. Medicare Part B covers, among other things, physician services, outpatient hospital services and some supplies. TennCare/Medicaid is designed to pay providers for care given to the medically indigent and others who receive federal aid.

TennCare/Medicaid

The State of Tennessee transferred a portion of its Medicaid program to a managed care program ("TennCare") under a Section 1115 Waiver effective January 1, 1994. The long term care and ESRD Medicaid programs were not transferred to TennCare. The TennCare program also covers a number of uninsured non-Medicaid beneficiaries.

Medicare

Medicare pays acute care hospitals for most services provided to inpatients under a payment system known as the Prospective Payment System ("PPS"). Separate PPS payments are made for inpatient operating costs and inpatient capital costs.

Inpatient Operating Costs. Under PPS, acute care hospitals are reimbursed for inpatient operating costs on a per-discharge basis at fixed rates established for identified Diagnosis Related Groups ("DRGs"). DRG classification is based on the diagnosis at discharge and major procedures and other factors for each particular Medicare patient. The amount to be paid for each DRG is established prospectively by the Centers for Medicare and Medicaid Services ("CMS"), an agency of the United States Department of Health and Human Services ("HHS"), and is not related to a hospital's actual costs. For certain Medicare beneficiaries who have unusually costly hospital stays (referred to as "outliers"), CMS will provide additional payments above those specified for the DRG.

The prospective payment rate is updated annually based upon the hospital "market basket" index, which generally measures changes in the cost of providing health care services. Future adjustments are subject to change by Congress. There is no assurance that these or any future increases in the prospective payment rates will keep pace with the increases in the cost of providing hospital services.

CMS reviews and publishes changes in the DRG classification system at least annually. This process is intended to ensure that each DRG is clinically coherent and represents an acceptable range of resource consumption. There is no assurance that the Alliance will be paid amounts which will reflect adequately changes in the cost of providing health care or in the cost of health care technology being made available to patients.

Costs of Medical Education. Medicare pays for certain direct and indirect costs associated with medical education. Payment for the indirect costs of medical education will be made as an adjustment to the federal rate for capital-related costs during the transition to PPS for inpatient capital-related costs. The indirect medical education adjustment for capital-related costs is based in part on the ratio of a hospital's number of full-time equivalent ("FTE") residents to its average daily census. Medicare also adjusts the inpatient operating PPS payment for indirect costs of medical education. This adjustment is based in part on the ratio of FTE residents to beds. Payment for direct medical education is based on a per resident rate adjusted by inflation and the number of current-year reimbursable resident positions.

Disproportionate Share. Section 402 of the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) provided for payments to hospitals serving a large number of low-income patients which qualifies them for a Medicare Disproportionate Share ("DSH") payment adjustment. Payment is based on the SSI% plus Medicaid Eligible Patient Days to Total Patient Days. There is no assurance in the future that the Alliance will be paid amounts to adequately offset the cost of providing services to low income patients to Acute and Rehabilitation services.

Costs of Outpatient Services. Ambulatory payment classifications ("APCs") form the basis for outpatient PPS. Services in each APC are similar clinically and with respect to the resources necessary to provide the services. Generally, the primary classification variable under the APC system is the procedure performed rather than the patient's diagnosis, as is the case with the DRG system. Each APC is assigned a payment rate based on median (or, if the Secretary of HHS so chooses, mean) hospital costs for procedures performed, weighted by procedure volume. Beneficiary coinsurance amounts are established for each APC based on 20 percent of the national median of charges for APC services. The APC payment and beneficiary's coinsurance amounts for outpatient services will be adjusted to reflect geographic wage variations and other factors determined to be necessary by the Secretary of HHS. Annual payment updates are based on the hospital market basket index. As with inpatient hospital services,

there is no assurance that future increases in the prospective payment rates will reflect adequately the changes in the costs of providing outpatient services.

Costs of Inpatient Rehabilitation Facilities (IRF). Under IRF PPS, Federal rates are adjusted to reflect patient case mix, resource intensity associated with the patients clinical condition, and facility characteristics. Cases are grouped into case-mix groups (CMGs) and are further classified into four tiers driven by conditions that are secondary to the principal diagnosis. Rates are paid to reflect all costs of furnishing IRF services for routine, ancillary, and capital. There is no assurance that the alliance will be paid amounts that will sufficiently match all costs associated with care.

Costs of Psychiatric Facilities (IPF). Under the IPF PPS, services are reimbursed under Federal Per Diem rates to include Operating and Capital costs. Payment is based on geographic factors, patient characteristics (DRG, age, length of stay and presence of specified comorbidities), facility characteristics, and services for received in a qualified Emergency Department and also Electroconvulsive Therapy.

Costs of Skilled Nursing Facilities. Medicare reimbursed for skilled nursing facility ("SNF") stays are also based on a prospective payment system which requires "bundling" of virtually all SNF services, similar to the current practice for hospital inpatient services. A SNF therefore is responsible for providing or arranging to provide all Medicare services (subject to certain exceptions) needed by a SNF patient, and could potentially receive less than it costs the SNF to provide or arrange to provide those services. Accordingly, there can be no assurance that the aggregate amount of payments under SNF PPS will be sufficient to cover all of the Alliance's actual costs of providing SNF services to Medicare beneficiaries.

Physician Services. Physicians are reimbursed under Medicare based on their professional services according to the lesser of the actual charge or the amount determined from a resource-based relative value scale (RBRVS) fee schedule. The fee schedule is subject to update by the Secretary of HHS and Congress on an annual basis.

Electronic Health Records (EHR) Costs. The American Recovery Act of 2009 provides for incentive payments for Medicare and Medicaid eligible professionals and hospitals to purchase and implement meaningful use certified EHR technology. Payments provide an incentive for the "meaningful use" of certified EHR technology and to achieve health care and efficiency goals. The incentive payment will be paid out over a period of 5 years, which offsets the costs of purchase and implementation of the products. There is no indication that future rule making will extend payments beyond the five years.

Audits, Exclusions, Fines and Enforcement Action. Hospitals participating in Medicare are subject to audits and retroactive audit adjustments by a Medicare Audit Contractor under the Medicare program. From an audit, a Medicare Audit Contractor may conclude, for example, that a patient has been discharged under an incorrect DRG, that services may not have been provided under the direct supervision of a physician (to the extent so required), that a patient should not have been characterized as an inpatient, that certain services provided prior to an admission as an inpatient should not have been billed as outpatient services or that certain required procedures or processes were not satisfied. As a consequence, payments may be retroactively disallowed. Under certain circumstances, payments made may be determined to have been made as a consequence of improper claims subject to the federal False Claims Act or other federal statutes, subjecting the hospital to civil or criminal sanctions. Generally, the Alliance maintains limited reserves for anticipated or proposed audit adjustments which are likely to be contested. Nevertheless, such adjustments may exceed such reserves and may be substantial. Medicare regulations also provide for withholding Medicare payment in certain circumstances, and such withholdings could have a substantial adverse effect on the financial condition of the Alliance.

Management of the Alliance is not aware of any situation in which reserves are inadequate or a material amount of Medicare payments is being withheld. The Alliance utilizes internal and external resources to review and audit practice compliance with policies, procedures, applicable laws and regulations. Whenever such reviews identify practice deviation from policies, procedures, applicable rules and regulations, management is obligated to refund any overpayments as part of the Alliance's continuous improvement processes. Currently, management is unaware of any deviations that may have a material adverse effect on the results of the operations or financial condition of the Alliance.

Commercial Managed Care and Other

The Alliance contracts with certain private third party payors. Contractual agreements with these payors include reimbursement arrangements such as discounted charges, per diem amounts and capitated payments. The Alliance actively manages these contracts and negotiates terms that are in the best interest of the Alliance and its patients. While not participating in all commercial contracts, the Alliance participates in the vast majority of contracts covering the population of its primary service area.

Additionally, the Alliance treats patients with no insurance coverage. Those meeting certain income requirements are treated at no cost to the patient. Those not qualifying for this classification are classified as "self-pay" and reimburse the Alliance privately for the services rendered.

HISTORICAL UTILIZATION INFORMATION

The table below provides historic system-wide patient utilization for the Alliance for the fiscal years ended June 30, 2008 through 2012. The number reflects the inclusion of the following facilities as of the following dates: Smyth County Community - 11/1/06; Norton Community - 11/1/07; Dickenson Community - 11/1/07; Russell - 1/31/08; and Johnston Memorial - 4/1/09.

	2008	2009	2010	2011	2012
Occupancy Rate (licensed)	49%	45%	46%	47%	48%
Patient Days	268,965	283,555	291,986	288,167	292,910
Admissions	54,307	57,127	60,102	61,035	61,154
Average Daily Census	735	777	800	789	800
Avg Length of Stay (days)	5.0	5.0	4.9	4.7	4.8
Outpatient Visits	1,239,440	1,511,699	1,604,036	1,546,325	1,592,335
ER Visits	190,771	219,983	250,942	242,677	246,821
Surgical Cases	35,988	38,812	39,313	38,521	36,971
Births	4,270	4,371	4,684	4,511	4,288
Newborn Days	8,504	8,569	9,112	9,287	9,116
Licensed Beds	1,699	1,841	1,789	1,749	1,623

Source: The Alliance.

CONDENSED SUMMARY OF REVENUE AND EXPENSES; FINANCIAL STATEMENTS

The following Condensed Summary of Revenue and Expenses (the "Condensed Summary") for each of the five Fiscal Years ended June 30, 2007 through 2011, is derived from the Alliance's audited financial statements for those Fiscal Years. The annual financial statements were audited by Pershing Yoakley & Associates, P.C. The financial information for the twelve month period ended June 30, 2012, is unaudited and reflects, in the opinion of the Alliance, all adjustments necessary to summarize fairly the results for such period on a basis consistent with that used in preparing the annual financial statements for the years ended June 30, 2007, 2008, 2009, 2010, and 2011. The financial statements include the assets and liabilities and reflect the revenue and expenses of the Alliance and all consolidated entities, including those that are not Obligated Issuers.

The Condensed Summary as well as the audited financial statements included in Appendix B and the unaudited financial statements included as Appendix C are for all entities consolidated with the Alliance for accounting purposes (the "Consolidated Entities") and therefore reflect the assets, liabilities, revenues and expenses of entities that are not Obligated Issuers (see "THE ALLIANCE" in the front half of this Official Statement). For the fiscal year ended June 30, 2012, the Obligated Issuers accounted for approximately 74% of the total assets and 89% of the total revenue of the Consolidated Entities.

The following Condensed Summary of Consolidated Revenue and Expenses should be read in conjunction with the audited financial statements and notes contained in Appendix B hereto.

Condensed Summary of Revenue and Expenses

	Audited Fiscal Years Ended June 30 (In Thousands)					(Unaudited) Fiscal Year Ended June 30 (In Thousands)
	2007	2008	2009	2010	2011	2012[9]
Revenues:						
Net patient service revenue	$661,744	$726,542	$822,898	$928,270	$960,254	$950,946
Other revenue	16,711	16,098	17,046	16,009	15,871	37,559
Total Revenue, Gains and Support	678,455	742,640	839,944	944,279	976,125	988,504
Expenses:						
Operating expenses	580,059	633,842	719,193	806,379	822,962	860,249
Depreciation and Amortization	49,807	60,048	68,523	81,559	90,058	75,055
Interest and Taxes	44,387	44,581	45,225	42,264	44,153	45,903
Total Expenses	674,252	738,471	832,941	930,202	957,173	981,207
Operating Income (loss)	4,203	4,169	7,003	14,077	18,952	7,297
Net non-operating gains (losses)[1]	67,184[2]	(74,343)[3]	(89,683)[4]	30,598[5]	67,710[6]	26,622[7]
Excess of Revenue, Gains and Support Over Expenses and Losses[8]	$ 71,387	$ (70,174)	$ (82,680)	$ 44,675	$86,662	$33,919

Source: The Alliance.

(1) Net non-operating gains and losses include the change in fair value of derivatives and realized and unrealized gains and losses on investments. Recent clarification to generally accepted accounting principles require the unrealized gains and losses on certain investments to be included as part of the Excess of Revenue, Gains and Support over Expenses and Losses and such approach was used for the audited financial statements for fiscal years 2008, 2009, 2010 and 2011, and unaudited 2012. For ease of comparison, management has reclassified such unrealized gains and losses for fiscal year 2007 in a manner consistent with the clarification.

(2) Includes $2.1 million of unrealized gains on derivatives.

(3) Includes $20.6 million of unrealized losses on derivatives, and $57.7 million loss on early extinguishment of debt and $33.4 million of unrealized losses on investments.

(4) Includes $42.1 million of unrealized losses on derivatives and $62.6 million of unrealized losses on investments.

(5) Includes $8.6 million of unrealized losses on derivatives, and $15.0 million of unrealized gains on investments.

(6) Includes $23.0 million of unrealized gains on derivatives and $22.2 million of unrealized gains on investments.

(7) Includes $6.2 million of unrealized losses on derivatives and $2.9 million of unrealized losses on investments.

(8) An entry was posted in the 2008, 2009, 2010, 2011 and 2012 financial statements to eliminate certain employee health related patient service revenue and employee benefits expense (approximately $12.9 million in 2008, $14.9 million in 2009, $20.0 million in 2010, $23.1 million in 2011, and $23.3 million in 2012). The eliminating entry had no effect on the Excess of Revenue, Gains and Support Over Expenses and Losses in these periods. The 2007 financial data does not reflect this eliminating entry.

(9) In Fiscal 2012, the Alliance early adopted Financial Accounting Standards Board Update 2011-07, which requires reclassification of bad debt expense from an operating expense to a deduction from patient service revenue. For 2012, bad debt of $7.057 million is classified as a deduction from net revenue and for all years prior to 2012, bad debt is classified as an operating expense. In Fiscal 2012, revenue of $5.611 million related to durable medical equipment and retail pharmacy is included in other revenue. Prior to 2012, this revenue was included in net patient service revenues.

TRENDS IN UNRESTRICTED LIQUIDITY AND LEVERAGE

The following table provides information on unrestricted liquidity and leverage for the fiscal years ended June 30, 2007 through 2012.

	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Unaudited Fiscal 2012
Total Unrestricted Cash ($ in Thousands)	$452,225	$466,478	$515,066	$551,608	$592,537	$531,151
Total Days' Cash on Hand	264	246	249	240	253	214
Unrestricted Net Assets ($ in Thousands)	$416,850	$349,081	$272,049	$317,433	$400,395	$436,330
Net Long Term Debt to Capitalization[1]	53.6%	68.0%[2]	74.7%	71.2%	67.5%	65.4%

(1) For purposes of calculating the ratio, Net Long-Term Debt is determined net of debt service reserve funds and moneys held in principal and interest funds.

(2) The increase in Net Long Term Debt to Capitalization in Fiscal Year 2008 was due in part to the $57.7 million loss on early extinguishment of debt. The Net Long Term Debt to Capitalization, excluding the loss on early extinguishment of debt, was 65.1%.

MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE

Overview

The Alliance has maintained a positive operating income for each of the last six fiscal years, reflecting rises in net patient service revenues that have generally kept pace with increases in expenses. However, non-operating losses from derivatives and other investments resulted in deficits of revenue, gains, and support over expenses for Fiscal 2008 and 2009. The losses from derivatives are discussed further below. The losses from other investments resulted from losses in market value reflecting primarily the general market decline in the value of securities in the Alliance's investment portfolio. Beginning in Fiscal 2007, operating income or losses for recent acquisitions is included (Fiscal 2007: Smyth County - 8 months, Fiscal 2008: Norton/Dickenson – 8 months and Russell 5 months, Fiscal 2009: Johnston Memorial – 3 months).

Fiscal 2010

Operating Income for Fiscal 2010 was $14.077 million compared with $7.003 million for the same period in Fiscal 2009. This produced an "Operating Margin" (excess of total revenue, gains and support over total expense divided by total revenue, gains and support) of 1.5%, compared with 0.8% for the same period in Fiscal 2009. This reflected among other things increases in revenues and expenses resulting from the addition of Johnston Memorial (April, 2009) that are included for a full year in the Fiscal 2010 but included for only three months in Fiscal 2009. Moreover, net non-operating gains of $30.598 million, reflecting primarily $24.083 million of income realized from investments, $15.018 million of unrealized income from investments, and $8.607 million in losses derived from interest rate swaps and derivatives, produced a $44.675 million excess of revenue, gains and support over expenses.

Fiscal 2011

Operating Income for Fiscal 2011 was $18.952 million compared with $14.077 million for the same period in Fiscal 2010. The Operating Margin for Fiscal 2011 was 1.9%, compared with 1.5% for the same period in Fiscal 2010. Moreover, net non-operating gains of $67.710 million, reflecting primarily $23.214 million of income realized from investments, $22.168 million of unrealized income from investments, and $23.049 million in gains derived from interest rate swaps and derivatives, produced an $86.662 million excess of revenue, gains and support over expenses.

Fiscal 2012 (Unaudited)

Operating Income for Fiscal 2012 was $7.297 million compared with $18.952 million for the same period in Fiscal 2011. The Operating Margin for Fiscal 2012 was 0.7%, compared with 1.9% for the same period in Fiscal 2011. Moreover, net non-operating gains of $26.622 million, reflecting primarily $27.938 million of income realized from investments, $2.921 million of unrealized losses from investments, and $6.198 million in losses derived from interest rate swaps and derivatives, produced a $33.919 million excess of revenue, gains and support over expenses.

Net patient revenue in Fiscal 2012 declined $9.3 million as compared to Fiscal 2011. This decline in net patient revenue is mainly attributable to a decline in surgical admissions and a decreased length of stay for commercial patients. Operating expenses in Fiscal 2012 increased $37.3 million as compared to Fiscal 2011. The increase in operating expenses is mainly due to an increase in expenses related to physician salaries and fees. Days Cash on Hand declined from 253 days in Fiscal 2011 to 214 days for Fiscal 2012. The Alliance had anticipated Days Cash on Hand to decrease by 21 days due to planned capital expenditures. The additional 18 day decline is due to the decrease in operating income and an increase in net accounts receivable.

Interest Rate Swaps and Derivatives

The Alliance has utilized several forms of derivative financial instruments, including interest rate swaps, constant maturity swaps and total return swaps, in order to lower the cost of debt and reduce interest rate risk.

As of June 30, 2012, the Alliance had a total of approximately $592,400,000 (notional amount) of total return swaps, basis swaps, and constant maturity basis swaps with Bank of America, which swaps have been implemented as part of a carefully managed program. Through this program, the Alliance has realized approximately $43,800,000 of savings since 2001. In January and May of 2011, the Alliance "locked in" approximately $16,000,000 of future cash payments through April 2014 on $438,000,000 (notional amount) of the constant maturity basis swaps. In January 2011, the Alliance converted two fixed payor swaps, totaling $132,000,000 (notional amount), to basis swaps. As of June 30, 2012, the market value of all these swaps was a negative $14,490,000 with no collateral currently posted to Bank of America.

Additionally, the Alliance has $106,000,000 (notional amount) of total return and fixed payor swaps with Lehman Brothers Special Financing, Inc. ("Lehman"). As of June 30, 2012, the Alliance had posted $13,800,000 of collateral under the Lehman swap agreements. In the fall of 2008, the Alliance was notified by Lehman that these transactions were going to be terminated as of January 1, 2009. The termination did not occur, due to a dispute between counterparties regarding the amount of the cost of the termination. The Alliance believes that the amount of the collateral that has been posted is sufficient to pay the cost of the termination. Since late 2011, the counterparties have been involved in mediation to settle the termination amount.

In 2003 and 2004, the Alliance implemented $224,400,000 (notional amount) of swaptions with Bear Stearns Capital Markets, now J.P. Morgan, as part of a synthetic refunding of its Series 2000 outstanding debt. The Alliance also entered into two forward sale agreements originally related to the Series 2000 Debt Service Reserve Fund and Debt Service Funds. Amounts received by the Alliance as upfront payments on the swaptions and related forward sale agreements were deposited in a guaranteed investment contract ("GIC") with Bear Stearns, now J.P. Morgan, that served as collateral under the related agreements. On October 13, 2011, the Alliance terminated the swaptions using the entire proceeds of the GIC. No additional funds of the Alliance were utilized. On June 29, 2012, the Alliance terminated the forward sale agreements. There are no remaining derivatives or forward sale agreements with J.P. Morgan.

Additional Indebtedness

Other than the surgical services improvements at JCMC, the Alliance has no significant capital expenditures planned or in process for the near future. Funding for the surgical services project is expected to come from cash flow and the proceeds of this bond issue. Other capital improvements are expected to be funded from cash flow.

APPENDIX B

AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

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MOUNTAIN STATES HEALTH ALLIANCE

Audited Consolidated Financial Statements (and Supplemental Schedules)

Years Ended June 30, 2011 and 2010

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MOUNTAIN STATES HEALTH ALLIANCE

Audited Consolidated Financial Statements and Supplemental Schedules

Years Ended June 30, 2011 and 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mountain States Health Alliance:

We have audited the accompanying consolidated balance sheets of Mountain States Health Alliance and subsidiaries (the Alliance) as of June 30, 2011 and 2010 and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Alliance's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Alliance's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mountain States Health Alliance and subsidiaries as of June 30, 2011 and 2010 and the results of their operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental schedules, as listed in the accompanying index, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

As discussed in Note B, the Alliance adopted Financial Accounting Standards Board Accounting Standards Codification 958-10, *Consolidation,* and applicable portions of 958-805, *Not-for-Profit Entities*, during 2011.

Peeling Yeasley & Associates PC

Knoxville, Tennessee
October 26, 2011

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Balance Sheets
(Dollars in Thousands)

	June 30, 2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ **112,768**	$ 234,526
Current portion of investments	**116,175**	25,092
Patient accounts receivable, less estimated allowances for uncollectible accounts of $53,366 in 2011 and $45,941 in 2010	**134,611**	125,580
Other receivables, net	**19,614**	17,926
Inventories and prepaid expenses	**28,965**	29,163
TOTAL CURRENT ASSETS	**412,133**	432,287
INVESTMENTS, less amounts required to meet current obligations	**581,376**	590,131
PROPERTY, PLANT AND EQUIPMENT, net	**797,418**	695,598
OTHER ASSETS		
Goodwill - Note B	**148,666**	151,352
Net deferred financing, acquisition costs and other charges, less current portion	**29,844**	30,819
Other assets	**28,448**	29,313
TOTAL OTHER ASSETS	**206,958**	211,484
	$ **1,997,885**	$ 1,929,500

	June 30, 2011	2010
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued interest payable	$ **20,047**	$ 16,039
Current portion of long-term debt and capital lease obligations	**28,162**	28,131
Current portion of estimated fair value of derivatives	**102,609**	10,740
Accounts payable and accrued expenses	**98,819**	99,227
Accrued salaries, compensated absences and amounts withheld	**57,800**	47,280
Estimated amounts due to third-party payors, net	**14,813**	10,155
TOTAL CURRENT LIABILITIES	**322,250**	211,572
OTHER LIABILITIES		
Long-term debt and capital lease obligations, less current portion	**1,040,923**	1,054,842
Estimated fair value of derivatives, less current portion	**8,123**	123,560
Deferred revenue	**19,267**	20,445
Estimated professional liability self-insurance	**9,692**	9,541
Other long-term liabilities	**14,352**	12,628
TOTAL LIABILITIES	**1,414,607**	1,432,588
COMMITMENTS AND CONTINGENCIES - Notes D, F, G, and N		
NET ASSETS		
Unrestricted net assets		
Mountain States Health Alliance	**400,395**	317,485
Noncontrolling interests in subsidiaries - Note B	**171,984**	168,359
TOTAL UNRESTRICTED NET ASSETS	**572,379**	485,844
Temporarily restricted net assets		
Mountain States Health Alliance	**10,715**	10,890
Noncontrolling interests in subsidiaries - Note B	**57**	51
TOTAL TEMPORARILY RESTRICTED NET ASSETS	**10,772**	10,941
Permanently restricted net assets	**127**	127
TOTAL NET ASSETS	**583,278**	496,912
	$ **1,997,885**	$ 1,929,500

See notes to consolidated financial statements.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Operations
(Dollars in Thousands)

	Year Ended June 30, 2011	2010
Revenue, gains and support:		
Net patient service revenue	$ **960,254**	$ 928,270
Other operating revenue	**15,871**	16,009
TOTAL REVENUE, GAINS AND SUPPORT	**976,125**	944,279
Expenses:		
Salaries and wages	**342,208**	325,663
Physician salaries and wages	**59,249**	54,489
Contract labor	**5,964**	6,546
Employee benefits	**67,139**	68,362
Fees	**85,919**	82,542
Supplies	**169,362**	175,469
Utilities	**17,300**	16,193
Other	**69,647**	69,154
Depreciation	**87,499**	68,436
Amortization - Note B	**2,559**	13,123
Estimated provision for bad debts	**6,174**	7,961
Interest and taxes	**44,153**	42,264
TOTAL EXPENSES	**957,173**	930,202
OPERATING INCOME	**18,952**	14,077
Nonoperating gains (losses):		
Interest and dividend income	**16,224**	17,298
Net realized gains on the sale of securities	**1,957**	2,385
Net unrealized gains on securities	**22,168**	15,018
Derivative related income	**5,072**	4,394
Loss on early extinguishment of debt - Note F	**-**	(3,029)
Change in estimated fair value of derivatives	**23,049**	(8,607)
Other nonoperating gains (losses)	**(2,653)**	512
Net assets released from restrictions used for operations	**1,893**	2,627
NET NONOPERATING GAINS	**67,710**	30,598
EXCESS OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	$ **86,662**	$ 44,675

See notes to consolidated financial statements.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Changes in Net Assets
(Dollars in Thousands)

Year Ended June 30, 2011

	Mountain States Health Alliance	*Noncontrolling Interests*	*Total*
UNRESTRICTED NET ASSETS:			
Excess of Revenue, Gains and Support over Expenses and Losses	$ 83,269	$ 3,393	$ 86,662
Pension and other defined benefit plan adjustments	620	617	1,237
Cumulative effect of a change in accounting principle - Note B	(2,965)	-	(2,965)
Net assets released from restrictions used for the purchase of property, plant and equipment	1,946	-	1,946
Distributions to noncontrolling interests	-	(270)	(270)
Repurchases of noncontrolling interests and other	40	(115)	(75)
INCREASE IN UNRESTRICTED NET ASSETS	82,910	3,625	86,535
TEMPORARILY RESTRICTED NET ASSETS:			
Restricted grants and contributions	3,612	58	3,670
Net assets released from restrictions	(3,787)	(52)	(3,839)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(175)	6	(169)
INCREASE IN TOTAL NET ASSETS	82,735	3,631	86,366
NET ASSETS, BEGINNING OF YEAR	328,502	168,410	496,912
NET ASSETS, END OF YEAR	$ 411,237	$ 172,041	$ 583,278

See notes to consolidated financial statements.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Changes in Net Assets - Continued
(Dollars in Thousands)

Year Ended June 30, 2010

	Mountain States Health Alliance	*Noncontrolling Interests*	*Total*
UNRESTRICTED NET ASSETS:			
Excess of Revenue, Gains and Support over Expenses and Losses	$ 42,372	$ 2,303	$ 44,675
Pension and other defined benefit plan adjustments	796	793	1,589
Net assets released from restrictions used for the purchase of property, plant and equipment	2,283	-	2,283
Distributions to noncontrolling interests	-	(151)	(151)
Repurchases of noncontrolling interests and other	(63)	(38)	(101)
INCREASE IN UNRESTRICTED NET ASSETS	45,388	2,907	48,295
TEMPORARILY RESTRICTED NET ASSETS:			
Restricted grants and contributions	3,585	88	3,673
Net assets released from restrictions	(4,825)	(85)	(4,910)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(1,240)	3	(1,237)
PERMANENTLY RESTRICTED NET ASSETS:			
Net assets released from restrictions by donor	(50)	-	(50)
INCREASE IN TOTAL NET ASSETS	44,098	2,910	47,008
NET ASSETS, BEGINNING OF YEAR	284,404	165,500	449,904
NET ASSETS, END OF YEAR	$ 328,502	$ 168,410	$ 496,912

See notes to consolidated financial statements.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Year Ended June 30,	
	2011	*2010*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	**$ 86,366**	$ 47,008
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for depreciation and amortization	**90,472**	81,982
Loss on early extinguishment of debt	**-**	3,029
Cumulative effect of a change in accounting principle	**2,965**	-
Change in estimated fair value of derivatives	**(23,049)**	8,607
Equity in net income of joint ventures, net	**(898)**	(1,117)
Gain on sale of assets held for resale and disposal of assets	**(367)**	(548)
Amounts received on interest rate swap settlements	**(5,072)**	(4,394)
Income recognized through forward sale agreements	**(864)**	(864)
Capital Appreciation Bond accretion and other	**2,738**	2,071
Restricted contributions	**(3,670)**	(2,159)
Pension and other defined benefit plan adjustments	**(1,237)**	598
Increase (decrease) in cash due to change in:		
Net patient accounts receivable	**(9,031)**	3,232
Other receivables	**(2,802)**	(1,246)
Inventories and prepaid expenses	**(643)**	(4,640)
Trading securities	**(123,966)**	(13,368)
Other assets	**(3,632)**	(1,159)
Accrued interest payable	**4,008**	3,989
Accounts payable and accrued expenses	**2,741**	(855)
Accrued salaries, compensated absences and amounts withheld	**11,361**	(2,289)
Estimated amounts due from/to third-party payors, net	**4,658**	3,757
Other long-term liabilities	**2,961**	(201)
Estimated professional liability self-insurance	**151**	(471)
Total adjustments	**(53,176)**	73,954
NET CASH PROVIDED BY OPERATING ACTIVITIES	**33,190**	120,962
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment, property held for resale and property held for expansion, net	**(172,786)**	(172,240)
Additions to goodwill	**(279)**	-
Net decrease in assets limited as to use	**81,383**	50,362
Purchases of held-to-maturity securities	**(41,060)**	(28,175)
Net distribution from joint ventures and unconsolidated affiliates	**1,057**	1,162
Proceeds from sale of property, plant and equipment and property held for resale	**812**	9,565
NET CASH USED IN INVESTING ACTIVITIES	**(130,873)**	(139,326)

	Year Ended June 30, 2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt and capital lease obligations, including deposits to escrow	**(37,735)**	(226,315)
Payment of acquisition and financing costs	**(1,716)**	(3,565)
Proceeds from issuance of long-term debt and other financing arrangements	**5,954**	235,158
Net amounts received on interest rate swap settlements	**5,072**	4,394
Restricted contributions received	**4,350**	3,382
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	**(24,075)**	13,054
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(121,758)**	(5,310)
CASH AND CASH EQUIVALENTS, beginning of year	**234,526**	239,836
CASH AND CASH EQUIVALENTS, end of year	**$ 112,768**	$ 234,526

SUPPLEMENTAL INFORMATION AND NON-CASH TRANSACTIONS:		
Cash paid for interest	**$ 39,507**	$ 38,666
Cash paid for federal and state income taxes	**$ 739**	$ 446
Construction related payables in accounts payable and accrued expenses	**$ 11,384**	$ 14,847
Property purchased through capital lease arrangement	**$ 15,951**	$ -
Increase in receivable from sale of property	**$ -**	$ 1,483
Decrease in land held for expansion related to property exchange transaction	**$ -**	$ 3,432
Land held for expansion placed in use	**$ 4,904**	$ -

During the year ended June 30, 2010, the Alliance refinanced previously issued debt of $184,050.

NOTE A--ORGANIZATION AND OPERATIONS

Mountain States Health Alliance (the Alliance) is a tax-exempt entity with operations primarily located in Washington, Sullivan, and Carter counties of Tennessee and Smyth, Wise, Dickenson, Russell and Washington counties of Virginia. The initial funds for the establishment of the Alliance in 1945 were provided by individuals and various institutions. Membership of the Alliance consists of individuals and institutions who have contributed at least $100 to the capital fund of the Alliance and are entitled to vote at the annual election of the Board of Directors.

The primary operations of the Alliance consist of ten acute and specialty care hospitals, as follows:

- Johnson City Medical Center (JCMC) - licensed for 658 beds
- Smyth County Community Hospital (SCCH) - licensed for 279 beds
- Indian Path Medical Center (IPMC) - licensed for 261 beds
- Norton Community Hospital (NCH) - licensed for 129 beds
- Sycamore Shoals Hospital (SSH) - licensed for 121 beds
- Johnston Memorial Hospital (JMH) - licensed for 116 beds
- Franklin Woods Community Hospital (FWCH) - licensed for 80 beds
- Russell County Medical Center (RCMC) - licensed for 78 beds
- Dickenson Community Hospital (DCH) - licensed for 25 beds
- Johnson County Community Hospital (JCCH) - licensed for 2 beds

FWCH opened in July 2010, replacing operations at North Side Hospital (NSH) and Johnson City Specialty Hospital (JCSH). NSH and JCSH were licensed for 91 beds and 23 beds, respectively, prior to the opening of FWCH and a total of 64 beds were transferred within the Alliance.

The Alliance has a 50.1% interest in JMH. JMH is also the sole member of Abingdon Physician Partners (APP), a non-taxable corporation that owns and manages physician practices.

The Alliance has a 50.1% interest in NCH. NCH is also the sole member or shareholder of DCH and Norton Community Physician Services, LLC (NCPS), a taxable corporation that consists of physician practices and a pharmacy and; Community Home Care (CHC), a taxable corporation that provides home medical equipment.

The Alliance has an 80% interest in SCCH. SCCH is the sole shareholder of Southwest Community Health Services, Inc. (SWCH), a taxable entity that operates a pharmacy and provides other health services.

The activities and accounts of JMH, NCH and SCCH are included in the accompanying consolidated financial statements.

NOTE A--ORGANIZATION AND OPERATIONS - Continued

The Alliance is the sole shareholder of Blue Ridge Medical Management Corporation (BRMM), a for-profit entity that owns and manages physician practices and provides other healthcare services to patients in Tennessee and Virginia. BRMM also operates as a medical office real estate developer by owning, selling and leasing real estate to physician practices and other entities. BRMM is either the sole shareholder, a significant shareholder, or member of the following organizations:

Mountain States Physician Group, Inc. (MSPG): A company that contracts with physicians to provide services to BRMM physician practices.

Mountain States Properties, Inc. (MSPI): An entity that owns and manages certain real estate (primarily medical office buildings) and provides rehabilitation and fitness services. In addition, MSPI is a counter-party to various financing transactions, including interest rate swaps.

Mediserve Medical Equipment of Kingsport, Inc. (Mediserve): A company that provides durable medical equipment services.

Synergy Health Group LLC: An affiliation of member hospitals that work together to maximize cost savings opportunities through aggregated buying power.

Kingsport Ambulatory Surgery Center (KASC) (d.b.a. Kingsport Day Surgery): A joint venture operating as an outpatient surgery center which performs procedures primarily in otolaryngology, orthopedics, ophthalmology, and general surgery. BRMM has a 43% ownership of KASC at June 30, 2011 and 2010; however, BRMM maintains control over KASC through a management agreement. As such, the accounts and activities of KASC are included in the accompanying consolidated financial statements.

Piney Flats Urgent Care (PFUC): A for-profit entity that provides urgent care patient services. BRMM has a 75% ownership of PFUC. The accounts and activities of PFUC are included in the accompanying consolidated financial statements.

The Alliance is the primary beneficiary of the activities of Mountain States Foundation, Inc. (MSF), a not-for-profit foundation formed to coordinate fundraising and development activities of the Alliance. The Alliance is also the beneficiary of the Mountain States Health Alliance Auxiliary (Auxiliary), a not-for-profit organization formed to coordinate volunteer activities of the Alliance. The activities and accounts of MSF and the Auxiliary are included in the accompanying consolidated financial statements.

The Alliance is a majority shareholder of Integrated Solutions Health Network, LLC (ISHN). The primary function of ISHN is to establish, operate and administer a provider-sponsored health care

NOTE A--ORGANIZATION AND OPERATIONS - Continued

delivery network. The accounts and activities of ISHN are included in the accompanying consolidated financial statements.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the Alliance and its subsidiaries after elimination of all significant intercompany accounts and transactions. The Alliance classifies those activities directly associated with its mission of providing healthcare services, as well as other activities deemed significant to its operations, as operating activities.

Noncontrolling Interests in Subsidiaries: Noncontrolling interests represent the portion of equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent organization. Effective July 1, 2010, the Alliance adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-810, *Consolidation.* ASC 958-810 amends the accounting for, and the financial statement presentation of, noncontrolling interests in a subsidiary within consolidated financial statements. ASC 958-810 requires that a noncontrolling interest in the net assets of a subsidiary be accounted for and reported as net assets and provides revised guidance on the treatment of income and losses attributable to the noncontrolling interest and changes in ownership interests in a subsidiary.

The Alliance adopted ASC 958-810 during 2011 and reclassified $168,410 of noncontrolling interests from minority interest to net assets as of June 30, 2010. These amounts are reflected net of distributions and pension and other defined benefit plan adjustments within net assets in the Consolidated Balance Sheets. The Alliance attributed an Excess of Revenue, Gains and Support over Expenses and Losses of $3,393 and $2,303 for the years ending June 30, 2011 and 2010, respectively, to the noncontrolling interests in JMH, NCH, SCCH, KASC, PFUC and ISHN based on the noncontrolling interests' respective ownership percentage. None of the noncontrolling interests include redemption features.

Use of Estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents: Cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents designated as assets

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

limited as to use or uninvested amounts included in investment portfolios are not included as cash and cash equivalents on the Consolidated Balance Sheets.

Investments: Investments as reported in the Consolidated Balance Sheets include trading securities, held-to-maturity securities and assets limited as to use (Note C). FASB ASC 958-320, *Investments – Debt and Equity Securities*, allows not-for-profit organizations to report in a manner similar to business entities by identifying securities as available-for-sale or held-to-maturity and to exclude the unrealized gains and losses on those securities from the Performance Indicator (as defined below). Investments which the Alliance has the positive intent and ability to hold to maturity are considered as held-to-maturity. Substantially all other investments (including assets limited as to use) are considered as trading securities. Management annually evaluates the held-to-maturity investment portfolio and recognizes any "other-than-temporary" losses as deductions from the Performance Indicator. 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 at June 30, 2011.

Within the trading securities portfolio, all debt securities and marketable equity securities with readily determinable fair values are reported at fair value based on quoted market prices. Investments without readily determinable fair values are reported at estimated fair market value pursuant to FASB ASC 825, *Financial Instruments*. Guaranteed investment contracts are reported at contract value.

Realized gains and losses on trading securities and assets limited as to use are computed using the specific identification method for cost determination. Interest and dividend income is reported net of related investment fees.

Investments in joint ventures are reported under the equity method of accounting, which approximates the Alliance's equity in the underlying net book value, unless the ownership structure requires consolidation. Other assets include investments in joint ventures of $2,367 and $2,418 at June 30, 2011 and 2010, respectively.

Inventories: Inventories, consisting primarily of medical supplies, are stated at the lower of cost or market.

Property, Plant and Equipment: Property, plant and equipment is stated on the basis of cost, or if donated, at the fair value at the date of gift. Generally, depreciation is computed by the straight-line method over the estimated useful life of the asset. Equipment held under capital lease obligations is amortized under the straight-line method over the shorter of the lease term or estimated useful life.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

Amortization of building and equipment held under capital lease is shown as a part of depreciation expense and accumulated depreciation in the accompanying consolidated financial statements.

Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The amount capitalized is net of investment earnings on assets limited as to use derived from borrowings designated for capital assets. Renewals and betterments are capitalized and depreciated over their useful life, whereas costs of maintenance and repairs are expensed as incurred.

The Alliance reviews capital assets for indications of potential impairment when there are changes in circumstances related to a specific asset. If this review indicates that the carrying value of these assets may not be recoverable, the Alliance estimates future cash flows from operations and the eventual disposition of such assets. If the sum of these undiscounted future cash flows is less than the carrying amount of the asset, a write-down to estimated fair value is recorded. The Alliance did not recognize any impairment losses during 2011 and 2010.

Other assets include property held for resale and property held for expansion of $4,230 and $9,135, respectively, at June 30, 2011 and 2010. During 2011, property held for expansion totaling approximately $4,905 was transferred to property, plant and equipment in conjunction with the construction of FWCH. Property held for resale and property held for expansion primarily represent land contributed to, or purchased by, the Alliance plus costs incurred to develop the infrastructure of such land. Management annually evaluates its investment and records non-temporary declines in value when it is determined the ultimate net realizable value is less than the recorded amount. No such declines were identified in 2011 and 2010.

Goodwill: Goodwill represents the difference between the acquisition cost of assets and the estimated fair value of net tangible and any separately identified intangible assets. Prior to July 1, 2010, the Alliance amortized goodwill associated with its not-for-profit subsidiaries under the straight-line method over various estimated useful lives ranging from 10 to 25 years. However, effective July 1, 2010, ASC 958-805, *Not-for-Profit Entities*, requires the not-for-profit entities within the Alliance to cease amortization of goodwill, perform a transitional impairment test and perform annual impairment testing in the future.

As a result of its transitional impairment testing as of July 1, 2010, management determined that approximately $2,965 of goodwill associated with one of its reporting units was impaired, and such impairment has been reflected as the Cumulative Effect of a Change in Accounting Principle in the 2011 Consolidated Statement of Changes in Net Assets. Based upon this transitional testing, management does not believe any remaining goodwill acquired by its not-for-profit entities to be

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

impaired. The reporting unit for evaluation of substantially all such goodwill is the Alliance's aggregate acute-care operations.

For goodwill acquired by its for-profit subsidiaries, the Alliance does not amortize goodwill and annually performs impairment testing. Based upon this annual impairment testing, management has determined that there is no impairment related to goodwill associated with its for-profit subsidiaries.

Deferred Financing, Acquisition Costs and Other Charges: Other assets, including deferred financing, acquisition costs and other charges, total $29,844 and $30,819 at June 30, 2011 and 2010, respectively. Deferred financing costs are amortized over the life of the respective bond issue principally using the average bonds outstanding method. Other intangible assets include licenses and similar assets and are being amortized over the intangible's estimated useful life under the straight-line method.

Prior to 2009, the Alliance routinely financed interest rate swap and other derivative transaction issuance costs through modification of future settlement terms. As such, the unamortized issuance costs of these derivatives are included as deferred financing costs in the accompanying Consolidated Balance Sheets and are being amortized over the term of the respective derivative instrument. The unpaid issuance costs are included as a part of the estimated fair value of derivatives in the accompanying Consolidated Balance Sheets. Beginning in 2009, interest rate swap and derivative transaction issuance costs are expensed as incurred.

Derivative Financial Instruments: As further described in Note D, the Alliance is a party to interest rate swap and other derivative agreements. These financial instruments are not designated as hedges and have been presented at estimated fair market value in the accompanying Consolidated Balance Sheets as either current or long-term liabilities, based upon the remaining term of the instrument. Changes in the estimated fair value of these derivatives are included in the Consolidated Statements of Operations as part of nonoperating gains (losses). Net settlements and other related income of derivatives are also reflected as a part of the Performance Indicator (described below).

These fair values are based on the estimated amount the Alliance would receive, or be required to pay, to enter into equivalent agreements at the valuation date. The fair value of various derivatives are netted on the Consolidated Balance Sheets based on management's evaluation of the settlement provisions in the master contract. Gross positions of these derivatives are disclosed in Note D. Due to the nature of these financial instruments, such estimates of fair value are subject to significant change in the near term.

Estimated Professional Liability Self-Insurance and Other Long-Term Liabilities: Self-insurance liabilities include estimated reserves for reported and unreported professional liability claims (Note G) and are recorded at the estimated net present value of such claims. Other long-term liabilities include contributions payable and obligations under deferred compensation arrangements, a defined

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

benefit pension plan, a post-retirement employee benefit plan as well as other liabilities which management estimates are not payable within one year.

Net Patient Service Revenue/Receivables: Net patient service revenue is reported on the accrual basis in the period in which services are provided at the estimated net realizable amounts, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Alliance's revenue recognition policies related to self-pay and other types of payors emphasize revenue recognition only when collections are reasonably assured.

Patient accounts receivable are reported net of both an estimated allowance for uncollectible accounts and an estimated allowance for contractual adjustments. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, Medicaid, TennCare and other third-party payment programs. Current operations include a provision for bad debts in the Consolidated Statements of Operations estimated based upon the age of the patient accounts receivable, prior experience and any unusual circumstances (such as local, regional or national economic conditions) which affect the collectibility of receivables, including management's assumptions about conditions it expects to exist and courses of action it expects to take.

The Alliance's policy does not require collateral or other security for patient accounts receivable. The Alliance routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

Charity Care: The Alliance accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Alliance and various guidelines outlined by the Federal Government. These policies define charity as those services for which no payment is anticipated and, as such, charges at established rates are not included in net patient service revenue.

In addition to the charity care services described above, the Alliance provides a number of other services to benefit the poor for which little or no payment is received. Medicare, Medicaid, TennCare and State indigent programs do not cover the full cost of providing care to beneficiaries of those programs. The Alliance also provides services to the community at large for which it receives little or no payment.

Excess of Revenue, Gains and Support Over Expenses and Losses: The Consolidated Statements of Operations and the Consolidated Statements of Changes in Net Assets includes the caption *Excess of*

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue, Gains and Support Over Expenses and Losses (the Performance Indicator). Changes in unrestricted net assets which are excluded from the Performance Indicator, consistent with industry practice, include contributions of long-lived assets or amounts restricted to the purchase of long-lived assets, pension and related adjustments, and distributions to, or contributions from, owners and transactions with noncontrolling interests.

Income Taxes: The Alliance is classified as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes has been made in the accompanying consolidated financial statements for the Alliance and its tax-exempt subsidiaries. Taxable entities account for income taxes in accordance with FASB ASC 740, *Income Taxes* (Note L). The Alliance has no significant uncertain tax positions at June 30, 2011 and 2010.

Temporarily and Permanently Restricted Net Assets: Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. When a donor or time restriction expires; that is, when a stipulated time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Consolidated Statements of Operations and Consolidated Statements of Changes in Net Assets as net assets released from restrictions. Permanently restricted net assets have been restricted by donors to be maintained by the Alliance in perpetuity.

Fair Value Measurement: The Alliance had previously adopted FASB ASC 820, *Fair Value Measurements and Disclosures,* which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurements.

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820) - Improving Disclosures about Fair Value Measurements* (ASU 2010-06). ASU 2010-06 requires new disclosures regarding significant transfers in and out of Levels 1 and 2, as well as information about activity in Level 3 fair value measurements, including presenting information about purchases, sales, issuances and settlements on a gross versus a net basis in the Level 3 activity roll forward. In addition, ASU 2010-06 clarifies existing disclosures regarding input and valuation techniques, as well as the level of disaggregation for each class of assets and liabilities. The Alliance adopted ASU 2010-06 in 2011, except for the disclosures related to purchases, sales, issuance and settlements, which will be effective for the Alliance beginning July 1, 2012. The adoption of ASU 2010-06 did not, and is not expected to, have an impact on the Alliance's consolidated financial statements.

Subsequent Events: The Alliance evaluated all events or transactions that occurred after June 30, 2011, through October 26, 2011, the date the consolidated financial statements were available to be

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

issued. During this period management did not note any material recognizable subsequent events that required recognition or disclosure in the June 30, 2011 consolidated financial statements, other than as discussed in Notes D, F and S.

New Accounting Pronouncements: In August 2010, the FASB issued Accounting Standards Update (ASU) 2010-23, *Health Care Entities – Measuring Charity Care for Disclosure.* ASU 2010-23 is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. ASU 2010-23 requires that cost, identified as the direct and indirect costs of providing the charity care, be used as the measurement basis for disclosure purposes. ASU 2010-23 also requires disclosure of the method used to identify or determine such costs. The Hospital will adopt ASU 2010-23 in fiscal year 2012. Management does not expect the adoption of ASU 2010-23 to have a material impact on the consolidated financial statements.

In August 2010, the FASB issued ASU 2010-24, *Health Care Entities – Presentation of Insurance Claims and Related Insurance Recoveries.* The amendments in the ASU clarify that a health care entity may not net insurance recoveries against related claim liabilities. In addition, the amount of the claim liability must be determined without consideration of insurance recoveries. ASU 2010-24 is effective for the Alliance beginning July 1, 2011 and management is currently evaluating the impact of this ASU on the consolidated financial statements.

In July 2011, the FASB issued ASU 2011-07, *Healthcare Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and Allowance for Doubtful Accounts for Certain Healthcare Entities*, which will require certain healthcare entities to reclassify the provision for bad debts associated with providing patient care from an operating expense to a deduction from net patient service revenue in the Consolidated Statements of Operations. Additionally, ASU 2011-07 requires enhanced disclosures about an entity's policies for recognizing revenue and assessing bad debts and qualitative and quantitative information about changes in the allowance for doubtful accounts. The Alliance intends to adopt ASU 2011-07 in fiscal year 2013. Management does not expect the adoption of ASU 2011-07 to have a material impact on the consolidated financial statements.

Reclassifications: Certain 2010 amounts have been reclassified to conform with the 2011 presentation in the accompanying consolidated financial statements.

NOTE C--INVESTMENTS

Assets limited as to use are summarized by designation or restriction as follows at June 30:

NOTE C--INVESTMENTS - Continued

	2011	2010
Designated or restricted:		
Under safekeeping agreements	$ 28,349	$ 52,050
Under guarantee agreements	92,720	89,486
By Board for capital improvements	4	2,776
Under bond indenture agreements:		
For debt service and interest payments	67,874	78,612
For capital acquisitions	28,835	76,241
	217,782	299,165
Less: amount required to meet current obligations	(116,175)	(25,092)
	$ 101,607	$ 274,073

Assets limited as to use consist of the following at June 30:

	2011	2010
Cash, cash equivalents and money market funds	$ 115,579	$ 170,897
U.S. Government securities	1,795	1,795
U.S. Agency securities	7,688	12,319
Guaranteed investment contracts	92,720	114,154
	$ 217,782	$ 299,165

Trading securities consist of the following at June 30:

	2011	2010
Cash, cash equivalents and money market funds	$ 29,159	$ 4,799
U.S. Government securities	9,409	3,137
U.S. Agency securities	31,551	13,760
Corporate and foreign bonds	126,543	11,688
Municipal obligations	451	1,461
Preferred and asset backed securities	8,945	7,023
U.S. equity securities	94,834	139,168
Other	32,718	28,608
	$ 333,610	$ 209,644

NOTE C--INVESTMENTS - Continued

Held-to-Maturity securities are carried at amortized cost and consist of the following at June 30:

	2011	2010
Cash, cash equivalents and money market funds	$ 753	$ 1,131
Corporate and foreign bonds	135,745	103,968
Municipal obligations	9,661	1,315
	$ 146,159	$ 106,414

Held-to-maturity securities had gross unrealized gains and losses of $6,838 and $276, respectively, at June 30, 2011 and $5,525 and $607, respectively at June 30, 2010. At June 30, 2011, the Alliance held nine securities within the held-to-maturity portfolio with a fair value and unrealized loss of $549 and $44, respectively, which had been at an unrealized loss position for over one year. At June 30, 2010, the Alliance held one security within the held-to-maturity portfolio with a fair value and unrealized loss of $591 and $166, respectively, which had been at an unrealized loss position for over one year. At June 30, 2011, the contractual maturities of held-to-maturity securities were $13,816 due in one year or less, $55,563 due from one to five years and $76,780 due after five years. At June 30, 2010, the contractual maturities of held-to-maturity securities were $13,389 due in one year or less, $48,447 due from one to five years and $44,578 due after five years.

At June 30, 2011 and 2010, the Alliance held investments in certain limited partnerships and hedge funds of $32,718 and $28,608, respectively, that have a wide range of investment strategies with various levels of risk. These funds are included within trading securities and do not have readily determinable fair values. The funds are reported at estimated fair market value pursuant to FASB ASC 825, *Financial Instruments*.

The Alliance has investments in several joint ventures and corporations which are accounted for under the equity method of accounting.

As a part of the acquisition of membership interests in JMH, SCCH and NCH, the Alliance has committed to invest $132,000, $48,100, and $45,000, respectively. Cumulative amounts expended at June 30, 2011 under these commitments are approximately $150,184.

NOTE D--DERIVATIVE TRANSACTIONS

The Alliance is a party to a number of derivative transactions. These derivatives have not been designated as hedges and are valued at estimated fair value in the accompanying Consolidated Balance Sheets. Management's primary objective in holding such derivatives is to introduce a variable rate component into its fixed rate debt structure. Under the terms of these agreements, changes in the interest rate environment could have a significant effect on the Alliance.

NOTE D--DERIVATIVE TRANSACTIONS - Continued

These derivative agreements require that the Alliance post additional collateral for the derivatives' fair market value deficits above specified levels. Such investments are included as assets limited as to use. As of June 30, 2011, management believes the Alliance was fully collateralized with respect to the derivative agreements and management does not believe such collateral is exposed to third-party credit risk. Further, certain of the agreements contain requirements regarding maintenance of financial and liquidity ratios. Management has represented the Alliance is in compliance with all such covenants at June 30, 2011.

Interest Rate Swaps: The Alliance is a party to six interest rate swap agreements with Merrill Lynch as the counterparty. The terms of five of these agreements were modified without settlement during 2011 and no gain or loss was realized. However, such modifications did impact the estimated fair value of these interest rate swaps. A liability, representing the estimated net fair value of these swaps, of $8,123 and $33,910 was recognized by the Alliance as of June 30, 2011 and 2010, respectively.

The following is a summary of five of these interest rate swap agreements at June 30, 2011:

			Payments by:		
Swap	*Notional Amount*	*Term*	*Counterparty*	*Alliance*	*Estimated Fair Value*
A	$ 170,000	4/2008-4/2026	1.265% through April 2013; 1.07% through April 2014; then 71.10% of USD-ISDA Swap Rate	0.00% through April 2014, then USD-SIFMA Municipal Swap Index	$ 3,028
B	95,000	4/2008-4/2026	1.265% through April 2013; 1.08% through April 2014; then 71.18% of USD-ISDA Swap Rate	0.00% through April 2014, then USD-SIFMA Municipal Swap Index	1,729
C	173,030	4/2008-4/2034	1.315% through April 2013; 1.12% through April 2014; then 72.35% of USD-ISDA Swap Rate	0.00% through April 2014, then USD-SIFMA Municipal Swap Index	741
D	82,055	12/2007-7/2033	[1] 3.493% through July 2012; then 0% [2] USD-LIBOR-BBA through July 2012, then 67% USD-LIBOR-BBA	[1] 4.41% through July 2012; then .312% [2] USD-SIFMA	(9,363)
E	50,000	2/2008-7/2038	67.00% of USD-LIBOR-BBA plus .145%	USD-SIFMA	(3,918)

Deferred financing and acquisition costs, net of amortization, include $6,480 and $6,823 at June 30, 2011 and 2010, respectively, related to these swaps.

NOTE D--DERIVATIVE TRANSACTIONS - Continued

In addition to the swaps described above, the Alliance and Merrill Lynch are also parties to a total return swap in the notional amount of $23,100 which has an estimated fair value of $(340) and $(252) at June 30, 2011 and 2010, respectively . The agreement consists of the following:

- An agreement that requires the Alliance to pay a variable rate of USD-SIFMA Municipal Swap Index through July 1, 2012 (or termination of the swap) on a notional amount equal to the outstanding 2001A Hospital Revenue and Improvement Bonds (the 2001A Reference Bonds). The Alliance receives a fixed rate of 6.25% of the outstanding 2001A Reference Bonds.

- A "total return provision" under which the Alliance will pay (or receive) an amount equal to the product of the outstanding 2001A Reference Bonds multiplied by the difference between the outstanding 2001A Reference Bonds and the 2001A Reference Bonds' market price at termination, as defined in the agreement. In the event the swap does not terminate prior to July 1, 2012, there would be no settlement of this component as there would be no outstanding 2001A Reference Bonds.

The Alliance is also party to a total return swap with Lehman Brothers as the counterparty. Lehman Brothers filed for bankruptcy in September 2008. The Alliance subsequently received notification from Lehman Brothers Special Financing, Inc. indicating the intent of the counterparty to terminate this agreement effective January 1, 2009. The Alliance and Lehman Brothers Special Financing, Inc. have been unable to reach a settlement agreement. In September 2010, the Alliance was issued a subpoena to furnish certain documentation related to the transaction. A protocol has been put into place by the bankruptcy court whereby the parties are to undergo alternate dispute resolution, including non-binding arbitration, which management anticipates will occur in 2012.

The fair value of these swaps is undeterminable at January 1, 2009, as prior to the termination date Lehman Brothers liquidated the underlying referenced securities, making a valuation not commercially viable. An estimated liability of $10,565 and $10,740 was recognized by the Alliance as of June 30, 2011 and 2010, respectively. Management believes that the liability as recorded at June 30, 2011 is sufficient to cover any exposure arising from litigation in this matter. However, it is reasonably possible management's estimate may change in the near term, although the amount of any change cannot be estimated. Due to the termination of this agreement, the estimated liability is included as a current liability in the accompanying Consolidated Balance Sheets.

A third party holds collateral with a fair market value of approximately $13,381 and $13,570, respectively, at June 30, 2011 and 2010, with respect to these Lehman derivative agreements. Such collateral is included as current assets limited as to use.

NOTE D--DERIVATIVE TRANSACTIONS - Continued

The arrangement consists of nine agreements each with three separate components (described below) with notional values of $23,600, $8,000, and $8,750 each. The swaps generally consist of the following:

- An arrangement that calls for the Alliance to pay a variable rate (SIFMA Municipal Swap Index) plus certain fixed payment amounts and receive a payment equal to the interest paid by the Alliance on a portion of its early extinguished, but still outstanding, 2000A and 2000B Hospital Mortgage Revenue Refunding Bonds (the Reference Bonds) (whose fixed rates range from 7.50% to 7.75%).

- An arrangement that requires the Alliance to pay a fixed rate of 4.211% through either July 1, 2025, 2029 or 2033 (or termination of the swap) on the outstanding Reference Bonds and receive a variable rate of 67% of USD-LIBOR-BBA on the outstanding Reference Bonds; and

- A "total return provision" under which the Alliance will pay (or receive) the difference between the outstanding Reference Bonds, multiplied by 132%, less the fair value of the Reference Bonds on the date of termination and any fixed interest payments made under the arrangements described above. In the event the swaps do not terminate prior to their stated termination dates (2025, 2029 or 2033), there would be no settlement of this component as there would be no outstanding Reference Bonds.

The swap also contains an agreement that consists of two separate components:

- An arrangement that requires the Alliance to pay a fixed rate of 2.98% through July 1, 2016 (or termination of the swap) on the outstanding, but previously defeased, 1991 Hospital Revenue and Improvement Bonds (the 1991 Reference Bonds) and receive a variable rate of 67% of USD-LIBOR-BBA on the outstanding 1991 Reference Bonds; and

- A "fixed payor provision" under which the Alliance will pay (or receive) the difference between the outstanding 1991 Reference Bonds multiplied by 100% and any fixed interest payments made as required under the agreement minus the outstanding 1991 Reference Bonds multiplied by the average market price at termination. In the event the swaps do not terminate prior to their stated termination date (2016), there would be no settlement of this component as there would be no outstanding 1991 Reference Bonds.

Interest Rate Swap Option: In June 2004, the Alliance entered into an agreement with Bear Stearns (acquired by JP Morgan) whereby Bear Stearns has purchased from the Alliance an option to enter

NOTE D--DERIVATIVE TRANSACTIONS - Continued

into an interest rate swap agreement (swaption) with the Alliance on July 1, 2011, which is an optional redemption date related to the Alliance's early extinguished 2000A and 2000B Bonds (Note F). The purpose of this agreement was to effectively sell the call features related to the early extinguished Series 2000A and 2000B Bonds. As consideration under this agreement, the Alliance received a total of $42,500 in upfront payments as the swaption premium. Such amounts were initially recorded as estimated fair value of derivatives in the Consolidated Balance Sheets. Beginning 30 calendar days prior to July 1, 2011 and terminating 30 calendar days prior to July 1, 2015, the counterparty has the periodic right to exercise the swaption.

The underlying interest rate swap transactions to which the swaption transaction relates have the following terms:

	Notional		*Payments by:*	
Swap	*Amount*	*Term*	*Counterparty*	*Alliance*
2000A	Ranging from $148,170 through July 1, 2018 to $23,000 through July 2033	30 days following the exercise date through July 2033	64% of USD-LIBOR-BBA	Fixed amounts ranging from 7.13% upon execution to 7.50% through July 2033, based on notional amount
2000B	Ranging from $76,240 through July 1, 2021 to $8,800 through July 2033	30 days following the exercise date through July 2033	64% of USD-LIBOR-BBA	Fixed amounts ranging from 7.54% upon execution to 8.00% through July 2033, based on notional amount

The Alliance retained the right to terminate the swaption at any time prior to May 17, 2011 at its fair market value. A liability of $92,044 and $89,650, representing the estimated fair value of the swaption at June 30, 2011 and 2010, respectively, is included in estimated fair value of derivatives in the accompanying Consolidated Balance Sheets. As a derivative financial instrument, this swaption is extremely sensitive to changes in long-term interest rates and other elements in the financial marketplace. As such, estimates of fair value are subject to significant changes in the near term.

Deferred financing and acquisition costs include $0 and $434 at June 30, 2011 and 2010, respectively, related to the costs of this transaction. The change in estimated fair value of derivatives in the accompanying Statements of Operations for 2011 and 2010 includes an unrealized loss of $2,394 and $11,628, respectively, related to this derivative.

The interest rate swap option, described above, was terminated on October 13, 2011. To effectuate this termination, the Alliance transferred a portion of a Guaranteed Investment Contract (GIC), described below, to the third party as a termination payment. A gain of approximately $3,000 was recognized on this termination.

NOTE D--DERIVATIVE TRANSACTIONS - Continued

Forward Sale Agreements: In June 2004, the Alliance entered into two related forward sale agreements with the counterparty to the swaption agreements and the Master Trustee of the Series 2000 Bonds. The forward sale agreements originally related to the Debt Service Reserve Fund and to the Debt Service Fund, respectively, (collectively, the "Funds"), as established under provisions of the Master Trust Indenture related to the issuance of the Series 2000 Bonds. In consideration of the future earnings on the Funds, the counterparty paid the Master Trustee a total of $30,000 during 2005, to be held on behalf of the Alliance. In June 2006, one of these agreements was amended to also relate to the Series 2000C, 2000D, 2006A and 2006B Bonds, and to remove the Series 2000A Bonds from consideration under the agreement. As the original intent of these Funds was to secure debt service payments under the above referenced Bonds, the agreement requires these funds to be held under a guaranty agreement as further described below.

In connection with the issuance of the Series 2007 Bonds and the derecognition of a portion of the Series 2000A Bonds, all of the outstanding Series 2000B Bonds, and all of the outstanding 2006B Bonds (Note F), one of these agreements as it relates to the Series 2000A and 2000B Bonds was partially terminated. As such, during 2008 the Alliance reduced its liability with respect to the portion related to the Series 2000A and 2000B Bonds, and paid the counterparty $6,186 under the terms of the agreement. The agreement was amended in fiscal year 2011 to include the Series 2010A Bonds and to remove the Series 2000B and 2006B Bonds.

A liability of $19,001 and $19,864 representing the unamortized payments from the counterparty is included as part of deferred revenue in the accompanying Consolidated Balance Sheets as of June 30, 2011 and 2010, respectively. Amounts are being recognized as investment income over the life of the agreements.

Pursuant to these agreements, the counterparty required that the Alliance's obligations under the swaption and forward sale agreements be collateralized under a guarantee agreement in favor of the counterparty. Due to various requirements of the Master Trust Indenture, the Alliance transferred to MSF a total of $42,500 that was in turn deposited with the counterparty as collateral in a GIC. Amounts received under the forward sale agreements were also deposited into the GIC. All GIC deposits earn interest compounded at 4.14% for the first year, and at 3.5% thereafter through July 1, 2011. The GIC deposits as of June 30, 2011 and 2010 totaled $92,720 and $89,486, respectively. The GIC was substantially utilized on October 13, 2011 to terminate the interest rate swap option agreement discussed above and, as such, is included in the current portion of assets whose use is limited in the Consolidated Balance Sheet at June 30, 2011.

NOTE E--PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30:

NOTE E--PROPERTY, PLANT AND EQUIPMENT - Continued

	2011	2010
Land	$ 63,749	$ 58,037
Buildings and leasehold improvements	454,852	407,104
Property and improvements held for leasing	80,568	84,421
Equipment	532,767	479,523
Buildings and equipment held under capital lease	42,720	22,679
	1,174,656	1,051,764
Less: Allowances for depreciation and amortization	(586,471)	(569,913)
	588,185	481,851
Construction in progress (Note N)	209,233	213,747
	$ 797,418	$ 695,598

Accumulated depreciation and amortization on property and improvements held for leasing purposes is $23,348 and $21,543 at June 30, 2011 and 2010, respectively. Net interest capitalized was $10,640 and $11,117 for the years ended June 30, 2011 and 2010, respectively.

The Alliance is constructing replacement facilities for SCCH and JMH and is also performing various renovations on existing hospital facilities. During 2011 and 2010, management of the Alliance assessed the planned current and future use of the existing NSH, SCCH and JMH facilities as well as certain other facilities, and adjusted their estimated useful lives accordingly.

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

Long-term debt and capital lease obligations consist of the following at June 30:

Description	Maturities	Rates	Outstanding Balance 2011	Outstanding Balance 2010
2010A Hospital Revenue Bonds, net of unamortized premium of $1,056 and $1,096 at June 30, 2011 and 2010, respectively	$38,660 uninsured serially, through 2020	3.00% to 5.00%	$ 169,137	$ 169,176
	$14,985 uninsured term bonds, due July 1, 2025	5.38%		
	$19,385 uninsured term bonds, due July 1, 2030	5.63%		
	$39,570 uninsured term bonds, due July 1, 2038	6.50%		
	$55,480 uninsured term bonds, due July 1, 2038	6.00%		
2010B Hospital Revenue Bonds, net of unamortized premium of $711 and $753 at June 30, 2011 and 2010, respectively	$27,330 uninsured serially, through 2020	2.50% to 5.00%	36,646	36,688
	$4,355 uninsured term bonds, due July 1, 2023	5.00%		
	$4,250 uninsured term bonds, due July 1, 2028	5.50%		
2009A Hospital Revenue Bonds, net of unamortized discount of $121 and $126 at June 30, 2011 and 2010, respectively	$725 uninsured term bonds, due July 1, 2019	7.25%	5,439	5,434
	$1,730 uninsured term bonds, due July 1, 2029	7.50%		
	$3,105 uninsured term bonds, due July 1, 2038	7.75%		

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

Description	*Maturities*	*Rates*	*Outstanding Balance* 2011	2010
2009B Hospital Revenue Bonds	$5,535 uninsured term bonds, due July 1, 2038	8.00%	5,535	5,535
2009C Hospital Revenue Bonds, net of unamortized discount of $2,421 and $2,508 at June 30, 2011 and 2010, respectively	$21,100 uninsured term bonds, due July 1, 2019 $20,000 uninsured term bonds, due July 1, 2029 $74,855 uninsured term bonds, due July 1, 2038	7.25% 7.50% 7.75%	113,534	113,447
2008A Hospital Revenue Bonds	$13,245 uninsured term bonds, due July 1, 2038, subject to early redemption or tender	Variable, 0.07% at June 30, 2011	13,245	13,245
2008B Hospital Revenue Bonds	$53,855 uninsured term bonds, due July 1, 2038, subject to early redemption or tender	Variable, 0.07% at June 30, 2011	53,855	54,050
2007A Hospital Revenue Bonds	Uninsured term bonds, due July 1, 2038, redeemed in 2011	NA	-	4,305
2007B Taxable Hospital Revenue Bonds, bifurcated into sub-series B-1, B-2 and B-3 during 2011	$307,900 uninsured term bonds, due July 1, 2033, subject to early redemption or tender	Variable, 0.11% to 0.16% at June 30, 2011	307,900	314,190
2007C Hospital Revenue Bonds	Uninsured term bonds, due July 1, 2032, redeemed in 2011	NA	-	1,900
2006A Hospital First Mortgage Revenue Bonds, net of unamortized premium of $147 and $153 at June 30, 2011 and 2010, respectively	$6,580 uninsured serially, through 2019 $7,375 uninsured term bonds, due July 1, 2026 $20,505 uninsured term bonds, due July 1, 2031 $135,175 uninsured term bonds, due July 1, 2036	5.00% 5.25% 5.50% 5.50%	169,782	170,473
2001A Hospital First Mortgage Revenue Bonds	$23,100 term bonds, due July 1, 2026, subject to early redemption or tender	6.85%	23,100	23,900
2001 Hospital Refunding and Improvement Revenue Bonds (NCH), net of unamortized discount of $34 and $38 at June 30, 2011 and 2010, respectively	$1,465 insured term bonds, due December 1, 2012 $1,635 insured term bonds, due December 1, 2014 $8,815 insured term bonds, due December 1, 2022	5.75% 6.00% 6.00%	11,876	12,547
2000A Hospital First Mortgage Revenue Refunding Bonds	$30,358 insured Capital Appreciation Bonds, interest and principal due July 1, 2026 through 2030	6.63%	30,358	28,417
2000C Hospital First Mortgage Revenue Bonds	$34,325 insured term bonds, due July 1, 2026	8.50%	34,325	35,335
2000D First Mortgage Taxable Bonds	$14,790 insured term bonds, due July 1, 2026	8.50%	14,790	15,225
1998 Hospital Refunding and Improvement Revenue Bonds (JMH)	$6,495 uninsured term bonds, due July 1, 2016 $7,620 uninsured term bonds, due July 1, 2028	5.25% 5.38%	14,115	15,240
Capitalized lease obligations secured by buildings and equipment	Maturing through 2027	3.18% to 13.01%	16,153	16,715
$7,500 promissory note secured by assets of Mediserve Medical Equipment of Kingsport, Inc.	Monthly principal and interest payments of $56 beginning February 2007 maturing December 2011; remaining principal due January 2012	LIBOR + 1.10%	5,473	6,064
Capitalized lease obligations secured by equipment	Various monthly payments of monthly principal and interest	Various	587	1,325
Master installment payment agreement	Paid-off in 2011	Unspecified	-	2,194
$1,409 unsecured promissory note	Monthly principal and interest payments of $23 beginning July 2008 through September 2013; remaining principal and accrued interest due October 2014; note was paid-off in 2011	LIBOR + 1.25%	-	920
$10,221 note payable secured by property	Various annual principal and interest payments through April 2013; note was paid-off in 2011	6.25%	-	7,836
$1,065 note payable secured by land	Monthly interest-only payments through October 2011; remaining principal and accrued interest due November 2011	5.50%	572	1,065
$6,332 promissory note secured by substantially all assets of the Alliance	Monthly principal payments of $35 plus accrued interest beginning July 2010 maturing June 2015; remaining principal due July 2015	LIBOR + 2.00%	5,945	6,332
$3,955 note payable secured by property	Monthly principal and interest payments of $27 beginning July 2010 maturing May 2015; remaining principal due June 2015	3.00%	3,743	3,955

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

Description	*Maturities*	*Rates*	*Outstanding Balance* 2011	2010
Note payable under Master Financing Agreement, secured by Equipment	Monthly principal and interest payments of $166 beginning July 2010 maturing June 2017	4.62%	10,431	11,900
Note payable under Master Financing Agreement, secured by Equipment	Monthly principal and interest payments of $56 beginning July 2010 maturing June 2017	3.75%	3,580	4,100
$4,926 convertible construction loan secured by property and assigned rents	Monthly interest-only payments through January 2011 followed by monthly principal and interest payments of $25 maturing December 2014; remaining principal and accrued interest due January 2015; note was paid-off in 2011	Prime (stated minimum and maximum interest rates of 3.75% and 6.75%, respectively)	-	1,195
$1,885 line of credit secured by property	Monthly interest-only payments through March 2011 followed by monthly principal and interest payments of $9 maturing February 2015; remaining principal and accrued interest due March 2015	Prime - 0.50% (stated minimum and maximum interest rates of 3.50% and 6.25%, respectively)	1,873	265
$1,593 note payable, secured by equipment	Various annual principal payments through July 2014	Unspecified	1,593	-
Capitalized lease obligation secured by medical office building (JMH)	Maturing through 2026	9.72%	15,498	-
			1,069,085	1,082,973
	Less current portion		(28,162)	(28,131)
			$ 1,040,923	$ 1,054,842

In September 2010, in order to reduce credit risk and expenses, the Alliance replaced the existing letters of credit related to the Series 2007B, Series 2008A and Series 2008B Bonds with letters of credit held by several different financial institutions. The substitute letters of credit entitle the Master Trustee to draw amounts equal to the principal amounts of the respective series of Bonds outstanding and up to 37 days interest at a rate of 12%. The substitute letters of credit expire on September 29, 2013 unless renewed or replaced.

Series 2010 Bonds: In April 2010, the Alliance issued $168,080 (Series 2010A) and $35,935 Series 2010B fixed rate Hospital Refunding Revenue Bonds (collectively, the Series 2010 Bonds). Proceeds of the Series 2010A and the Series 2010B Bonds were used to refinance outstanding indebtedness, specifically related to the Alliance's facilities in Tennessee and in Virginia, respectively, fund debt service reserve funds and pay costs of issuance. The Alliance recognized a $3,029 loss on early extinguishment of debt representing the write off of previously deferred and unamortized financing costs related to the refinanced Series 2008A and the Series 2007A and 2007C debt issues discussed below.

Series 2009 Bonds

In March 2009, the Alliance issued $5,560 (Series 2009A), $5,535 (Series 2009B) and $115,955 (Series 2009C) fixed rate Hospital Revenue Bonds (collectively, the Series 2009 Bonds). The proceeds of Series 2009 Bonds were used to refinance a portion of the outstanding Series 2006C Taxable Notes, which were originally issued to finance a capital commitment to SCCH and purchase certain leased assets, finance the acquisition of a majority ownership in JMH, fund a debt service

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

reserve fund and pay costs of issuance. The portion of the 2006C taxable notes which were not refinanced with the Series 2009 Bonds were repaid with cash on hand.

In connection with its acquisition of a majority ownership in JMH, the Alliance assumed the then outstanding long-term debt of JMH, totaling $33,906, including the JMH Series 1998 Hospital Refunding and Improvement Revenue Bonds as further described in the table above.

Series 2008 Bonds

In February 2008, the Alliance issued $72,770 (Series 2008A) and $54,230 (Series 2008B) variable rate Hospital Revenue Bonds (collectively, the Series 2008 Bonds). The proceeds of Series 2008 Bonds were primarily used to finance certain future capital projects for the Alliance's hospital facilities and for the repayment of previously issued 2008 Taxable Notes used for the acquisition of RCMC. As discussed above, the payment of principal and interest on the Series 2008 Bonds and the purchase price of any tendered bonds on each series are secured by a separate, irrevocable, transferable, direct-pay letter of credit. A portion ($59,525) of the Series 2008A Bonds were repaid from proceeds of the Series 2010 Bonds.

The variable rate of interest on the Series 2008 Bonds is determined weekly by the Remarketing Agent (Merrill Lynch), as the rate equal to the lowest rate which, in regard to general financial conditions and other special conditions bearing on the rate, would produce as nearly as possible a par bid for the Series 2008 Bonds in the secondary market. In no event shall the variable rate on the Series 2008 Bonds during any period where interest is calculated weekly exceed the lesser of 12% annually or the maximum contract rate of interest permitted by the State of Tennessee for the Series 2008A Bonds or the Commonwealth of Virginia for the Series 2008B Bonds. The Alliance has the option, upon written approval of the holder of the letters of credit, the Remarketing Agent and others, to convert to a medium-term rate period or to a fixed rate.

The Series 2008 Bonds are subject to optional and mandatory tender for purchase prior to maturity at the option of the holder, upon conversion to a fixed rate, upon conversion to a medium-term rate period, prior to the effective date of any substitute letter of credit, or upon the termination of the letters of credit. The optional and mandatory tender provisions generally call for the Master Trustee to purchase the outstanding Series 2008 Bonds at a purchase price equal to the principal amount thereof plus accrued interest upon a stated date as described in the tender notice delivered to the bond holders.

Series 2007 Bonds

In December 2007, the Alliance issued $104,355 (Series 2007A), $327,170 (Series 2007B taxable) and $36,575 (Series 2007C) variable rate Hospital Revenue Bonds (collectively, the Series 2007 Bonds). The proceeds of Series 2007 Bonds were primarily used to early extinguish a portion of the

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

outstanding Series 2000A Bonds, all of the outstanding 2000B Bonds, all of the outstanding Series 1994 Bonds, and all of the outstanding Series 2006B Bonds; to finance the acquisition of a majority ownership in NCH, and to finance certain capital improvements and equipment acquisitions for the Alliance's hospital facilities. A portion of the outstanding Series 2007A ($91,685) and Series 2007C ($32,840) Bonds were repaid from proceeds of the Series 2010 Bonds. The remaining outstanding Series 2007A and Series 2007C Bonds were redeemed in 2011.

In 2011 during the letter of credit restructuring, the existing 2007B Bonds were repaid through a remarketing of Sub-Series 2007B-1, 2007B-2 and 2007B-3 (collectively, the Sub-Series 2007B Bonds), created per the mandatory tender and letter of credit substitution provisions. As discussed above, the payment of principal and interest on the Sub-Series 2007B Bonds and the purchase price of any tendered bonds on each series are secured by a separate, irrevocable, transferable, direct-pay letter of credit.

The variable rate of interest on the Series 2007 Bonds is determined weekly in the same manner as described above for the Series 2008 Bonds. In no event shall the variable rate on the bonds during any period where interest is calculated weekly exceed the lesser of 12% annually or the maximum contract rate of interest permitted by the State of Tennessee. The Alliance has the option, upon written approval of the holder of the letters of credit, the Remarketing Agent and others, to convert to a medium-term rate period or to a fixed rate. Upon such conversion, the bonds become subject to mandatory tender for purchase.

The Sub-Series 2007 Bonds are subject to optional and mandatory tender in the same manner as described above for the Series 2008 Bonds. In addition, the Sub-Series 2007B Bonds are subject to a special mandatory tender with respect to its conversion from taxable debt to tax-exempt debt. As discussed in Note S, certain of the Sub-Series 2007B Bonds were redeemed subsequent to year end.

Series 2006 Bonds

During 2006, the Alliance issued $173,030 Hospital First Mortgage Revenue Bonds (Series 2006A) and $66,500 Hospital First Mortgage Variable Rate Revenue Bonds (Series 2006B). The proceeds from the sale of the Series 2006A Bonds were used to finance certain future and prior capital projects for the Alliance's hospital facilities and to refund certain existing indebtedness, specifically the Series 2001B Bonds (discussed below) and certain existing short and intermediate term loans and leases, as well as fund a debt service reserve fund. The Series 2006B Bond proceeds were substantially used to refund the remaining outstanding principal of the Series 2001B Bonds and establish a debt service reserve fund.

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

Series 2001 Bonds

During 2001, the Alliance issued $26,000 Hospital First Mortgage Revenue Bonds (Series 2001A) and $60,175 Hospital First Mortgage Revenue Bonds (Series 2001B). The Series 2001A Bonds were subject to optional tender by Bond holders. Effective July 1, 2007, the Alliance entered into an agreement whereby the beneficial owners of the Series 2001A Bonds have irrevocably waived their rights to tender the Bonds under the provisions of the respective Bond Indenture. The waiver will continue in effect through the maturity of the 2001A Bonds. The Series 2001B Bonds were refunded and redeemed in 2006.

Series 2000 Bonds

The Hospital First Mortgage Revenue Refunding (Series 2000A Bonds) and First Mortgage Revenue Refunding Bonds (Series 2000B Bonds), were used to advance refund previously existing indebtedness as well as fund a required debt service reserve fund. The Hospital First Mortgage Revenue Bonds (Series 2000C Taxable Bonds) were intended to refinance certain mortgage indebtedness of BRMM, and to refund other previously existing indebtedness. The proceeds from the sale of the First Mortgage Bonds (Series 2000D Taxable Bonds) were used primarily to fund working capital for the Alliance.

The Series 2000A Bonds included at issue date $14,680 of insured Capital Appreciation Bonds. Such bonds bear a 0% coupon rate and have a yield of 6.625% annually. The Alliance recognizes interest expense and increases the amount of outstanding debt each year based upon this yield. Total principal and interest due at maturity (2026 through 2030) is $93,675.

The advance refunding of previously issued debt requires funds to be placed in irrevocable trusts in order to satisfy remaining scheduled principal and interest payments. Management, upon advice of legal counsel, believes the amounts deposited in such irrevocable trust accounts have contractually relieved the Alliance of any future obligations with respect to this debt, and the debt and escrowed securities are not considered liabilities or assets of the Alliance. Therefore, such debt has been derecognized.

Debt outstanding and not recognized in the Consolidated Balance Sheet at June 30, 2011 due to previous advance refundings of the Series 2000A Bonds, Series 2000B Bonds, Series 1998C Bonds, and Series 1991 Bonds, totaled approximately $525,025.

The assets placed in the irrevocable trust accounts are also not recognized as assets of the Alliance. These assets consist primarily of various investments, as permitted by bond indentures and other

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

documents, including United States Treasury obligations, an investment contract with MBIA Insurance Corporation (MBIA) in the original amount of $54,300, as well as the Series 2000C and 2000D Bonds which were purchased with the proceeds of the 2000A and 2000B Bonds specifically for the purpose of utilizing the Series 2000C and 2000D Bonds in the irrevocable trust. Therefore, certain of the assets held in the irrevocable trust accounts have future income streams contingent upon payments by the Alliance.

Essentially all of the Alliance's bonds are subject to redemption prior to maturity, including optional, mandatory sinking fund and extraordinary redemption, at various dates and prices as described in the respective Bond indentures and other documents.

Other Bonds, Notes Payable and Financing Arrangements

The Alliance has granted a deed of trust on JCMC and SSH to secure the payment of the outstanding bonds. The bonds are also secured by the Alliance's receivables, inventories and other assets as well as certain funds held under the documents pursuant to which the bonds were issued. The NCH Series 2001 Hospital Refunding and Improvement Revenue Bonds are secured by revenues and a lien on certain real and personal property of NCH. The JMH Series 1998 Hospital Refunding and Improvement Revenue Bonds are secured by pledged gross receipts of JMH, as defined in the Master Trust indenture.

The scheduled maturities and mandatory sinking fund payments of the long-term debt and capital lease obligations (excluding interest), exclusive of net unamortized original issue discount and premium, at June 30, 2011 are as follows:

Year Ending June 30,		
2012	$	28,162
2013		32,230
2014		28,706
2015		34,504
2016		33,585
Thereafter		912,560
		1,069,747
Net discount		(662)
	$	1,069,085

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

The Alliance, NCH and JMH are each members of separate Obligated Groups. The bond indentures, master trust indentures, letter of credit agreements and loan agreements related to the various bond issues and notes payable contain covenants with which the respective Obligated Groups must comply. These requirements include maintenance of certain financial and liquidity ratios, deposits to trustee funds, permitted indebtedness, use of facilities and disposals of property. These covenants also require that failure to meet certain debt service coverage tests will require the deposit of all daily cash receipts of the Alliance into a trust fund. Management has represented the Alliance, NCH and JMH are in compliance with all such covenants at June 30, 2011.

In connection with the tax-exempt bonds, the Alliance is required every five years, and at maturity, to remit to the Internal Revenue Service amounts which are due related to positive arbitrage on the borrowed funds. The Alliance performs such computations when required and recognizes any liability at that time. Management does not believe there are any significant arbitrage liabilities at June 30, 2011 or 2010.

NOTE G--SELF-INSURANCE PROGRAMS

The Alliance is substantially self-insured for professional and general liability claims and related expenses. The Alliance maintains a $25,000 umbrella liability policy that attaches over the self-insurance limits of $10,000 per claim and a $15,000 annual aggregate retention. The Alliance's insurance program also provides professional liability coverage for certain affiliates and joint ventures.

The Alliance is also substantially self-insured for workers' compensation claims in the State of Tennessee and has established estimated liabilities for both reported and unreported claims. The Alliance maintains a stop-loss policy that attaches over the self-insurance limits of $1,000 per occurrence and $1,000 annual aggregate retention. In the State of Virginia, the Alliance is not self-insured and maintains workers' compensation insurance through commercial carriers.

At June 30, 2011, the Alliance is involved in litigation relating to medical malpractice and workers' compensation and other claims arising in the ordinary course of business. There are also known incidents occurring through June 30, 2011 that may result in the assertion of additional claims, and other unreported claims may be asserted arising from services provided in the past. Alliance management has estimated and accrued for the cost of these unreported claims based on historical data and actuarial projections. The estimated net present value of malpractice and workers' compensation claims, both reported and unreported, as of June 30, 2011 and 2010 was $13,531 and $12,601, respectively. The discount rate utilized was 5% at June 30, 2011 and 2010.

NOTE G--SELF-INSURANCE PROGRAMS - Continued

Additionally, the Alliance is self-insured for employee health claims and recognizes expense each year based upon actual claims paid and an estimate of claims incurred but not yet paid, including a catastrophic claims reserve based on historical claims in excess of $75.

NOTE H--NET PATIENT SERVICE REVENUE

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the accompanying Consolidated Statements of Operations is as follows for the years ended June 30:

	2011	*2010*
Inpatient service charges	$ 1,983,340	$ 1,848,590
Outpatient service charges	1,807,247	1,669,705
Gross patient service charges	3,790,587	3,518,295
Less:		
Estimated contractual adjustments and other discounts	2,647,514	2,417,082
Estimated uncollectible self-pay	110,387	111,565
Charity care	72,432	61,378
	2,830,333	2,590,025
Net patient service revenue	$ 960,254	$ 928,270

NOTE I--THIRD-PARTY REIMBURSEMENT

The Alliance renders services to patients under contractual arrangements with Medicare, Medicaid, TennCare, Blue Cross and various other commercial payors. The Medicare program pays for inpatient services on a prospective basis. Payments are based upon diagnosis related group assignments, which are determined by the patient's clinical diagnosis and medical procedures utilized. The Alliance also receives additional payments from Medicare based on the provision of services to a disproportionate share of Medicaid and other low income patients. Most Medicare outpatient services are reimbursed on a prospectively determined payment methodology. The Medicare program also reimburses certain other services on the basis of reasonable cost, subject to various prescribed limitations and reductions.

Reimbursement under the State of Tennessee's Medicaid waiver program (TennCare) for inpatient and outpatient services is administered by various managed care organizations (MCOs) and is based on diagnosis related group assignments, a negotiated per diem or fee schedule basis. The Alliance

NOTE I--THIRD-PARTY REIMBURSEMENT - Continued

also receives additional supplemental payments from the State of Tennessee. The amount recognized totaled $11,480 and $7,811 for the years ended June 30, 2011 and 2010, respectively. Such payments are not guaranteed in future periods.

The Virginia Medicaid program reimbursement for inpatient hospital services is based on a prospective payment system using both a per case and per diem methodology. Additional payments are made for the allowable costs of capital. Payments for outpatient services are based on Medicare cost reimbursement principles and settled through the filing of an annual Medicaid cost report.

Amounts earned under the contractual agreements with the Medicare and Medicaid programs are subject to review and final determination by fiscal intermediaries and other appropriate governmental authorities or their agents. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Activity with respect to audits and reviews of the governmental programs in the healthcare industry has increased and is expected to increase in the future. No additional specific reserves or allowances have been established with regard to these increased audits and reviews as management is not able to estimate such amounts. Management believes that any adjustments from these increased audits and reviews will not have a material adverse impact on the consolidated financial statements. However, due to uncertainties in the estimation, it is at least reasonably possible that management's estimate will change in 2012, although the amount of any change cannot be estimated. The impact of final settlements of cost reports or changes in estimates decreased net patient service revenue by $4,570 in 2011. The impact of final settlements of cost reports or changes in estimates were not significant in 2010.

Participation in the Medicare program subjects the Alliance to significant rules and regulations; failure to adhere to such could result in fines, penalties or expulsion from the program. Management believes that adequate provision has been made for any adjustments, fines or penalties which may result from final settlements or violations of other rules or regulations. Management has represented that the Alliance is in substantial compliance with these rules and regulations as of June 30, 2011.

The Alliance has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations and employer groups. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

NOTE J--EMPLOYEE BENEFIT PLANS

The Alliance sponsors a retirement plan (the Plan) which covers substantially all employees. The Plan is a defined contribution plan which consists mainly of employer-funded contributions. During

NOTE J--EMPLOYEE BENEFIT PLANS - Continued

2011 and 2010, the Alliance made contributions to the Plan under a stratified system, whereby the Alliance's contribution percentage is based on each employee's years of service. In addition, the Alliance sponsors a 403(b) plan which is funded solely by employees' contributions. The Alliance does not make any discretionary or matching contributions into the 403(b) plan. Employees of certain other subsidiaries are covered by other plans, although such plans are not significant. The total expense related to defined contribution plans for the years ended June 30, 2011 and 2010 was $12,682 and $13,311, respectively.

NCH maintains a defined benefit pension plan and a post-retirement employee benefit plan. The accrued unfunded pension liability was $1,313 and $1,942, and the accrued unfunded post-retirement liability was $3,761 and $3,843 at June 30, 2011 and 2010, respectively.

The Alliance sponsors a secured executive benefit program (SEBP) for certain key executives. Contributions to the plan by the Alliance are based on an annual amount of funding necessary to produce a target benefit for the participants at their retirement date, although the Alliance does not guarantee any level of benefit will be achieved. The Alliance contributed $929 and $1,303 to the plan during 2011 and 2010, respectively. Other assets at June 30, 2011 and 2010 include $7,888 and $7,077, respectively, related to the Alliance's portion of the benefits which are recoverable upon the death of the participant. In addition, the Alliance sponsors a Section 457(f) plan for certain key executives. The benefits for substantially all employees previously participating in the SEBP plan have been transferred into the 457(f) plan.

NOTE K--CONCENTRATIONS OF RISK

The Alliance has locations primarily in upper East Tennessee and Southwest Virginia which is considered a geographic concentration. The Alliance grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. Net patient service revenue from Washington County, Tennessee operations were approximately 54% of total net patient service revenue for each of the years 2011 and 2010.

The mix of receivables from patients and third-party payors based on charges at established rates is as follows as of June 30:

NOTE K--CONCENTRATIONS OF RISK - Continued

	2011	*2010*
Medicare	40%	42%
Tenncare/Medicaid	12%	15%
Commercial	27%	25%
Other third-party payors	9%	10%
Patients	12%	8%
	100%	100%

Approximately 98% of the consolidated total revenue, gains and support were related to the provision of healthcare services during 2011 and 2010. Admitting physicians are primarily practitioners in the regional area.

Two of the Alliance's Virginia hospitals' employees are covered under collective bargaining agreements which extend through February 2, 2014.

The Alliance routinely invests in investment vehicles as listed in Note C. The Alliance's investment portfolio is managed by outside investment management companies. Investments in corporate and foreign bonds and notes, municipal obligations, money market funds, equities and other vehicles that are held by safekeeping agents are not insured or guaranteed by the U.S. government. At June 30, 2011, the Alliance also had deposits in financial institutions significantly in excess of the Federal Deposit Insurance Corporation's limits.

NOTE L--INCOME TAXES

BRMM and its subsidiaries file a consolidated federal tax return and separate state tax returns. As of June 30, 2011 and 2010, BRMM and its subsidiaries had net operating loss carryforwards for consolidated federal purposes of $34,822 and $32,447, respectively, related to operating losses which expire through 2030. At June 30, 2011 and 2010, BRMM had state net operating loss carryforwards of $65,979 and $59,860, respectively, which expire through 2025. The net operating loss carryforwards may be offset against future taxable income to the extent permitted by the Internal Revenue Code and Tennessee Code Annotated.

At June 30, 2011 and 2010, SWCH had federal and state net operating loss carryforwards of $4,875 and $4,376, respectively, which expire through 2030. CHC files separate federal and state tax returns. At June 30, 2011 and 2010, CHC had a net deferred tax liability of $69 and $58, respectively, due primarily to temporary timing differences related to depreciation. The net operating loss carryforwards may be off-set against future taxable income to the extent permitted by the Internal Revenue Code and tax codes of the Commonwealth of Virginia.

NOTE L--INCOME TAXES - Continued

Net deferred tax assets related to these carryforwards and other deferred tax assets have been substantially offset through valuation allowances equal to these amounts. Income taxes paid relate primarily to state taxes for certain subsidiaries and federal alternative minimum tax.

NOTE M--RELATED PARTY TRANSACTIONS

The Alliance enters into transactions with entities affiliated with certain members of the Board of Directors including transactions to construct Alliance facilities and provide professional services to the Alliance. Board members refrain from discussion and abstain from voting on transactions with entities with which they are related.

NOTE N--OTHER COMMITMENTS AND CONTINGENCIES

Construction in Progress: Construction in progress at June 30, 2011 represents costs incurred related to various hospital and medical office building facility renovations and additions. The Alliance has outstanding contracts and other commitments related to the completion of these projects, and the cost to complete these projects is estimated to be approximately $98,721 at June 30, 2011. The Alliance does not expect any significant costs to be incurred for infrastructure improvements to assets held for resale.

Physician Contracts: BRMM employs physicians to provide services to BRMM's physician practices through employment agreements which provide annual compensation, plus incentives based upon specified productivity levels. These contracts have various terms.

In addition, the Alliance has entered into contractual relationships with non-employed physicians to provide services in Upper East Tennessee and Southwest Virginia. These contracts guarantee certain base payments and allowable expenses and have terms of varying lengths. Upon completion of the respective guarantee period, amounts drawn and outstanding under each agreement are treated as a loan bearing interest at various rates and are subject to repayment over a specified period. The physician note may also be amortized by virtue of the physician's continued practice in the specified community during the repayment period. A net receivable of $1,407 and $1,818 related to these agreements is included in the accompanying Consolidated Balance Sheets at June 30, 2011 and 2010, respectively.

Employee Scholarships: The Alliance offers scholarships to certain individuals which require that the recipients return to the Alliance to work for a specified period of time after they complete their degree. Amounts due are then forgiven over a specific period of time as provided in the individual contracts. If the recipient does not return and work the required period of time, the funds disbursed on their behalf become due immediately and interest is charged until the funds are repaid. Other receivables June 30, 2011 and 2010 includes $7,250 and $5,571, respectively, related to students in

NOTE N--OTHER COMMITMENTS AND CONTINGENCIES - Continued

school, graduates working at the Alliance and amounts due from others who are no longer in the scholarship program.

Promises to Give: The Alliance has recorded certain unconditional promises to give to unrelated organizations. At June 30, 2011, $1,568 is due within one year, and an additional $180 is due within five years and is included in other long-term liabilities.

Operating Leases and Maintenance Contracts: Total lease expense for the years ended June 30, 2011 and 2010 was $9,362 and $10,216, respectively. Future minimum lease payments for each of the next five years and in the aggregate for the Alliance's noncancellable operating leases with remaining lease terms in excess of one year are as follows:

Year Ending June 30,		
2012	$	2,846
2013		2,631
2014		2,286
2015		2,121
2016		1,285
Thereafter		9,914
	$	21,083

Estimated future minimum payments under various noncancellable maintenance contracts with remaining terms in excess of one year at June 30, 2011 total in the aggregate $1,422 through 2016.

Asset Retirement Obligation: The Alliance has identified asbestos in certain facilities and is required by law to dispose of it in a special manner if the facility undergoes major renovations or is demolished; otherwise, the Alliance is not required to remove the asbestos from the facility. The Alliance has complied with regulations by treating the asbestos so that it presents no known immediate or future safety concerns. An asset retirement obligation has been established to the extent that sufficient information exists upon which to estimate the liability.

Other: The Alliance is a party to various transactions and agreements in the normal course of business, which include purchase and re-purchase agreements, put arrangements and other commitments, which may bind the Alliance to undertake additional transactions or activities in the future. In addition, the Alliance has agreed to guarantee a portion of the outstanding indebtedness of a joint venture. Management estimates that the fair value of the guarantee of this debt is immaterial as of June 30, 2011.

NOTE N--OTHER COMMITMENTS AND CONTINGENCIES - Continued

Healthcare Industry: Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

In March 2010, Congress adopted comprehensive health care insurance legislation, *Patient Care Protection and Affordable Care Act* and *Health Care and Education Reconciliation Act*. The legislation, among other matters, is designated to expand access to coverage to substantively all citizens by 2019 through a combination of public program expansion and private industry health insurance. Changes to existing TennCare and Medicaid coverage and payments are also expected to occur as a result of this legislation. Implementing regulations are generally required for these legislative acts, which are to be adopted over a period of years and, accordingly, the specific impact of any future regulations is not determinable.

NOTE O--RENTAL INCOME UNDER OPERATING LEASES

The Alliance leases rental properties to third parties, most of whom are physician practices, for various terms, generally five years. The following is a schedule by year and in the aggregate of minimum future rental income due under noncancellable operating leases at June 30, 2011:

Year Ending June 30,		
2012	$	1,742
2013		1,219
2014		958
2015		796
2016		397
Total minimum future rentals	$	5,112

NOTE P--FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments has been estimated by the Alliance using available market information as of June 30, 2011 and 2010, and valuation methodologies considered appropriate. The estimates presented are not necessarily indicative of amounts the Alliance could realize in a current market exchange. The carrying value of substantially all financial instruments approximates fair value due to the nature or term of the instruments, except as described below.

NOTE P--FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Investment in Joint Ventures: It is not practical to estimate the fair market value of the investments in joint ventures.

Other Long-Term Liabilities: Estimates of reported and unreported professional liability claims, pension and post-retirement liabilities are discounted to approximate their estimated fair value. It is not practical to estimate the fair market value of other long-term liabilities due to uncertainty of when these amounts may be paid. Other long-term liabilities are not discounted.

Long-Term Debt and Capital Leases: The fair value of long-term debt is estimated based upon quotes obtained from brokers for bonds and discounted future cash flows using current market rates for other debt. For long-term debt with variable interest rates, the carrying value approximates fair value.

The Alliance's significant capital leases and vendor contracts were negotiated with various entities and are considered unique. It is not practicable to estimate the fair value of these obligations under current conditions. Other capital lease obligations are not significant.

The estimated fair value of the Alliance's financial instruments that have carrying values different from fair value is as follows at June 30:

	2011		2010	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
FINANCIAL LIABILITIES:				
Long-term debt	$ 1,069,085	$ 1,046,675	$ 1,082,973	$ 1,105,778

NOTE Q--FAIR VALUE MEASUREMENT

FASB ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- 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 included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar

NOTE Q--FAIR VALUE MEASUREMENT - Continued

assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. The Alliance's Level 2 investments are valued primarily using the market valuation approach.

- Level 3 - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Alliance's own assumptions.

In instances where the determination of the fair value hierarchy measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Alliance's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table sets forth, by level within the fair value hierarchy, the financial assets and liabilities recorded at fair value on a recurring basis as of June 30, 2011 and 2010:

	June 30, 2011	*Level 1*	*Level 2*	*Level 3*
Trading securities	$ 333,610	$ 164,953	$ 135,939	$ 32,718
Assets whose use is limited	117,170	117,170	-	-
Total assets	$ 450,780	$ 282,123	$ 135,939	$ 32,718
Fair value of derivative agreements - Note D	$ (110,732)	$ -	$ -	$ (110,732)

	June 30, 2010	*Level 1*	*Level 2*	*Level 3*
Trading securities	$ 209,644	$ 164,510	$ 16,526	$ 28,608
Assets whose use is limited	177,180	177,180	-	-
Total assets	$ 386,824	$ 341,690	$ 16,526	$ 28,608
Fair value of derivative agreements - Note D	$ (134,300)	$ -	$ -	$ (134,300)

The valuation of the Alliance's derivative agreements is determined using market valuation techniques, including discounted cash flow analysis on the expected cash flows of each agreement. This analysis reflects the contractual terms of the agreement, including the period to maturity, and uses observable market-based inputs, including forward interest rate curves. The fair values of interest rate swap agreements are determined by netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash receipts (or payments) are based on the expectation of future interest rates based on observable

NOTE Q--FAIR VALUE MEASUREMENT - Continued

market forward interest rate curves and the underlying notional amount. The Alliance also incorporates credit valuation adjustments (CVAs) to appropriately reflect both its own nonperformance or credit risk and the respective counterparty's nonperformance or credit risk in the fair value measurements. The CVA on the Alliance's interest rate swap agreements at June 30, 2011 and 2010 resulted in a decrease in the fair value of the related liability of $7,940 and $10,085, respectively.

A certain portion of the inputs used to value its interest rate swap agreements, including the forward interest rate curves and market perceptions of the Alliance's credit risk used in the CVAs, are unobservable inputs available to a market participant. As a result, the Alliance has determined that the interest rate swap valuations are classified in Level 3 of the fair value hierarchy.

The following tables provide a summary of changes in the fair value of the Alliance's Level 3 financial assets and liabilities during the fiscal years ended June 30, 2011 and 2010:

	Trading Securities	*Derivatives, Net*
July 1, 2009	$ 30,031	$ (126,217)
Total unrealized/realized losses in the Performance Indicator, net	(1,546)	(8,607)
Purchases, issuance and settlements and other, net	1,446	524
Transfers in (out), net	(1,323)	-
June 30, 2010	28,608	(134,300)
Total unrealized/realized gains in the Performance Indicator, net	2,847	23,049
Purchases, issuance and settlements and other, net	1,263	519
June 30, 2011	$ 32,718	$ (110,732)

There were no changes in valuation techniques in 2011 or 2010. During 2011, as part of the transitional test of goodwill impairment, the Alliance recognized goodwill impairment of $2,965 based primarily on the fair value of the reporting unit, utilizing the income approach. Remaining goodwill determined not to be impaired, for this specific reporting unit, is included in the Consolidated Balance Sheet at $2,900. There were no significant assets or liabilities that were re-measured at fair value on a non-recurring basis during the fiscal year ended June 30, 2010.

NOTE R--OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

Direct expenses by functional classification are as follows for the years ended June 30:

NOTE R--OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION - Continued

	2011	2010
Healthcare services	$ 817,397	$ 795,725
Administrative and general	130,543	125,852
Other	9,233	8,625
	$ 957,173	$ 930,202

NOTE S--SUBSEQUENT EVENTS

Acquisition: Subsequent to June 30, 2011, the Alliance purchased the stock of a pharmacy provider for approximately $6,700. The Alliance has not completed an allocation of the purchase price although it is anticipated significant intangible assets will be recognized upon such allocation.

Debt: In October 2011, the Alliance (along with BRMMC, NCH and SCCH) issued $85,260 of Series 2011 Tax-exempt Hospital Revenue Bonds through The Health and Educational Facilities Board of the City of Johnson City, Tennessee (the Tennessee Bonds) and $110,580 through the Industrial Development Authority of Smyth, Virginia (the Virginia Bonds). Such bonds were issued on parity with the outstanding bond indebtedness of the Alliance as of June 30, 2011. The Bonds bear interest at a variable rate determined by a remarketing agent based upon a weekly rate period. Additionally, the Alliance issued $15,960 of Series 2011 Taxable Bonds. NCH and SCCH were also admitted as members of the Alliance Obligated Group.

The proceeds from the Tennessee Bonds will be issued to finance certain capital acquisitions in the State of Tennessee and pay issuance costs related to these Bonds. The proceeds from the Virginia Bonds will be used to refinance $11,200 of 2001 NCH Hospital Refunding and Improvement Revenue Bonds, finance capital acquisitions for NCH, JMH and SCCH and to pay issuance costs associated with these Bonds. The Series 2011 Taxable Bonds proceeds will be used to finance capital acquisitions of SCCH and BRMMC and pay issuance costs. The timely payment of the Tennessee and the Virginia Bonds is secured by a letter of credit which expires October 19, 2014. The Alliance also redeemed $115,135 of the Series 2007B-1 Revenue Bonds and $29,405 of the Series 2007B-3 Revenue Bonds.

Management further anticipates issuance of an additional $25,000 of tax-exempt bonds for the benefit of JMH. JMH is not a member of the Mountain States Health Alliance Obligated Group.

Subsequent to June 30, 2011, JMH exercised their right to purchase a facility previously held under a capital lease for total consideration of $16,051. $2,093 was paid directly to the third party and the remaining $13,958 was by assumption of a promissory note with payments through 2013. The promissory note bears interest at a variable rate of LIBOR plus 1.5%. Additionally, JMH assumed an interest rate swap in the notional amount of $13,940. JMH pays a fixed rate of 7.46%

NOTE S--SUBSEQUENT EVENTS - Continued

and receives a variable rate of LIBOR plus 1.5%. The interest rate swap has a termination date of August 15, 2012.

Supplemental Schedules

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Balance Sheet
(Dollars in Thousands)

June 30, 2011

	*Blue Ridge Medical Management **	*Other Obligated Group Members*	*Eliminations*	*Total Obligated Group*	*Other Entities*	*Mountain States Properties*	*Eliminations*	*Total*
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	$ 450	$ 85,976	$ -	$ 86,426	$ 17,023	$ 9,319	$ -	$ 112,768
Current portion of investments	-	7,629	-	7,629	94,775	13,771	-	116,175
Patient accounts receivable, less estimated allowances for uncollectible accounts	4,476	96,083	-	100,559	34,052	-	-	134,611
Other receivables, net	848	13,434	-	14,282	4,552	780	-	19,614
Inventories and prepaid expenses	553	18,783	-	19,336	9,477	152	-	28,965
TOTAL CURRENT ASSETS	6,327	221,905	-	228,232	159,879	24,022	-	412,133
INVESTMENTS, less amounts required to meet current obligations	19,193	337,367	-	356,560	190,937	33,879	-	581,376
EQUITY IN AFFILIATES	139,582	387,825	(155,611)	371,796	-	-	(371,795)	-
PROPERTY, PLANT AND EQUIPMENT, net	10,696	469,613	-	480,309	258,342	58,766	-	797,418
OTHER ASSETS								
Goodwill	3,281	143,276	-	146,557	2,109	-	-	148,666
Net deferred financing, acquisition costs and other charges, less current portion	-	-	-	-	-	-	-	-
Other assets	168	27,991	-	28,159	568	1,117	-	29,844
TOTAL OTHER ASSETS	8,467	10,154	-	18,621	7,265	2,562	-	28,448
	11,916	181,421	-	193,337	9,942	3,679	-	206,958
	$ 187,714	$ 1,598,131	$ (155,611)	$ 1,630,234	$ 619,100	$ 120,346	$ (371,795)	$ 1,997,885

* Management Services Organization only

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Balance Sheet - Continued
(Dollars in Thousands)

June 30, 2011

	*Blue Ridge Medical Management **	*Other Obligated Group Members*	*Eliminations*	*Total Obligated Group*	*Other Entities*	*Mountain States Properties*	*Eliminations*	*Total*
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accrued interest payable	$ -	$ 19,607	$ -	$ 19,607	$ 440	$ -	$ -	$ 20,047
Current portion of long-term debt and capital lease obligations	550	23,724	-	24,274	3,888	-	-	28,162
Current portion of estimated fair value of derivatives	-	92,044	-	92,044	-	10,565	-	102,609
Accounts payable and accrued expenses	3,463	66,494	-	69,957	27,645	1,217	-	98,819
Accrued salaries, compensated absences and amounts withheld	3,093	40,177	-	43,270	14,530	-	-	57,800
Payables to (receivables from) affiliates, net	11,094	(81,319)	-	(70,225)	94,632	(24,407)	-	-
Estimated amounts due to third-party payors, net	-	12,547	-	12,547	2,266	-	-	14,813
TOTAL CURRENT LIABILITIES	18,200	173,274	-	191,474	143,401	(12,625)	-	322,250
OTHER LIABILITIES								
Long-term debt and capital lease obligations, less current portion	4,923	979,774	-	984,697	56,226	-	-	1,040,923
Estimated fair value of derivatives, less current portion	-	7,783	-	7,783	-	340	-	8,123
Deferred revenue	-	19,167	-	19,167	100	-	-	19,267
Estimated professional liability self-insurance	2,285	4,494	-	6,779	2,913	-	-	9,692
Other long-term liabilities	6,695	2,402	-	9,097	5,255	-	-	14,352
TOTAL LIABILITIES	32,103	1,186,894	-	1,218,997	207,895	(12,285)	-	1,414,607
NET ASSETS								
UNRESTRICTED NET ASSETS								
Unrestricted net assets								
Mountain States Health Alliance	155,478	400,395	(155,478)	400,395	228,554	132,631	(361,185)	400,395
Noncontrolling interests in subsidiaries	-	-	-	-	171,984	-	-	171,984
TOTAL UNRESTRICTED NET ASSETS	155,478	400,395	(155,478)	400,395	400,538	132,631	(361,185)	572,379
Temporarily restricted net assets								
Mountain States Health Alliance	133	10,715	(133)	10,715	10,483	-	(10,483)	10,715
Noncontrolling interests in subsidiaries	-	-	-	-	57	-	-	57
TOTAL TEMPORARILY RESTRICTED NET ASSETS	133	10,715	(133)	10,715	10,540	-	(10,483)	10,772
Permanently restricted net assets	-	127	-	127	127		(127)	127
TOTAL NET ASSETS	155,611	411,237	(155,611)	411,237	411,205	132,631	(371,795)	583,278
	$ 187,714	$ 1,598,131	$ (155,611)	$ 1,630,234	$ 619,100	$ 120,346	$ (371,795)	$ 1,997,885

See note to supplemental schedules.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Statement of Operations
(Dollars in Thousands)

Year Ended June 30, 2011

	*Blue Ridge Medical Management **	*Other Obligated Group Members*	*Eliminations*	*Total Obligated Group*	*Other Entities*	*Mountain States Properties*	*Eliminations*	*Total*
Revenue, gains and support:								
Net patient service revenue	$ 35,353	$ 683,224	$ (1,702)	$ 716,875	$ 243,487	$ -	$ (108)	$ 960,254
Other operating revenue	26,855	3,657	(20,748)	9,764	39,423	7,807	(41,123)	15,871
Equity in net gain (loss) of affiliates	974	(3,283)	2,051	(258)	-	-	258	-
TOTAL REVENUE, GAINS AND SUPPORT	63,182	683,598	(20,399)	726,381	282,910	7,807	(40,973)	976,125
Expenses:								
Salaries and wages	17,287	235,564	-	252,851	92,108	150	(2,901)	342,208
Physician salaries and wages	32,631	1,010	-	33,641	55,417	-	(29,809)	59,249
Contract labor	866	3,234	-	4,100	2,123	-	(259)	5,964
Employee benefits	4,874	45,591	(1,743)	48,722	20,414	35	(2,032)	67,139
Fees	3,544	81,194	(20,612)	64,126	22,251	713	(1,171)	85,919
Supplies	1,745	129,126	-	130,871	38,594	2	(105)	169,362
Utilities	455	11,386	-	11,841	4,452	1,007	-	17,300
Other	4,778	38,479	(95)	43,162	28,206	3,230	(4,951)	69,647
Depreciation	1,476	59,635	-	61,111	23,666	2,722	-	87,499
Amortization	23	2,188	-	2,211	348	-	-	2,559
Estimated provision for bad debts	353	4,097	-	4,450	1,724	-	-	6,174
Interest and taxes	(1,228)	42,204	-	40,976	3,248	1,374	(1,445)	44,153
TOTAL EXPENSES	66,804	653,708	(22,450)	698,062	292,551	9,233	(42,673)	957,173
OPERATING INCOME (LOSS)	(3,622)	29,890	2,051	28,319	(9,641)	(1,426)	1,700	18,952
Nonoperating gains (losses):								
Interest and dividend income	662	9,810	-	10,472	6,552	645	(1,445)	16,224
Net realized gains on the sale of securities	73	1,449	-	1,522	435	-	-	1,957
Net unrealized gains on securities	1,311	13,664	-	14,975	7,949	(756)	-	22,168
Derivative related income	-	3,512	-	3,512	-	1,560	-	5,072
Change in estimated fair value of derivatives	-	23,137	-	23,137	-	(88)	-	23,049
Other nonoperating gains (losses)	(475)	1,245	-	770	(3,430)	4	3	(2,653)
Net assets released from restrictions used for operations	-	562	-	562	1,331	-	-	1,893
NET NONOPERATING GAINS	1,571	53,379	-	54,950	12,837	1,365	(1,442)	67,710
EXCESS (DEFICIT) OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	$ (2,051)	$ 83,269	$ 2,051	$ 83,269	$ 3,196	$ (61)	$ 258	$ 86,662

*Management Services Organization only.

See note to supplemental schedules.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Statement of Changes in Net Assets
(Dollars in Thousands)

Year Ended June 30, 2011

	*Blue Ridge Medical Management **	*Other Obligated Group Members*	*Eliminations*	*Total Obligated Group*	*Other Entities*		*Total Other Entities*	*Mountain States Properties*	*Eliminations*	*Total*
					Mountain States Health Alliance	*Noncontrolling Interests*				
UNRESTRICTED NET ASSETS:										
Excess of Revenue, Gains and Support over Expenses and Losses	$ (2,051)	$ 83,269	$ 2,051	$ 83,269	$ (197)	$ 3,393	$ 3,196	$ (61)	$ 258	$ 86,662
Pension and other defined benefit plan adjustments	-	620	-	620	620	617	1,237	-	(620)	1,237
Cumulative effect of a change in accounting principle	(2,965)	(2,965)	2,965	(2,965)	-	-	-			(2,965)
Net assets released from restrictions used for the purchase of property, plant and equipment	-	1,946	-	1,946	1,946	-	1,946	-	(1,946)	1,946
Distributions to noncontrolling interests	-	-	-	-	-	(270)	(270)	-	-	(270)
Repurchases of noncontrolling interests and other	(43)	40	43	40	(182)	(115)	(297)	-	182	(75)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(5,059)	82,910	5,059	82,910	2,187	3,625	5,812	(61)	(2,126)	86,535
TEMPORARILY RESTRICTED NET ASSETS:										
Restricted grants and contributions	-	3,612	-	3,612	2,990	58	3,048	-	(2,990)	3,670
Net assets released from restrictions	-	(3,787)	-	(3,787)	(3,225)	(52)	(3,277)	-	3,225	(3,839)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	-	(175)	-	(175)	(235)	6	(229)	-	235	(169)
INCREASE (DECREASE) IN TOTAL NET ASSETS	(5,059)	82,735	5,059	82,735	1,952	3,631	5,583	(61)	(1,891)	86,366
NET ASSETS, BEGINNING OF YEAR	160,670	328,502	(160,670)	328,502	237,212	168,410	405,622	132,692	(369,904)	496,912
NET ASSETS, END OF YEAR	$ 155,611	$ 411,237	$ (155,611)	$ 411,237	$ 239,164	$ 172,041	$ 411,205	$ 132,631	$ (371,795)	$ 583,278

*Management Services Organization only.

See note to supplemental schedules.

MOUNTAIN STATES HEALTH ALLIANCE

Note to Supplemental Schedules

Year Ended June 30, 2011

NOTE A--OBLIGATED GROUP MEMBERS

As described in Note F to the consolidated financial statements, the Alliance has granted a deed of trust on JCMC and SSH to secure the payment of the outstanding bonds. The bonds are also secured by the Alliance's receivables, inventories and other assets as well as certain funds held under the documents pursuant to which the bonds were issued. In accordance with Article Six, Section 6.6 of the Amended and Restated Master Trust Indenture between Mountain States Health Alliance and the Bank of New York Trust Company, NA as Master Trustee, those members pledged include Johnson City Medical Center Hospital, Indian Path Medical Center, Franklin Woods Community Hospital, Sycamore Shoals Hospital, Johnson County Community Hospital, Russell County Medical Center and Blue Ridge Medical Management Corporation (parent company only), collectively defined as the Obligated Group (Obligated Group).

The supplemental consolidating schedules include the accounts of the members of the Obligated Group after elimination of all significant intergroup accounts and transactions. Certain other subsidiaries of the Alliance, Mountain States Properties, Inc. (MSP) and all other affiliates (Other Entities), are not pledged to secure the payment of the outstanding bonds as they are not part of the Obligated Group. These affiliates have been accounted for within the Obligated Group based upon the Alliance's original and subsequent investments, as adjusted for the Alliance's pro rata share of income or losses and any distributions, and are included as a part of equity in affiliates in the supplemental consolidating balance sheet.

APPENDIX C

SUMMARY OF THE FINANCING DOCUMENTS

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SUMMARY OF THE FINANCING DOCUMENTS

Brief descriptions of the Master Indenture, the Bond Indenture and the Loan Agreement are included in this Appendix C to the Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Master Indenture, the Bond Indenture and the Loan Agreement are qualified in their entirety by reference to each such document, copies of which are available for review at the offices of the Mountain States Health Alliance, Legal Department, 400 North State of Franklin Road, Johnson City, Tennessee. All references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto included in the Master Indenture or the Bond Indenture.

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in the Master Indenture, the Bond Indenture, the Loan Agreement and this Official Statement.

"Act" means, in the case of the Series 2012A Bonds, Sections 48-101-301 to 48-101-318, Tennessee Code Annotated, as from time to time amended.

"Additional Bonds" means the bonds authorized to be issued by the Issuer under the Bond Indenture in addition to the initial series of Bonds issued thereunder.

"Additional Indebtedness" shall mean any Indebtedness (including all Obligations, other than the Initial Obligation) incurred by any Obligated Issuer, subsequent to its becoming an Obligated Issuer.

"Additional Obligations" means any Obligations issued under the Master Indenture after the issuance of the initial obligation thereunder.

"Affiliate" of any specified Person shall mean any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, (i) "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the power to appoint and remove its directors, the ownership of voting securities, by contract, membership or otherwise; and (ii) the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Balloon Indebtedness" shall mean: (a) Long-Term Indebtedness as to which, when issued, 25% or more of the debt service thereon is due in a single year, or (b) Long-Term Indebtedness as to which, when issued, 25% or more of the original principal amount thereof may, at the option of the holder or registered owner thereof, be redeemed or repurchased at one time, 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, or (c) any Guaranty of Long-Term Indebtedness that is Balloon Indebtedness.

"Bankruptcy Law" shall mean the United States Bankruptcy Code, 11 U.S.C. §§ 101, et seq., or any similar statute.

"Bond Indenture" means the Bond Trust Indenture dated as of September 1, 2012, between the Issuer and the Bond Trustee, as amended and supplemented.

"Bond Index" means the "Bond Buyer Revenue Bond Index" as published from time to time in The Bond Buyer, or, if such index shall no longer be published, a comparable index designated by the Bond Insurer during the period that any Related Bonds are outstanding that are insured by the Bond Insurer and thereafter by the Obligated Group Agent.

"Bond Insurer" means MBIA Insurance Corporation and its successor or successors. The Bonds offered pursuant to this Official Statement are not insured.

"Bond Trustee" means The Bank of New York Mellon Trust Company, N.A. or any successor trustee under the Bond Indenture.

"Bondholder," "holder" or **"owner of the Bonds"** means the registered owner of any Related Bond.

"Book Value," when used in connection with Property of any member of the Obligated Group, shall mean the cost of such Property, net of accumulated depreciation, calculated in conformity with generally accepted accounting principles, and when used in connection with Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property of all members of the Obligated Group determined in such a manner that no portion of such value of Property of any member of the Obligated Group is included more than once.

"Capitalization" shall mean the principal amount of all outstanding Long-Term Indebtedness of the Obligated Group, plus the equity accounts of the Obligated Group (i.e., unrestricted fund balances, including any shareholder equity or partnership equity).

"Cash to Debt Ratio" means the ratio of Unrestricted Liquid Funds to Long Term Indebtedness.

"Chattel Paper" shall have the meaning assigned that term under the Uniform Commercial Code as in effect in any relevant jurisdiction.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

"Collateral" shall mean (i) all Receivables, (ii) all Inventory, (iii) all Equipment, (iv) all General Intangibles, (v) all Contracts and all Contract rights, (vi) all amounts from time to time held in any checking, savings, deposit or other account of any Obligated Issuer, (vii) all Government Approvals, provided, that any Government Approval which by its terms or by the operation of law would become void, voidable, terminable or revocable if mortgaged, pledged or signed under the Master Indenture or if a security interest therein were granted under the Master Indenture or expressly accepted and excluded from the security interest by the Master Indenture granted to the extent necessary so as to avoid such voidness, voidability, terminability or revocability, (viii) all Fixtures, including but not limited to those now or hereafter attached to, placed on or incorporated in the Land, (ix) all Revenues, (x) without limiting the generality of the foregoing, all other personal property, goods, Instruments, Chattel Paper, Documents, credits, claims, demands and assets of any Obligated Issuer, whether now existing or hereafter acquired from time to time, and (xi) any and all additions and accessions to any of the foregoing, all improvements thereto, all substitutions and replacements therefor and all products and Proceeds thereof.

"Commitment Indebtedness" means the obligation of any Person to repay amounts disbursed pursuant to a Credit Facility to pay when due such Person's obligations under Indebtedness incurred in accordance with the provisions of the Master Indenture.

"Completion Indebtedness" shall mean any Long-Term Indebtedness (i) incurred by any Person for the purpose of financing the completion of constructing or equipping Facilities with respect to which Long-Term Indebtedness was theretofore incurred in accordance with the provisions hereof, and (ii) with a principal amount not in excess of the amount required (a) to provide a completed and equipped Facility of substantially the type and scope contemplated at the time such prior Long-Term Indebtedness was incurred, (b) to provide for capitalized interest during the period of construction, (c) to capitalize a reserve with respect to such Completion Indebtedness and (d) to pay the costs and expenses of issuing such Completion Indebtedness.

"Construction Index" shall mean the health care component of the implicit price deflator for the gross national product as most recently reported prior to the date in question by the United States Department of Commerce or its successor agency, or, if such index is no longer published, such other index which is certified to be comparable and appropriate by the Obligated Group Agent in an Officer's Certificate delivered to the Master Trustee.

"Consultant" shall mean a Person who or which is appointed by the Obligated Group Agent for the purpose of passing on questions relating to the financial affairs, management or operations of one or more members of the Obligated Group or the entire Obligated Group and, in the good faith opinion of the Obligated Group Agent, has a favorable reputation for skill and experience in performing similar services in respect of entities engaged in reasonably comparable endeavors. If any Consultant's report or opinion is required to be given with respect to matters partly within and partly without the expertise of such Consultant, such Consultant may rely upon the report or opinion of another Consultant, which other Consultant shall be reasonably satisfactory to the relying Consultant and the Obligated Group Agent.

"Contract Rights" shall mean all rights under any Contract to make determinations, to exercise any election (including, but not limited to, election of remedies) or option or to give or receive any notice, consent, waiver or approval together with full power and authority with respect to any Contract to demand, receive, enforce, collect or receipt for any of the foregoing rights or any property the subject of any of the Contracts, to enforce or execute any checks, or other instruments or orders, to file any claims and to take any action which, in the reasonable opinion of a secured party, may be necessary or advisable in connection with any of the foregoing.

"Contracts" shall mean all contracts to which any Obligated Issuer now is, or hereafter will be, bound, or a party, beneficiary or assignee, including, without limitation, all instruments, agreements and documents executed and delivered with respect to such contracts, and all revenues, rentals, Proceeds and other sums of money due and to become due from any of the foregoing, as the same may be modified, supplemented or amended from time to time in accordance with their terms.

"Corporation" or **"Alliance"** means Mountain States Health Alliance, a Tennessee not-for-profit corporation, and its successors and assigns and any surviving, resulting or transferee corporation.

"Counsel" shall mean a lawyer duly admitted to practice law before the highest court of any state in the United States of America or the District of Columbia, or any law firm, who or which, as the case may be, is not unsatisfactory to any recipient of the opinion required to be rendered by such Counsel.

"Credit Facility" means any letter of credit, line of credit, insurance policy, guaranty or other agreement constituting a credit enhancement or liquidity facility which is issued by a bank, trust company, savings and loan association or other institutional lender, insurance company or surety company for the benefit of the holder of any Indebtedness in order to provide a source of funds for, the payment of all or any portion of an Obligated Issuer's payment obligations under such Indebtedness.

"Days Cash on Hand Ratio" as of the end of any Fiscal Year means the product obtained by multiplying 365 times (i) the Unrestricted Liquid Funds of the Obligated Group as of the last day of such Fiscal Year, divided by (ii) the total operating expenses of the Obligated Group for such Fiscal Year, excluding depreciation and amortization expense and bad debt expense, as shown on the financial statements of the Obligated Group for such Fiscal Year.

"Debt Service Requirement" of any Person shall mean, for any period of time, the amounts payable or the payments required to be made by such Person in respect of principal and interest on outstanding Long-Term Indebtedness during such period (calculated in such a manner that no portion of Long-Term Indebtedness is included more than once), taking into account (for purposes of calculating any projected debt service requirements) (i) that any Indebtedness represented by a Guaranty shall be deemed payable on the dates and in the amounts contemplated in the Master Indenture (concerning the assumptions to be used in including debt service requirements of the guaranteed obligations), (ii) that any payments to be made in respect of Balloon Indebtedness and Variable Rate Indebtedness shall be calculated in accordance with the provisions of Section 4.4 of the Master Indenture, (iii) that, with respect to Indebtedness refunded or refinanced during such period, only an amount of principal and interest equal to the principal and interest not payable from the proceeds of Indebtedness shall be taken into account during such period, (iv) any amounts payable from funds available under an Escrow Deposit (other than amounts so payable solely by reason of the obligor's failure to make payments from other sources) shall be excluded from the determination of the Debt Service Requirement, and (v) that with respect to any Indebtedness which is the subject of a Hedge Agreement, any Regular Scheduled Qualified Swap Payments under such Hedge Agreement (provided, however, that if the Regular Scheduled Qualified Swap Payments are variable rate payments, interest shall be

calculated as if the indebtedness was Variable Rate Indebtedness) payable or receivable with respect to such Indebtedness shall be taken into account in determining the interest payable with respect to such Indebtedness.*

"Defeasance Investments" shall mean (a) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series-- "SLGS"); (b) Direct obligations of the Treasury which have been stripped by the Treasury itself, "CATS" and "TIGRS" and similar securities; (c) Resolution Funding Corp. (REFCORP) -- only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable; (d) Pre-refunded municipal bonds rated "Aaa" by Moody's or "AAA" by S&P. If however, the issue is rated by only S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition; (e) Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.; 1. U.S. Export-Import Bank (Eximbank): Direct obligations or fully guaranteed certificates of beneficial ownership; 2. Farmers Home Administration (FHA): Certificates of beneficial ownership; 3. Federal Financing Bank; General Services Administration: Participation certificates; U.S. Maritime Administration: Guaranteed Title XI financing; U.S. Department of Housing and Urban Development (HUD): Project Notes, Local Authority Bonds, New Community debentures - U.S. government guaranteed debentures, U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds; and (f) the following securities: (1) securities rated "Aaa" by Moody's or "AAA" (at the time such securities are used to defease Bonds pursuant to Article XI hereof) by S&P; (2) collateralized GIC's with providers rated "Aaa" by Moody's and "AAA" by S&P (at the time such securities are used to defease Bonds pursuant to Article XI hereof; and (3) obligations of Federal Home Loan Mortgage Corporation and Federal National Mortgage Association.

"Discounted Indebtedness" means Indebtedness sold to the original purchaser thereof (other than any underwriter or other similar intermediary) at a discount from the par amount of such Indebtedness.

"Document" shall have the meaning assigned that term under the Uniform Commercial Code as in effect in any relevant jurisdiction.

"Equipment" shall mean any "equipment," as such term is defined in the Uniform Commercial Code as in effect in any relevant jurisdiction, now or hereafter owned or leased by any Obligated Issuer and, in any event, shall include, but shall not be limited to, all equipment used in connection with the facilities constructed from time to time on the Land, all machinery, tools, office equipment, furniture, furnishings, fixtures, vehicles, motor vehicles, and any manuals, instructions, blueprints, computer software and similar items which relate to the above, and any and all additions, substitutions and replacements of any of the foregoing, wherever located, together with all improvements thereon and all attachments, components, parts, equipment and accessories installed thereon or affixed thereto.

"Escrow Deposit" shall mean a segregated escrow fund or other similar fund, account or deposit in trust of cash in an amount (or Defeasance Investments the principal of and interest on which will be in an amount), and

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*By their purchase of the Bonds, the initial holders thereof will consent to an amendment of this definition as described in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS -- Amendment of the Master Indenture" in the front part of this Official Statement. The proposed amended definition is as follows:

"Debt Service Requirement" of any Person shall mean, for any period of time, the amounts payable or the payments required to be made by such Person in respect of principal and interest on Outstanding Long-Term Indebtedness during such period (calculated in such a manner that no portion of the Long-Term Indebtedness is included more than once), taking into account (for purposes of calculating any projected debt service requirements) (i) that any Indebtedness represented by a Guaranty shall be deemed payable on the dates and in the amounts contemplated in Section 4.3 (concerning the assumptions to be used in including debt service requirements of the guaranteed obligations), (ii) that any payments to be made in respect of Balloon Indebtedness and Variable Rate Indebtedness shall be calculated in accordance with the provisions of Section 4.4, (iii) that, with respect to Indebtedness refunded or refinanced during such period, only an amount of principal and interest equal to the principal and interest not payable from the proceeds of Indebtedness shall be taken into account during such period, (iv) any amounts payable from funds available under an Escrow Deposit (other than amounts to payable solely by reason of the obligor's failure to make payments from other sources), shall be excluded from the determination of the Debt Service Requirement, and (v) that with respect to any Indebtedness which is the subject of a Hedge Agreement, the rate payable under such Hedge Agreement, rather than the actual interest payable on such Indebtedness, shall be taken into account in determining the interest payable with respect to such Indebtedness.

under terms, sufficient to pay all or a portion of the principal of, and premium, if any, and interest on, the indebtedness secured by such escrow fund or other similar fund, account or deposit as the same shall become due or payable upon redemption.

"Facilities" shall mean all land, leasehold interests and buildings and all fixtures and equipment of a Person.

"Fair Value Net Worth" of a person as of any date shall mean:

(i) the fair value or fair saleable value (as the case may be, determined in accordance, with applicable federal and state laws affecting creditors rights and governing determinations of insolvency of debtors) of such person's assets (including such person's rights to contribution and subrogation under Sections 2.3(d) and (f) of the Master Indenture or in respect of any other guarantee) as of such date, minus

(ii) the amount of all liabilities of such person (determined in accordance with such laws) as of such date, excluding (x) such person's Cross Guarantee and (y) any liabilities subordinated in right of payment to such Cross Guarantee, minus

(iii) $1.00.

"Financial Advisor" shall mean an investment banking or financial advisory firm, commercial bank or any other qualified Person who or which is appointed by the Obligated Group Agent for the purpose of passing on questions relating to the availability and terms of specified types of Indebtedness for any member of the Obligated Group and is actively engaged in and, in the good faith opinion of the Obligated Group Agent, has a favorable reputation for skill and experience in underwriting or providing financial advisory services in respect of similar types of indebtedness incurred by entities engaged in reasonably comparable endeavors.

"Fiscal Year" shall mean a period of twelve consecutive months ending on June 30 or on such other date as may be specified in an Officer's Certificate of the Obligated Group Agent executed and delivered to the Master Trustee.

"Fixtures" shall have the meaning assigned that term under the Uniform Commercial Code as in effect in any relevant jurisdiction and in any event shall include all goods now or hereafter attached to, placed on, or incorporated in the Land.

"General Intangibles" shall mean "general intangibles" as such term is defined in the Uniform Commercial Code as in effect in any relevant jurisdiction, now or hereafter owned by any Obligated Group Issuer and shall include, but not be limited to, all trademarks, trademark applications, trademark registrations, tradenames, fictitious business names, business names, company names, business identifiers, prints, labels, trade styles and service marks (whether or not registered), including logos and/or designs, copyrights, patents, patent applications, goodwill of any Obligated Issuer's business symbolized by any of the foregoing, trade secrets, license rights, license agreements, permits, franchises, and any rights to tax refunds to which any Obligated Issuer is now or hereafter may be entitled.

"Governing Body" shall mean, when used with respect to any Person, its board of directors, board of trustees, or other board, committee or group of individuals in which the powers of a board of directors or board of trustees is vested generally or for the specific matters under consideration.

"Government Issuer" shall mean any federal, state or municipal corporation or political subdivision thereof or any instrumentality of any of the foregoing empowered to issue obligations on behalf thereof.

"Government Obligations" shall mean direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America,

which obligations are held in a custody account by a custodian pursuant to the terms of a the terms of a custody agreement.

"Governmental Approvals" shall mean any authorization, consent, approval, license, ruling, permit, certification, exemption, filing or registration by or with any governmental authority.

"Gross Receipts" shall mean all Revenues, operating revenues and non-operating revenues, receipts, rentals and income of, or received by, any Obligated Issuer, under generally accepted accounting principles, and all rights to receive the same, whether in the form of accounts receivable, Receivables, accounts, Documents, Investment Property, Contract Rights, Chattel Paper, Instruments, General Intangibles or other rights and all Proceeds thereof, including insurance proceeds and condemnation awards payable or paid in respect of the Facilities, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired, and the proceeds thereof including, without limitation, revenues derived from the ownership, operation or leasing of the Facilities; provided, however, that there shall be excluded from Gross Receipts (i) all gifts, grants, bequests, donations or contributions (collectively, "gifts"), which gifts may not be pledged or applied to the payment of principal or interest on the Obligations as a result of restrictions or designations imposed by the donor or maker of the gift in question at the time of the making thereof and income therefrom if such income may not be pledged or applied to the payment of principal or interest on the Obligations as a result of a restriction or designation described in this clause (i), and (ii) any proceeds of any additional indebtedness incurred or assumed by the Obligated Issuer pursuant to the terms of the Master Indenture, to the extent required by the terms of the documentation evidencing such additional indebtedness.

"Guaranty" shall mean any obligation of a Obligated Group member guaranteeing any obligation of any other Person other than a Obligated Group member, whether or not issued under the Master Indenture as an Indenture Guaranty, which obligation would, if such other Person were a member of the Obligated Group, constitute Indebtedness under the Master Indenture.

"Hedge Agreement" means (a) 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; (b) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (c) any contract to exchange cash flows or payments or series of payments; (d) any type of contract called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payments, currency, rate or other financial risk; and (e) any other type of contract or arrangement that the Obligated Group Agent determines is to be used, to manage or reduce the cost of an Indebtedness, to convert any element of any 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.

"Historical Debt Service Coverage Ratio" shall mean, for any period of time, the ratio determined by dividing Total Income Available For Debt Service for such period by the Debt Service Requirement of the Obligated Group for such period.

"Historical Maximum Annual Debt Service Coverage Ratio" shall mean, for any period of time, the ratio determined by dividing Total Income Available for Debt Service for such period by the Maximum Annual Debt Service of the Obligated Group.

"Historical Pro Forma Debt Service Coverage Ratio" shall mean for any period of time, the ratio determined by dividing Total Income Available for Debt Service for such period by the Maximum Annual Debt Service of the Obligated Group for all Long Term Indebtedness then outstanding and the Long-Term Indebtedness then proposed to be issued.

"Holder" shall mean, as the context requires, the registered owner of any Note, the beneficiary of any Indenture Guaranty in whose name an Indenture Guaranty is issued or the holder or beneficiary of any other type of Obligation. In the case of an Obligation issued to a trustee or other fiduciary acting on behalf of the holders of any bonds, notes or other similar obligations which are secured by such Obligation, including any registered securities depositary then in the business of holding (for the benefit of beneficial owners whose interests may be evidenced by

book-entry registration) substantial amounts of obligations of types comprising the Obligations, the term Holder shall mean the trustee or other fiduciary or, if so provided in the Related Financing Documents, the holders of the Related Bonds in proportion to their respective interests therein, including any registered securities depositary then in the business of holding (for the benefit of beneficial owners whose interests may be evidenced by book-entry registration) substantial amounts of obligations of types comprising the Obligations. For purposes of determining the Holders of the two largest principal amounts of Uninsured Obligations, any Holder of Related Bonds relating to Uninsured Obligations shall be deemed to be the owner of a proportionate amount of the Uninsured Obligations, and any such Uninsured Obligations owned by affiliated entities shall be treated as owned by one Holder.

"Income Available For Debt Service" of a Person shall mean, with respect to any period of time, the excess of revenues over expenses, or, in the case of for-profit entities, net income before tax, as determined in accordance with generally accepted accounting principles, to which shall be added, in either case, (i) depreciation, (ii) amortization, (iii) interest expense on Long-Term Indebtedness, and, (iv) to the extent not already included, contributions and donations and from which shall be excluded any extraordinary items, any impairment losses, any gain or loss resulting from either the extinguishment of indebtedness or the sale, exchange or other disposition of assets not made in the ordinary course of business, provided, however, that (a) no determination of lncome Available for Debt Service will take into account any gains or losses resulting from the periodic valuation of investments or Hedge Agreements that do not involve the sale, transfer or other disposition of any such investment or Hedge Agreement or the termination of any Hedge Agreement and (b) a Person may include in its net income such Person's share of the net income of any Person controlled by such Person or in whom such Person has a legal interest.

"Indebtedness" of a Person means (i) all Notes and Guaranties, (ii) all liabilities (exclusive of reserves such as those established for deferred taxes or litigation) recorded on the audited financial statements of such Person as of the end of the most recent Fiscal Year for which financial statements reported upon by an Accountant are available, and (iii) all other obligations for borrowed money; provided that Indebtedness shall not include (1) Subordinated Indebtedness, (2) Hedge Agreements, (3) any other Indebtedness of any member of the Obligated Group to any other member of the Obligated Group, (4) rentals payable under leases which are not properly capitalized under generally accepted accounting principles or (5) any Guaranty by any member of the Obligated Group of Indebtedness of any other member of the Obligated Group.

"Indenture Guaranty" shall mean any Guaranty issued under the Master Indenture by an Obligated Issuer. "Independent Counsel" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include independent legal counsel for any Related Issuer, any Obligated Issuer, the Master Trustee or any Related Bond Trustee.

"Instrument" shall have the meaning assigned that term under the Uniform Commercial Code as in effect in any relevant jurisdiction.

"Inventory" shall mean all of the inventory of any Obligated Issuer of every type or description, including all inventory as such term is defined in the Uniform Commercial Code as in effect in any relevant jurisdiction, now owned or hereafter acquired and wherever located, whether raw, in process or finished, all materials usable in processing the same and all documents of title covering any inventory, including but not limited to work in process, materials used or consumed in such Obligated Issuer's business, now owned or hereafter acquired or manufactured by such Obligated Issuer and held for sale in the ordinary course of its business; all present and future substitutions therefor, parts and accessories thereof and all additions thereto; and all proceeds thereof and products of such inventory in any form whatsoever.

"Investment Property" shall have the meaning assigned that term under the Uniform Commercial Code as in effect in any relevant jurisdiction.

"Investment Securities" shall mean and include the following:

(a) Government Obligations;

(b) debt obligations issued by any of the following agencies or such other like governmental or government-sponsored agencies which may be hereafter created: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Financing Bank; Federal Home Loan Bank System; Federal National Mortgage Association; Export-Import Bank of the United States; Farmers Home Administration; Small Business Administration; Government National Mortgage Association; or Resolution Funding Corporation;

(c) long-term debt obligations of any state or political subdivision thereof or any agency or instrumentality of such a state or political subdivision or of any corporation, provided that such obligations are rated by the Rating Agency in any of the three highest rating categories (without, reference to sub-categories) assigned by the Rating Agency;

(d) rights to receive the principal of or the interest on obligations of states, political subdivisions, agencies or instrumentalities meeting the requirements set forth in subsection (c) above, whether through (i) direct ownership as evidenced by physical possession of such obligations or unmatured interest coupons or by registration as to ownership on the books of the issuer or its duly authorized paying agent or transfer agent, or (ii) purchase of certificates or other instruments evidencing an undivided ownership interest in payments of the principal of or interest on such obligations;

(e) negotiable and non-negotiable certificates of deposit, time deposits or other similar banking arrangements which are issued by banks, trust companies or savings and loan associations, provided that, unless issued by a Qualified Financial Corporation, any such certificate, deposit or other arrangement shall be continuously secured as to principal in the manner and to the extent provided in the last paragraph of this definition;

(f) repurchase agreements for Investment Securities described in subparagraph (a) or (b) above with a Qualified Financial Corporation or with dealers in government bonds which report to, trade with and are recognized as primary dealers by a Federal Reserve Bank or are members of the Securities Investors Protection Corporation, provided that the repurchase price payable under any such agreement shall be continuously secured in the manner and to the extent provided in the last paragraph of this definition;

(g) investment agreements with Qualified Financial Corporations;

(h) commercial paper rated in the highest rating category (without reference to sub-categories) by the Rating Agency;

(i) shares or certificates in any short-term investment fund which short-term investment fund invests solely in obligations described in subparagraph (a), (b), (c) or (h) above; or

(j) debt obligations of any foreign government or political subdivision thereof or any agency or instrumentality of such foreign government or political subdivision provided that such obligations are rated by the Rating Agency (without reference to subcategories) in the highest rating category assigned by the Rating Agency.

Any security required to be maintained for Investment Securities in the form of certificates of deposit, time deposits, other similar banking arrangements and repurchase agreements described in subsections (e) and (f) above shall be subject to the following:

(i) the collateral shall be in the form of obligations described in subsections (a) or (b) above, except that the security for certificates of deposit, time deposits or other similar banking arrangements may include other marketable securities which are eligible as security for trust funds under applicable regulations of the Comptroller of the Currency of the United States of America or under applicable state laws and regulations.

(ii) the collateral shall have an aggregate market value, calculated not less frequently than monthly, at least equal to the principal amount (less any portion insured by the Federal Deposit Insurance Corporation or any comparable insurance corporation chartered by the United States of America) or the repurchase price secured thereby, as the case may be. The instruments governing the issuance of and security for the

Investment Securities shall designate the Person responsible for making the foregoing calculations; provided that the Master Trustee shall make such calculations if they are not made by the Person so designated.

"Issuer" shall mean, in the case of the Series 2012A Bonds, The Health and Educational Facilities Board of the City of Johnson City, Tennessee, its successors and assigns.

"Land" shall mean the land subject to the Master Deed of Trust.

"Lien" shall mean any mortgage or pledge of, security interest in or lien or encumbrance on any Property of any member of the Obligated Group in favor of, or which secures any Indebtedness or any other obligation of any member of the Obligated Group to any Person other than another member of the Obligated Group, but specifically excluding subordination arrangements among creditors.

"Loan Agreement" means the Loan Agreement dated as of September 1, 2012, between the Issuer and the Corporation.

"Long-Term Indebtedness" shall mean (i) all Indebtedness which, at the time of incurrence or issuance, has a final maturity or term greater than one year or which is renewable at the option of the obligor thereof for a term greater than one year from the date of original incurrence or issuance; and (ii) Short-Term Indebtedness which is incurred as interim financing and which is intended to be repaid out of the proceeds of other Long-Term Indebtedness, provided that any one of the applicable conditions described in Section 4.2 of the Master Indenture are met with respect to such Short-Term Indebtedness on the date of incurrence, assuming for purposes of compliance therewith that such Short-Term Indebtedness is Long Term Indebtedness characterized as Balloon Indebtedness for purposes of meeting any of the applicable conditions in Section 4.2 of the Master Indenture; provided, that, Long-Term Indebtedness shall not include (a) Non-Recourse Indebtedness or Subordinated Indebtedness; (b) current obligations payable out of current revenues, including current payments for the funding of pension plans and contributions to self insurance programs; (c) obligations under contracts for supplies, services or pensions, allocated to the current operating expenses of future years in which the supplies are to be furnished, the services rendered or the pensions paid; and (d) rentals payable under leases which are not properly capitalized under generally accepted accounting principles.

"Master Deed of Trust" shall mean the Deed of Trust and Security Agreement dated as of February 1, 2000 from the Corporation to an individual, as trustee, granting a deed of trust lien on and a security interest in the Land and the other collateral described therein for the benefit of the Master Trustee, to secure the payment and performance of outstanding Obligations.

"Master Indenture" means the Amended and Master Trust Indenture dated as of February 1, 2000 between the Corporation and the Master Trustee, as it may from time to time be amended or supplemented in accordance with the terms thereof.

"Master Trustee" means The Bank of New York Mellon Trust Company, N.A., or any successor trustee under the Master Indenture.

"Maximum Annual Debt Service" of the Obligated Group shall mean the highest annual Debt Service Requirement of the Obligated Group for the current or any succeeding Fiscal Year during the remaining term of all outstanding Obligations.

"Maximum Guaranty Liability" of a Person as of any date shall mean the greater of either (i) or (ii) below:

(i) the greater of(A) or (B) as of such date:

(A) the outstanding amount of all Obligations issued by such Person or

(B) the fair market value of all property acquired, in whole or part, with the proceeds of such Obligations by such Person.

(ii) The greatest of the Fair Value Net Worth of such Person as of (1) the latest fiscal year-end of such Person, (2) each fiscal quarter-end of such Person thereafter occurring on or prior to the date of the determination of Maximum Guaranty Liability, (3) the date on which enforcement of the pertinent Cross Guarantee is sought, and (4) the date on which a case under the U.S. Bankruptcy Code is commenced with respect to any Obligated Issuer.

"Net Operating Revenues" of a Person means, with respect to any period of time, operating revenues less estimated contractual allowances, free care, discounts and bad debt expense, all determined, except as is specifically provided in the Master Indenture, in accordance with generally accepted accounting principles.

"Net Property, Plant and Equipment" means the Value of all Property, Plant and Equipment less accumulated depreciation.

"Non-Recourse Indebtedness" shall mean any Indebtedness secured by a Lien on Property of any Obligated Issuer, liability for which is effectively limited to the Property subject to such Lien, with no recourse, directly or indirectly, to any other Property of any Obligated Issuer.

"Note" shall mean any note issued under the Master Indenture by an Obligated Issuer to evidence Long-Term Indebtedness or Short-Term Indebtedness incurred pursuant to the terms of the Master Indenture.

"Obligated Group" shall mean all Obligated Issuers.

"Obligated Group Agent" shall mean the Corporation and any successor Obligated Group Agent appointed pursuant to the Master Indenture.

"Obligated Issuer" shall mean (i) the Corporation, Blue Ridge Medical Management Corporation, Norton Community Hospital, Smyth County Community Hospital and each other Person which becomes an Obligated Issuer in accordance with the provisions of the Master Indenture, whether or not such Person has issued any obligations thereunder, and which has not withdrawn from the Obligated Group, and (ii) when used in respect of any particular Obligation or other Indebtedness, shall mean the obligor thereunder.

"Obligations" shall mean all Notes and Indenture Guaranties issued under the Master Indenture, any lease, contractual agreement to pay money or other obligations of any Obligated Group Member issued under the Master Indenture and any additional forms of Obligations created pursuant to the Master Indenture.

"Officer's Certificate" shall mean a certificate signed, in the case of a corporation, by the Chairman, Vice Chairman, President or Chief Financial Officer or, in the case of a certificate delivered by any other Person, the chief executive or chief financial officer of such Person, in either case whose authority to execute such certificate shall be evidenced to the satisfaction of the Master Trustee. When an Officer's Certificate is required under the Master Indenture to set forth matters relating to one or more Obligated Issuers, such Officer's Certificate may be given in reliance upon another certificate, or other certificates, and supporting materials, if any, provided by any duly authorized officer of the applicable Obligated Issuer.

"Opinion of Bond Counsel" shall mean an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

"Paying Agent" means the bank or banks, if any, designated pursuant to a Related Bond Indenture to receive and disburse the principal of and interest on any Related Bonds or designated pursuant to the Master Indenture to receive and disburse the principal of and interest on any Obligations.

"Permitted Investments" shall mean 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 the 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
   (not acceptable for certain cash-flow sensitive issues)

7. U.S. Maritime Administration
   Guaranteed Title XI financing

8. U.S. Department of Housing and Urban Development (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 systemwide 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, Aal 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. Commercial paper rated, at the time of purchase, "Prime- 1" by Moody's and "A-1" or better by S&P.

H. 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.

I. 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 - I" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

J. Repurchase agreements ("repos") which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Bond Trustee, and the transfer of cash from the Bond Trustee 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 Bond Trustee in exchange for the securities at a specified date.

1. Repos must be between the Bond Trustee and a dealer bank or securities firm as follows:

a. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or

b. Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.

2. The written repo contract must include the following:

a. Securities which are acceptable for transfer are:

(1) Direct U.S. governments, or

(2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)

b. The collateral must be delivered to the Bond Trustee (if the Bond Trustee is not supplying the collateral) or third party acting as agent for the Bond Trustee (if the Bond Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

c. Term and Valuation of Collateral

(1) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity 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 the Bond Trustee, 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%.

(2) If the term of the repo is more than 30 days, the Bond Trustee must value the collateral no less frequently than monthly and must liquidate collateral if any deficiency in the required value of the collateral set forth above is not restored within two business days of such valuation.

K. Guaranteed investment contracts or similar agreements providing for a specified rate of return over a specified time period with entities rated in one (1) of the two (2) highest rating categories of Standard & Poor's Corporation and Moody's Investor Services.

"Permitted Liens" shall mean the Master Indenture, all Related Financing Documents and, as of any particular time:

(i) Any lien from any member of the Obligated Group to any other member of the Obligated Group;

(ii) Any judgment lien or notice of pending action against any member of the Obligated Group so long as (1) such judgment or pending action is being contested and execution thereon has been stayed or the period for responsive pleading or appeal has not lapsed, or (2) in the absence of such contest, neither the pledge and security interest of this Indenture nor any Property of any member of the Obligated Group will be materially impaired or subject to material loss or forfeiture;

(iii) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law affecting any Property, to (1) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not, in the opinion of the Obligated Group Agent, materially impair the use of such Property or materially and adversely affect the value thereof, or (2) purchase, condemn, appropriate or recapture, or designate a purchaser of, such Property; (B) any liens (or deposits to obtain the release of such liens) on any Property for taxes, assessments, levies, fees, water and sewer charges, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed; (C) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances, and irregularities in the title to any Property which do not, in the opinion of the Obligated Group Agent, materially impair the use of such Property or materially and adversely affect the value thereof; (D) rights reserved to or vested in any municipality or public authority to control or regulate any Property or to use such Property in any manner, which rights do not, in the opinion of the Obligated Group Agent, materially impair the use of such Property or materially and adversely affect the value thereof; and (E) to the extent that it affects title to any Property, the Master Indenture;

(iv) Any lease which relates to Property of the Obligated Group which is of a type that is customarily the subject of such leases, including but not limited to any leasehold interest required under any Related Financing Documents, leases with respect to office space for physicians and educational institutions, food service facilities, gift shops and radiology or other hospital-based specialty services, pharmacy and similar departments and statutory landlord's liens with respect to such leases;

(v) Any Lien securing Indebtedness provided such Lien also secures all Obligations (other than Obligations representing Subordinated Indebtedness or Non-Recourse indebtedness) on a parity basis;

(vi) Any Lien arising by reason of good faith deposits 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;

(vii) 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 government 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 similar social security plans, or to share in the privileges or benefits required for companies participating in such arrangements;

(viii) Any Lien arising by reason of an Escrow Deposit;

(ix) (A) Any Lien in favor of a trustee or the holder of a Note on the proceeds of Indebtedness or cash or investments deposited with such trustee and acquired with such proceeds prior to the application of such proceeds or cash or investments and (B) Liens in favor of a trustee, including the Master Trustee, to secure obligations to compensate, reimburse or indemnity such trustees;

(x) Any Lien 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;

(xi) Any Lien on Property received by any member of the Obligated Group through gifts, grants or bequests, such Lien being due to restrictions on such gifts, grants or bequests of property or the income thereon;

(xii) Statutory rights of the United States of America by reason of federal fund made available under 42 U.S.C. §§ 291 et seq. and similar rights under other federal and state statutes;

(xiii) Liens existing at the time of a Consolidation or Merger permitted under the Master Indenture, on the date of acquisition of any Property or at the time a Person becomes an Obligated Issuer; provided that no such Lien (or the amount of indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any Property of any member of the Obligated Group not subject to such Lien on such date, unless such Lien as so extended, renewed or modified shall be offered as security for all Obligations hereunder;

(xiv) Any Lien described in Exhibit A to the Master Indenture, provided that no such Lien (or the amount of indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any Property of any member of the Obligated Group not subject to such Lien on such date, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien under the Master Indenture;

(xv) A security interest in any funds or accounts established pursuant to the provisions of any Related Financing Documents;

(xvi) Liens in the form of purchase money security interests in Property financed with the proceeds of Indebtedness secured thereby;

(xvii) Liens securing any Indebtedness permitted under the Master Indenture, provided that the Master Trustee shall have received an Officer's Certificate from the Obligated Group Agent to the effect

that not more than 20% of the Value of all Net Property, Plant and Equipment of the Obligated Group would be subject to a Lien (excluding any purchase money security interest permitted under subsection (xvi) above and the Lien created under the Master Deed of Trust for the purpose of making such calculation);

(xviii) Liens on accounts receivable arising as a result of sale of such accounts receivable with recourse, provided that such liens shall be limited to 25% of net accounts receivable outstanding;

(xix) Options granted by any member of the Obligated Group to others to purchase real property or other assets of such member; provided, however, that the sale pursuant to such option would be permitted under the conditions described in the Master Indenture; and

(xx) Liens on any Property that is not encumbered by the Master Deed of Trust so long as the aggregate amount secured by such Liens does not exceed $5,000,000.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization, a governmental unit or an agency, political subdivision or instrumentality thereof or any other group or organization of individuals.

"principal" when used to refer to the amount of the Obligations, shall mean (i) the principal amount of any Obligation that constitutes Indebtedness; (ii) with respect to an Indenture Guaranty, the principal amount guaranteed; (iii) with respect to a Hedge Agreement, five percent (5%) of the notional amount of such Hedge Agreement as in effect from time to time; (iv) with respect to a Credit Facility, the amount disbursed by the issuer of the Credit Facility and not reimbursed on the date the principal amount is determined; (v) with respect to Discounted Indebtedness, the accreted value of such Discounted Indebtedness at the time the determination is made computed on the basis of a constant yield to maturity; and (vi) with respect to any other type of Obligations, the amount specified in the Supplemental Indenture creating such Obligation.

"Proceeds" shall mean "proceeds" as such term is defined in the Uniform Commercial Code as in effect in any relevant jurisdiction or under other relevant law and, in any event, shall include, but shall not be limited to, (i) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to any Obligated Issuer from time to time, and claims for insurance, indemnity, warranty or guaranty effected or held for the benefit of the Corporation, with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever) made or due and payable to the any Obligated Issuer from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Government Authority (or any person acting under color of Government Authority) and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Project" means the project financed with the proceeds of the Bonds.

"Projected Debt Service Coverage Ratio" shall mean for any future period of time, the ratio determined by dividing projected Total Income Available for Debt Service for such period by Maximum Annual Debt Service of the Obligated Group.

"Property" means any and all rights, titles and interests in and to any and all assets of a person, including all real or personal property, all tangible or intangible property, and all cash, wherever such assets are situated.

"Property, Plant and Equipment" shall mean all Property which is classified as property, plant and equipment under generally accepted accounting principles.

"Qualified Financial Corporation" shall mean a bank, trust company, national banking association, insurance company or other financial services company whose unsecured long-term debt obligations (in the case of a bank, trust company, national banking association or other financial services company) or whose claims paying abilities (in the case of an insurance company) are rated in any of the three highest rating categories (without reference to sub-categories) by the Rating Agency. For purposes hereof, the term "financial services company"

shall include any investment banking firm or any affiliate or division thereof which may be legally authorized to enter into the transactions described in the Master Indenture pertaining, applicable or limited to a Qualified Financial Corporation.

"Rating Agency" shall, mean severally or collectively, if applicable (i) Standard & Poor's Ratings Group and any successor thereto, if it has assigned a rating to any Obligation issued and outstanding under the Master Indenture or any Related Bonds issued and outstanding pursuant to any Related Financing Documents, (ii) Moody's Investors Service, Inc. and any successor thereto, if it has assigned a rating to any Obligation issued and outstanding under the Master Indenture or any Related bonds issued and outstanding pursuant to any Related Financing Documents, and (iii) Fitch's IBCA Inc. and any successor thereto, if it has assigned a rating to any Obligation issued and outstanding pursuant to any Related Financing Documents. If any such Rating Agency shall no longer perform the functions of a securities rating service for whatever reason, the term "Rating Agency" shall thereafter be deemed to refer to the others, but if both of the others shall no longer perform the functions of a securities rating service for whatever reason, term "Rating Agency" shall thereafter be deemed to refer to any other nationally recognized rating service or services as shall be designated in writing by the Obligated Group Agent to the Master Trustee; provided that such designee shall not be unsatisfactory to the Master Trustee.

"Receivables" shall mean any "Account" as such term is defined in the Uniform Commercial Code as in effect in any relevant jurisdiction and in any event shall include, but not be limited to, all of any Obligated Issuer's rights to payment for goods (including, without limitation, steam and electricity) sold or leased, or for services performed, by such Obligated Issuer, whether now in existence or arising from time to time hereafter, including, without limitation, rights evidenced by an account, note, contract, security agreement, chattel paper, or other evidence of indebtedness or security, together with (i) all security pledged, assigned, hypothecated or granted to or held by any Obligated Issuer to secure the foregoing, (ii) all of such Obligated Issuer's right, title and interest in and to any goods (including, without limitation, steam and electricity), the sale of which gave rise thereto, (iii) all guarantees, endorsements and indemnifications on, or of, any of the foregoing, (iv) all powers of attorney for the execution of any evidence of indebtedness or security or other writing in connection therewith, (v) all books, correspondence, credit files, records, ledger cards, invoices, and other papers relating thereto, including without limitation all similar information stored on a magnetic medium or other similar storage device and other papers and documents in the possession or under the control of any Obligated Issuer or any computer bureau from time to time acting for such Obligated Issuer, (vi) all evidences of the filing of financing statements and other statements and the registration of other instruments in connection therewith and amendments thereto, notices to other creditors or secured parties, and certificates from filing or other registration officers, (vii) all credit information, reports and memoranda relating thereto, and (viii) all other writings related in any way to the foregoing.

"Regularly Scheduled Qualified Swap Payments" means the regularly scheduled payments under the terms of a Hedge Agreement which are due or receivable absent any termination, default or dispute in connection with such Hedge Agreement.

"Related Bond Indenture" shall mean any indenture, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued.

"Related Bond Issuer" shall mean the Government Issuer of any issue of Related Bonds.

"Related Bond Trustee" shall mean the trustee and its successors in the trust created under any Related Bond Indenture, and if there is no such trustee, shall mean the Related Bond Issuer.

"Related Bonds" shall mean the revenue bonds, notes, other evidences of indebtedness or any other obligations issued by a Government Issuer, pursuant to a single Related Bond Indenture, the proceeds of which are loaned or otherwise made available to an Obligated Issuer in consideration of the execution, authentication and delivery of a Note to or for the order of such Government Issuer.

"Related Financing Documents" shall mean:

(a) in the case of any Note, (i) all documents, including any Related Bond Indenture, pursuant to which the proceeds of the Note are made available to an Obligated Issuer, the payment obligations evidenced by the Note are created and any security for the Note (if permitted under this Indenture) is granted, and (ii) all documents creating any additional payment or other obligations on the part of an Obligated Issuer which are executed in favor of the Holder in consideration of the Note proceeds being loaned or otherwise made available to the Obligated Issuer;

(b) in the case of any Indenture Guaranty, all documents creating the indebtedness being guaranteed pursuant to the Indenture Guaranty and providing for the loan or other disposition of the proceeds of the indebtedness and all documents pursuant to which any security for the Indenture Guaranty (if permitted under the Master Indenture) is granted; and

(c) in the case of Indebtedness other than Notes and Indenture Guaranties, all documents relating thereto which are of the same nature and for the same purpose as the documents described in clauses (a) and (b) above.

"Revenues" means all revenues, income, receipts and other money received or accrued by or on behalf of any Obligated Issuer from any source whatsoever, including, without limitation, proceeds derived from (i) insurance except where otherwise provided herein, (ii) all accounts and assignable general intangibles now owned or hereafter acquired by any Obligated Issuer, and all proceeds therefrom whether cash or noncash, all as defined in Article 9 of the Uniform Commercial Code, as enacted by the State of Tennessee, (iii) the sale of goods, inventory and other tangible and intangible property, (iv) agreements respecting Medicare, Medicaid and Blue Cross or similar or successor programs, and (v) all gifts, grants, bequests, contributions and donations made to any Obligated Issuer, including the income and profits therefrom.

"Short-Term Indebtedness" shall mean all Indebtedness other than Long-Term indebtedness.

"State" shall mean the State of Tennessee.

"Subordinated Indebtedness" shall mean any promissory note, guaranty, lease, contractual agreement to pay money or other obligation of any Obligated Issuer which is expressly made subordinate and junior in right of payment of principal of, redemption premium, if any, and interest on, (i) all Obligations issued pursuant to the Master Indenture, and (ii) all other obligations of the Obligated Group under the Master Indenture, on terms and conditions which substantially require that (1) no payment on account of principal of, redemption premium, if any, or interest on such Subordinated Indebtedness shall be made, nor shall any property or assets be applied to the purchase or other acquisition or retirement of such Subordinated Indebtedness, unless full payment of all amounts when due and payable upon maturity of Obligations issued under the Master Indenture have been made or duly provided for in accordance with the terms of such Obligations; (2) no payment on account of principal of, redemption premium, if any, or interest on such Subordinated Indebtedness shall be made, nor shall any property or assets be applied to the purchase or other acquisition or retirement of such Subordinated Indebtedness if, at the time of such payment or application, or immediately after giving effect thereto, (i) there shall exist a default in the payment of the principal of, redemption premium, if any, or interest on any Obligations (whether at maturity or upon mandatory redemption), or (ii) there shall have occurred an Event of Default with respect to any Obligations, as defined therein and in this Indenture, and such Event of Default shall not have been cured or waived or shall not have ceased to exist; and (3) in the event that any Subordinated Indebtedness is declared or otherwise becomes due and payable because of the occurrence of an event of default with respect thereto, (x) the Holders at such time shall be entitled to receive payment in full thereon before the holders of the Subordinated Indebtedness shall be entitled to receive any payment on account of such Subordinated Indebtedness as a result of such event of default, and (y) no holder of Subordinated Indebtedness, or a trustee acting on such holder's behalf, shall be entitled to exercise any control over proceedings to enforce the terms and conditions of the Master Indenture.

"Tax Agreement" means the Tax Exemption Certificate and Agreement by and among the Issuer, the Corporation and the Bond Trustee, including all appendices, certificates and attachments thereto, executed on the date of issuance and delivery of the Bonds, as it may be amended from time to time.

"Tax-Exempt Organization" shall mean a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxes under Section 501(a) of the Code, and which is not a "private foundation" within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"Thirty-Fourth Supplemental Indenture" means the Thirty-Fourth Supplemental Indenture, dated as of September 1, 2012, between the Alliance and the Master Trustee.

"Total Income Available for Debt Service" shall mean, as to any period, (a) the aggregate of Income Available for Debt Service of each member of the Obligated Group for such period, determined in such a manner that no portion of Income Available for Debt Service of any member of the Obligated Group is included more than once.

"Total Net Operating Revenues" shall mean, as to any period, the aggregate of Net Operating Revenues of each member of the Obligated Group for such period, determined in such a manner that no portion of Net Operating Revenues of any member of the Obligated Group is included more than once.

"Unrestricted Liquid Funds" as of any date means the aggregate of the unrestricted and unencumbered/unpledged cash and unrestricted and unencumbered/unpledged liquid securities (valued at fair market value) of the Obligated Group as of such date (including board-designated funds) from which there shall be subtracted each of the following: (i) the value of all self-insured professional and general liability insurance obligations of the Obligated Group determined by an independent actuary as of such date, (ii) any funds held by the lender or trustee with respect to any Long Term Indebtedness (including any debt service reserve fund, any debt service or bond fund or any construction or project fund), (iii) any proceeds drawn from a line of credit, liquidity facility or other similar facility, and (iv) any grantor or donor restricted funds.

"Value," when used in connection with any Property, shall mean either (a) Book Value, or (b) at the election of the Obligated Group Agent evidenced by an Officer's Certificate delivered to the Master Trustee, the aggregate fair market value of such Property, as reflected in the most recent written report of an appraiser selected by the Obligated Group Agent and, in the case of real property, who or which is a member of the American Institute of Real Estate Appraisers (MAI), delivered to the Master Trustee (which report shall be dated not more than three years prior to the date as of which value is to be calculated) (i) increased or decreased by the cost of any Property acquired, or the fair market value of any Property disposed of, since the date of such report and (ii) increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such report to the date as of which value is to be calculated.

"Variable Rate Indebtedness" shall mean any portion of Indebtedness the interest rate on which fluctuates subsequent to the time of incurrence.

"Written Request" means with reference to a Related Issuer, a request in writing signed by the Chairman, Vice-Chairman, Executive Director, Associate Executive Director, Mayor, Clerk, President, Vice President, Secretary or Assistant Secretary of the Related Issuer and with reference to any Obligated Issuer means a request in writing signed by the President or a Vice President of such Obligated Issuer or any other officers designated in a certificate delivered to the Bond Trustee by the Related Issuer or such Obligated Issuer, as the case may be.

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE

Each Obligation will be issued pursuant to the Master Indenture and will entitle each holder thereof to the protection of the covenants, restrictions and other obligations imposed upon the Corporation and each Obligated Issuer by the Master Indenture and the security provided for therein.

Accounting Principles

Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purposes of the Master Indenture or any agreement, document or certificate executed and delivered in connection with or pursuant to the Master Indenture, such determination or computation shall be done in accordance with generally accepted accounting principles in effect on (i) the date of the delivery of the Master Indenture, or (ii) at the election of the Obligated Group Agent, as specified in an Officer's Certificate delivered to the Master Trustee, the date such determination or computation is made for any purpose of the Master Indenture, such accounting principles, to the extent applicable, consistently applied; provided that intercompany balances and liabilities among the Obligated Issuers shall be disregarded and that the requirements set forth in this paragraph shall prevail, if inconsistent with generally accepted accounting principles. In the event that the fiscal year of any Obligated Issuer ends on a date other than the last day of a Fiscal Year, the character or amount of any asset or liability or item of income or expense of such Obligated Issuer for its fiscal year ending within any Fiscal Year under consideration shall be deemed to be the character or amount of the appropriate asset or liability or item of income or expense for such Fiscal Year. For purposes of calculating Total Income Available for Debt Service and Total Net Operating Revenues for any period, if any Obligated Issuer shall have become a member of the Obligated Group during such period, such calculations shall be made assuming that such Obligated Issuer became a member of the Obligated Group at the beginning of such period.

Master Indenture Obligations

Each Obligated Issuer is permitted to issue one or more series of Obligations under the Master Indenture on which all Obligated Issuers will be jointly and severally liable. The terms of each Obligation shall be set forth in a Supplemental Indenture.

The principal of, premium, if any, and interest on the Obligations shall be payable in any currency of the United States of America which is legal tender for the payment of public and private debts. Such payment shall be made at the principal corporate trust office of the Master Trustee or, if an Obligated Issuer so elects, by check, draft or wire transfer to such Holder. In the case of all payments made directly to a Holder, the Obligated Issuer shall give notice of such payment to the Master Trustee concurrently with the making thereof.

Each Obligated Issuer, jointly and severally, unconditionally guarantees to the Holders of the Obligations and to the Master Trustee the due and punctual payment of the principal of, and interest on, the Obligations and all other amounts due and payable under the Master Indenture; provided, however, that the maximum aggregate liability of each Obligated Issuer, as of any date, shall be its Maximum Guaranty Liability as of such date.

Each Obligated Issuer shall be subrogated to all rights of the Holders of the Obligations and the Master Trustee against the other Obligated Issuers in respect of any amounts paid pursuant to the Master Indenture.

If any Person ceases to be an Obligated Issuer, such Person shall cease to be a "Cross Guarantor" under the Master Indenture, and its Obligations as such shall be terminated and released; provided, however, that the foregoing provision is inapplicable (i) if such Person ceases to be an Obligated Issuer as a result of a transaction which is prohibited by the terms of the Master Indenture or (ii) if, at the time such Person would otherwise have been released under the provisions of this paragraph, there has occurred and is continuing a default in the payment of principal, or interest, on any Obligation.

If an Obligated Issuer is called upon to make a payment under its Cross Guarantee, each of the Obligated Issuers shall contribute to such paying Obligated Issuer their pro rata share, determined pursuant to the Master Indenture, of the amount of such payment.

All Obligations shall be executed for and on behalf of an Obligated Group Member by the officer as specified in the Master Indenture or such other officer designated in writing. A resolution of the Governing Body of the Obligated Group Agent shall also be joined thereto. Further, each Obligation shall be manually authenticated, in the form provided in the Master Indenture, by an authorized signer of the Master Trustee, without which authentication no Obligation shall be valid or entitled to the benefits of the Master Indenture.

The Master Trustee shall maintain at its principal corporate trust office a registration book relating to Obligations of the Obligated Group. These registration books shall contain (i) the names and addresses of Holders of Obligations, and (ii) any other information which may be necessary for the proper discharge of the Master Trustee's duties under the Master Indenture. The Supplemental Indenture, providing for the issuance thereof, shall govern the transfer or exchange of any Obligation.

If any Obligation is mutilated, lost, stolen or destroyed, the Holder thereof shall be entitled to the issuance of a substitute Obligation only as follows:

(i) In the case of a lost, stolen or destroyed Obligation, the Holder shall: provide notice of the loss to the Obligated Group Agent, or to the Master Trustee; request the issuance of a substitute Obligation before the Obligated Group Agent receives notice of the transfer of the original Obligation to a bona fide purchaser for value without notice; provide indemnity to the Master Trustee against any and all claims arising out of, or otherwise related to, the issuance of substitute Obligations; and shall surrender any Obligation which have not been lost, stolen or destroyed and provide evidence of the ownership of the affected Obligation and the loss, theft or destruction thereof;

(ii) In the case of a mutilated Obligation the Holder shall: surrender the Obligation to the Master Trustee for cancellation; and provide indemnity to the Master Trustee against any and all claims arising out of, or otherwise related to, the issuance of substitute Obligations.

Every substituted Obligation shall constitute an additional contractual obligation of the Obligated Group, whether or not the Obligation alleged to have been destroyed, lost or stolen shall be at any time enforceable by anyone, and shall be entitled to all the benefits of the Master Indenture equally and proportionately with any and all other Obligations, unless the Obligation alleged to have been destroyed, lost or stolen shall be at any time enforceable by a bona fide purchaser for value without notice.

The preceding provisions regarding substitute Obligations are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Obligations and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or later enacted to the contrary.

The Master Trustee shall establish and maintain a revenue or similar debt service fund for the purpose of accumulating and paying amounts due on outstanding Obligations (i) if the applicable Supplemental Indenture provides for the making of deposits directly with the Master Trustee in respect of an Obligation, or (ii) upon the occurrence of an Event of Default under the Master Indenture and the exercise of any remedies by the Master Trustee for the benefit of all Holders of outstanding Obligations. All money held in any fund established under the Master Indenture, in the case of (i) above, shall, upon written request and direction of the Obligated Group Agent, be invested in Investment Securities, and any money realized by the Master Trustee in the case of (ii) above, shall be invested by the Master Trustee, without need of any further authorization or direction, only in Government Obligations with maturities not in excess of ninety days, unless the Master Trustee is otherwise directed by Holder. The Master Trustee shall not be liable or responsible for any loss resulting from any such investment.

Any Obligated Issuer and the Master Trustee may enter into a Supplemental Indenture to create an Obligation issued under the Master Indenture. The Supplemental Indenture shall (i) with respect to Obligations

created thereby, set forth the date thereof, and the date or dates on which principal of, premium, if any, and interest on such Obligations shall be payable, and (ii) provide for the form of such Obligations and shall contain such other terms and provisions as shall not be inconsistent with the provisions of the Master Indenture.

Simultaneously with or prior to the execution, authentication and delivery of the Obligations pursuant to the Master Indenture:

(a) All requirements and conditions to the issuance of such Obligations, if any, set forth in the Master Indenture and the Supplemental Indenture shall have been complied with and satisfied;

(b) The applicable Obligated Issuer or the Obligated Group Agent shall have delivered to the Master Trustee such opinions, certificates, proceedings, instruments and other documents as the Master Trustee or the Related Bond Issuer, if any, may reasonably request;

(c) The requirements of the Master Indenture with respect to the incurrence of Additional Indebtedness shall have been satisfied if such Obligations constitute Indebtedness;

(d) Each Supplemental Indenture shall specify the purpose or purposes for which such Obligations are being issued, which may be any purpose within the corporate power of the applicable Obligated Issuer; and

(e) The Obligated Group Agent shall have delivered to the Master Trustee an opinion of counsel, regarding the Securities Act of 1933 and the Trust Indenture Act of 1939, as required pursuant to the Master Indenture.

Security For Obligations

As security for the payment and performance of all outstanding Obligations, the Obligated Issuers shall grant the Master Trustee a security interest in (i) all money and Investment Securities which may at any time be held by the Master Trustee in any fund or account which may be established by the Master Trustee under the Master Indenture in connection with the administration of the trusts created thereby, (ii) all Gross Receipts, (iii) all Receivables, (iv) all Inventory, (v) all Equipment, (vi) all General Intangibles, (vii) all Contracts and all Contract Rights, (viii) all amounts from time to time held in any checking, savings, deposit or other account of any Obligated Issuer, (ix) all Government Approvals, provided, that any Government Approval which by its terms or by the operation of law would become void, voidable, terminable or revocable if mortgaged, pledged or signed under the Master Indenture or if a security interest therein were granted thereunder or expressly accepted and excluded from the security interest hereby granted to the extent necessary so as to avoid such voidness, voidability, terminability or revocability, (x) all Fixtures, including but not limited to those now or hereafter attached to, placed on or incorporated in the Land, (xi) all Revenues, (xii) without limiting the generality of the foregoing, all other personal property, goods, Instruments, Investment Property, Chattel Paper, Documents, credits, claims, demands and assets of any Obligated Issuer, whether now existing or hereafter acquired from time to time, and (xiii) any and all additions and accessions to any of the foregoing, all improvements thereto, all substitutions and replacements therefor and all products and Proceeds thereof (all of the above collectively, the "Collateral"), to have and to hold in trust for the benefit of the Holders from time to time of all Obligations issued and outstanding under the Master Indenture, without preference or priority of any one Obligation over any other Obligation except as otherwise expressly provided therein. The security interest granted to the Master Trustee pursuant to the Master Indenture extends to all Collateral of the kind which is subject to such security interest which any Obligated Issuer may acquire at any time during the continuation of the Master Indenture, whether such Collateral is in transit or in such Obligated Issuer, the Issuer's or any other Person's constructive, actual or exclusive occupancy or possession.

To further secure the payment of and performance under all outstanding Obligations, the Corporation has, on even date herewith, executed and delivered to the Master Trustee the Master Deed of Trust.

If (i) in any Fiscal Year beginning with the Fiscal Year ending June 30, 2006, the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group is less than 1.50 to 1, (ii) the Obligated Group is not in compliance with the liquidity covenant described under the caption "Liquidity Covenant" herein, or (iii) an Event of

Default has occurred and is continuing, the Obligated Group Agent shall cause a special trust fund (the "Revenue Fund") to be created with one or more banking institutions and each Obligated Issuer shall on a daily basis deposit all of its Gross Receipts therein.

The Obligated Group Agent shall cause each banking institution with which the Revenue Fund has been established to enter into a written depository agreement, which shall be satisfactory in form and substance to the Master Trustee and shall be in substantially the form of such agreement heretofore delivered to the Master Trustee (or with such changes therein as shall have been approved by the Holders of not less than 75% in aggregate principal amount of Obligations then outstanding) pursuant to which such banking institution shall agree to hold any and all Gross Receipts from time to time on deposit with such banking institution as assets of a trust for the Holders of the Obligations and to transfer such Gross Receipts to the Master Trustee upon receipt from the Master Trustee of a notice stating that delivery of such Gross Receipts is required pursuant to the Master Indenture. Prior to its receipt of a request from the Master Trustee, any Obligated Group member may transfer or expend all or any part of its Gross Receipts free of any security interest, subject, however, to the provisions of the Master Indenture. Deposits of Gross Receipts shall be made into the Revenue Fund on a daily basis, insofar as practicable, for the benefit of the Master Trustee and the Holders of the Obligations. Upon the request of the Obligated Group Agent, the Master Trustee will provide to such agent a written certifications as to whether there is currently outstanding a request from the Master Trustee.

Each Obligated Issuer agrees that except as may be otherwise provided in the Master Indenture, it will not pledge or grant a security interest in any of the Gross Receipts.

Each Obligated Issuer agrees that, if an Event of Default shall have occurred and be continuing, it will, upon request of the Master Trustee, deliver or direct to be delivered to the Master Trustee all Gross Receipts until such Event of Default has been cured, such Gross Receipts to be applied in accordance with the Master Indenture.

The Master Trustee shall establish and maintain a revenue or similar debt service fund hereunder for the purpose of accumulating and paying amounts due on outstanding Obligations (i) if the applicable Supplemental Indenture specifically provides for the making of deposits directly with the Master Trustee in respect of an Obligation, or (ii) upon the occurrence of an Event of Default and the exercise of any remedies by the Master Trustee for the benefit of all Holders of outstanding Obligations; provided, however, if neither (i) nor (ii) are at the time applicable but deposits to the Revenue Fund are then required under subsection (a) above, the Obligated Group Agent may deposit the Gross Receipts with one or more banking institutions (other than the Master Trustee) and such revenues shall, upon the request and direction of the Obligated Group Agent, be invested in Investment Securities. In the case of (i) above, deposits to any such fund and payments therefrom shall be made in accordance with the terms and provisions of the applicable Supplemental Indenture for the making of deposits into and payments from such fund. In the case of (ii) above, any moneys realized by the Master Trustee upon the exercise of any such remedies shall be applied in accordance with the provisions of the Master Indenture. All money held at any time in any fund in the case of (i) above, shall, upon written request and direction of the Obligated Group Agent, be invested in Investment Securities and any money realized by the Master Trustee in the case of (ii) above, shall be invested by the Master Trustee, without need of any further authorization or direction, only in Government Obligations having maturities not in excess of 90 days, unless the Master Trustee is otherwise directed by Holders in the manner provided in the Master Indenture.

Persons Becoming Obligated Issuers; Withdrawal from Obligated Group

The Master Indenture permits Persons other than the Corporation to become members of the Obligated Group subject to the satisfaction of certain conditions. The conditions include the following:

First, such Person shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Obligated Group Agent, containing (i) the agreement of such Person to become an Obligated Issuer under the Master Indenture and thereby to become subject to compliance with all provisions of the Master Indenture pertaining to an Obligated Issuer, including the performance and observance of all covenants and obligations of an Obligated Issuer under the Master Indenture; (ii) the agreement of such Person to consult with each other member of the Obligated Group prior to incurring any Obligations; and (iii) such other restrictions on the ability of such Person to incur Obligations as shall be imposed by the Obligated Group. Such Person shall execute and deliver to the

Master Trustee such security agreements, financing statements and other documents as are necessary to grant to the Master Trustee a perfected lien in all Collateral in which such Person has an interest.

Second, each instrument executed and delivered to the Master Trustee in accordance with the preceding paragraph shall be accompanied by an Officer's Certificate from the Obligated Group Agent to the effect that the Obligated Group Agent consents to such Person becoming an Obligated Issuer and an opinion of Counsel to the effect that (a) the conditions contained in the Master Indenture relating to such Person's membership in the Obligated Group have been satisfied; (b) under then existing law, such Person becoming an Obligated Issuer will not subject any Obligation to the registration provisions of the Securities Act of 1933, as amended, or that such Obligation has been so registered if so required, or the qualification of the Master Indenture pursuant to the Trust Indenture Act of 1939, as amended, or that the Master Indenture has been so qualified if qualification is required; and (c) each such instrument has been duly authorized, executed and delivered by such Person and constitutes a legal, valid and binding agreement, enforceable in accordance with its terms, except as limited by then-existing laws relating to bankruptcy and insolvency and other standards and customary legal exceptions.

If all amounts due or to become due on any outstanding Related Bond which bears interest that is not includable in gross income under the Code has not been paid to the holder thereof (or provision for such payment has not been made in such manner as to have resulted in the defeasance of the Related Financing Documents), the Master Trustee shall receive an Opinion of Bond Counsel to the effect that under then existing law such Person becoming an Obligated Issuer would not adversely affect the validity of such Related Bond or cause the interest payable on such Related Bond to become includable in gross income under the Code.

As a further condition to a Person becoming a member of the Obligated Group, the Master Trustee shall receive an Officer's Certificate from the Obligated Group Agent to the effect that (A) no Event of Default then exists under the Master Indenture, nor to such officer's knowledge, does 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 under the Master Indenture; (B) either (1) if one dollar of Additional Indebtedness were incurred immediately following such Person's admission, the Obligated Group would meet the test providing for the incurrence of Long-Term Indebtedness pursuant to subsection (a)(i) or (ii) under the heading "Additional Long-Term Indebtedness" (assuming, for purposes of such certificate, that the Income Available for Debt Service and Indebtedness of such Person were Income Available for Debt Service and Indebtedness of an Obligated Issuer), or (2) such Person becoming a member of the Obligated Group will cure any Event of Default then in existence under the Master Indenture, or (3) by reason of such membership, the Projected Debt Service Coverage Ratio for each of the two Fiscal Years following such entry into the Obligated Group will be greater than the projected Debt Service Coverage Ratio for such Fiscal Years had such entry into the Obligated Group not occurred; (C) immediately after such person's admission, the combined fund balance and net worth, as the case may be, of the Obligated Group is not less than 90% of such combined fund balance and net worth immediately prior to such admission; and (D) the Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group (taking into account the admission of such Person) for each of the two most recent Fiscal Years for which consolidated or combined financial statements reported upon by an independent certified public Accountant are available was not less than 1.30 to 1.

As a further condition to a Person becoming a member of the Obligated Group, the Master Trustee shall receive a Consultant's report to the effect that the Projected Debt Service Coverage Ratio of the Obligated Group (taking into account the admission of such Person) for each of the two Fiscal Years following the admission of such Person is not less than 1.3:1.

The Corporation shall not withdraw from the Obligated Group. No other Obligated Issuer may withdraw from the Obligated Group unless:

(i) If the Obligated Issuer is other than the Obligated Group Agent, the Obligated Group Agent consents to the withdrawal;

(ii) If all amounts due on any outstanding Related Bond which bears interest that is not includable in gross income under the Code have not been paid to the holder thereof (or provision for such payments has not been made in such manner as to have resulted in the defeasance of the Related Financing Documents), the Master Trustee shall have received an Opinion of Bond Counsel, in

form and substance satisfactory to the Master Trustee, to the effect that under then existing law such Person's withdrawal from the Obligated Group would not adversely affect the validity of such Related Bond or cause the interest payable on such Related Bond to become includable in gross income under the Code;

(iii) The Master Trustee shall have received an Officer's Certificate from the Obligated Group Agent to the effect that either (1) after giving effect to such withdrawal, if one dollar of Additional Indebtedness were incurred, the Obligated Group would meet the test providing for the incurrence of Long- Term Indebtedness pursuant to subsection (a)(i) or (ii) under the heading "Additional Long-Term Indebtedness," or (2) such Person's withdrawal from the Obligated Group will cure any Event of Default then in existence under the Master Indenture, or (3) by reason of such withdrawal, the Projected Debt Service Coverage Ratio for each of the two Fiscal Years immediately following withdrawal of such Obligated Issuer from the Obligated Group will be greater than the Projected Debt Service Coverage Ratio for such Fiscal Years had such withdrawal not occurred;

(iv) The Master Trustee shall have received an Officer's Certificate from the Obligated Group Agent to the effect that, immediately after the withdrawal of such Person from the Obligated Group, no Event of Default then exists under the Master Indenture, nor to such officer's knowledge, does 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; and

(v) The Master Trustee shall have received a Consultant's report to the effect that the Projected Debt Service Coverage Ratio of the Obligated Group (taking into account the withdrawal of such Person) for each of the two Fiscal Years following the withdrawal of such Person is not less than 1.3:1;

(vi) The Master Trustee shall have received an Officer's Certificate from the Obligated Group Agent to the effect that the Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group (taking into account the withdrawal of such Obligated Issuer) for each of the two most recent Fiscal Years for which consolidated or combined financial statements reported upon an independent certified public Accountant are available was not less than 1.30 to I; and

(vii) The Obligated Group Agent shall have received an opinion of Counsel to the effect that following such Person's withdrawal from the Obligated Group no member of the Obligated Group will have any liability for the payment of any indebtedness of such Person.

Upon compliance with the above conditions, the Master Trustee shall execute any documents reasonably requested by the withdrawing Obligated Issuer to evidence the termination of such Issuer's obligations under the Master Indenture, under any Supplemental Indenture and under all Obligations.

Short-Term Indebtedness

Each Obligated Issuer agrees that it will not incur, nor permit any of its Restricted Affiliates to incur, any Additional Indebtedness constituting Short-Term Indebtedness unless immediately after the incurrence of such Short- Term Indebtedness:

(a) (i) the principal amount of all Short-Term Indebtedness of the Obligated Group then outstanding does not exceed 20% of the Total Net Operating Revenues for the most recent Fiscal Year for which consolidated or combined financial statements reported upon by an independent certified public Accountant are available, or

(ii) any such Short-Term Indebtedness could be incurred under the tests set forth in the Master Indenture (relating to Long-Term Indebtedness) treating such Short-Term Indebtedness as Long-Term Indebtedness, and

(b) For a period of not fewer than 15 consecutive days within each Fiscal Year, the Obligated Group shall reduce the aggregate principal amount of all outstanding Short-Term Indebtedness described in (a)(i) above to less than 5% of the Total Net Operating Revenues for the immediately preceding Fiscal Year.

Additional Long-Term Indebtedness

Each Obligated Issuer agrees that it will not incur nor permit any of its Restricted Affiliates to incur, any Additional Indebtedness constituting Long-Term Indebtedness unless such Long-Term Indebtedness consists of one or more of the following:

(a) Long-Term Indebtedness of any member of the Obligated Group, if prior to the incurrent thereof, there is delivered to the Master Trustee:

(i) an Officer's Certificate of the Obligated Group Agent demonstrating that the Historical Pro Forma Debt Service Coverage Ratio for the most recent Fiscal Year for which consolidated or combined financial statements reported upon by an independent certified public Accountant are available was not less than 1.35; or

(ii) (A) an Officer's Certificate of the Obligated Group Agent demonstrating that the Historical Maximum Annual Debt Service Coverage Ratio for the most recent Fiscal Year for which consolidated or combined financial statements reported upon by an independent certified public Accountant are available was not less than 1.25, and (B) a Consultant's report (or, in lieu thereof, an Officer's Certificate of the Obligated Group Agent if the Projected Debt Service Coverage Ratio described in this subsection (B) is 1.75 or greater) to the effect that the Projected Debt Service Coverage Ratio, taking the proposed Additional Indebtedness into account, (x) in the case of Additional Indebtedness (other than a Guaranty) to finance capital improvements, for each of the two Fiscal Years succeeding the date on which such capital improvements are expected to be in operation, or (y) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, for each of the two Fiscal Years succeeding the date on which the Indebtedness or Guaranty is incurred, is not less than 1.40.

The requirements of (a)(ii)(A) and (B) will be deemed satisfied if (i) a Consultant's report filed with the Master Trustee states that applicable laws or regulations have prevented or will prevent the achievement of such debt service coverage ratios, (ii) the Obligated Group has generated Total Income Available for Debt Service in an amount which, in the opinion of such Consultant, the Obligated Group could reasonably have generated given such laws and regulations during the period affected thereby.

(b) Completion Indebtedness of any member of the Obligated Group without limit if there is delivered to the Master Trustee: (i) an Officer's Certificate of the applicable member of the Obligated Group stating that at the time the original Long-Term Indebtedness for the Facilities to be completed was incurred, such Obligated Group member had reason to believe that the proceeds of such Long-Term Indebtedness, together with other moneys then expected to be available, would provide sufficient moneys for the completion of such Facilities; (ii) a statement of an Architect or an expert setting forth the amount estimated to be needed to complete the Facilities, and (iii) an Officer's Certificate of such member of the Obligated Group stating that the proceeds of such Completion Indebtedness to be applied to the completion of the Facilities, together with a reasonable estimate of investment income to be earned on such proceeds and the amount of moneys, if any, committed to such completion by such Obligated Group member or through enumerated bank loans (including letters or lines of credit) or through federal or state grants, will be in an amount not less than the amount set forth in the statement of an architect or other expert referred to in (ii).

(c) Commitment Indebtedness of any member of the Obligated Group or any Guaranty of any Commitment Indebtedness of any member of the Obligated Group without limit.

(d) Long-Term Indebtedness of any member of the Obligated Group incurred for the purpose of refunding, repurchasing or refinancing (whether in advance or otherwise) any outstanding Long-Term Indebtedness;

provided, however, that additional Long-Term Indebtedness permitted under this paragraph (d) shall not result in an increase in Maximum Annual Debt Service in excess of 10%.

(e) The conversion without limit of Long-Term Indebtedness of any member of the Obligated Group that is convertible from one interest or payment made to another interest or payment (e.g., weekly to monthly or to a fixed rate) from one mode to another pursuant to the terms of the documentation authorizing such Long-Term Indebtedness.

(f) Subordinated Indebtedness without limit of any member of the Obligated Group or Non-Recourse Indebtedness without limit of any member of the Obligated Group; provided, however, that in the case of Subordinated Indebtedness, the Obligated Group Agent shall have furnished the Master Trustee with a certificate showing that prior to the issuance of such Subordinated Indebtedness, the debt to capitalization ratio of the Obligated Group does not exceed 60%.

(g) Indebtedness incurred in connection with a sale of not more than 25% of accounts receivable with recourse by any member of the Obligated Group consisting of an obligation to repurchase all or a portion of such accounts receivable upon ce1iain conditions, provided that the principal amount of such Indebtedness permitted shall not exceed the aggregate sales price of such accounts receivable received by such Obligated Group member.

(h) Long-Term Indebtedness of any member of the Obligated Group, the principal amount of which at the time incurred, together with the aggregate principal amount of all other Long-Term Indebtedness and Short-Term Indebtedness of the Obligated Group then outstanding, does not exceed 25% of the Total Net Operating Revenues for the most recent Fiscal year for which consolidated or combined financial statements reported upon by an independent certified public Accountant are available.

Guaranties

Each Obligated Issuer agrees that it will not enter into, or become liable in respect of, or permit any Restricted Affiliate to enter into, or become liable in respect of, any Guaranty dated after the date of the Master Indenture unless the principal amount of the indebtedness being guaranteed could then be incurred as Indebtedness described under the heading "Additional Long-Term Indebtedness," taking into account the assumptions as to calculating the aggregate annual principal and interest payments on, and the principal amount of, the indebtedness being guaranteed, contained in the immediately succeeding paragraph.

In the case of Guaranties of indebtedness that would, if such indebtedness were incurred by a member of the Obligated Group, constitute Long-Term Indebtedness, the aggregate annual principal and interest payments on, and the principal amount of, the Guaranty shall be deemed to be equal to 20% of the principal and interest payments which would be payable on the indebtedness being guaranteed as if such indebtedness were Long-Term Indebtedness of the Guarantor. If at any time the Guaranty becomes due and payable, or if any payment has been made under the Guaranty during the two immediately preceding Fiscal Years, the aggregate annual principal and interest payments on, and the principal amount of, the Guaranty shall, for purposes of this paragraph, be deemed to equal 100% of the principal and interest payable on, and the principal amount of, the indebtedness being guaranteed for the Fiscal Year for which such determination is being made.

Debt Service on Balloon Indebtedness and Variable Rate Indebtedness

For purposes of the covenants and computations required or permitted pursuant to the Master Indenture, it shall be assumed that (A) the interest rate on Variable Rate Indebtedness is equal to the higher of (a) the current rate on the Variable Rate Indebtedness or (b) that rate that is the average of the rate of interest which was in effect on the last day of each of the twelve preceding full calendar months immediately preceding the month in which such calculation is made, provided that if the Variable Rate Indebtedness has not been outstanding for at least twelve full calendar months, the assumed rate of interest for such Variable Rate Indebtedness shall be the rate of interest borne on the date such Variable Rate Indebtedness was issued, and (B) the principal of Balloon Indebtedness is amortized:

(i) from the date of calculation thereof over a term equal to twenty (20) years, with level annual debt service payments at an assumed interest rate equal to the Bond Index (provided if the Balloon Indebtedness is also Variable Rate Indebtedness, the assumed interest rate may, at the option of the Obligated Group Agent, be the assumed interest rate applicable to Variable Rate Indebtedness); or

(ii) during the term to the maturity thereof by deposits made to a sinking fund therefor pursuant to the terms of such Balloon Indebtedness or in accordance with a sinking fund schedule established by resolution of the Governing Body of the applicable Obligated Issuer adopted at or subsequent to the time of incurrence of such Balloon Indebtedness, as certified in an Officer's Certificate, provided that, at the time of such calculation, all deposits required to have been made prior to such date shall have been made; or

(iii) the principal of Balloon Indebtedness is due and payable on the specified due date or due dates thereof; or

(iv) with respect to Balloon Indebtedness for which there exists a Credit Facility, the principal of such Balloon Indebtedness is due and payable in the amounts and at the times specified in the Credit Facility.

Insurance

Each Obligated Issuer will maintain, or cause to be maintained, insurance covering such risks and in such amounts as, in its reasonable judgment, is adequate to protect it and its Property and operations, including (to the extent that such Obligated Issuer is a health care institution) professional liability or medical malpractice insurance, one year's business interruption insurance (if commercially available) and extended coverage property insurance in an amount sufficient to avoid co-insurance. The Master Trustee shall be named as an additional insured on all such insurance policies. The Obligated Group Agent shall retain an Insurance Consultant who will prepare and file with the Master Trustee a report showing the adequacy of such insurance once every two years (such report to be filed as soon as practicable but in no event later than five months after the end of the applicable second Fiscal Year). Each Obligated Issuer will follow any recommendations of the Insurance Consultant to the extent feasible in the opinion of the Obligated Group Agent.

In lieu of maintaining the insurance policies required above, the Obligated Group, or any member thereof, may self-insure any of the required coverages (or a portion thereof), provided that the Obligated Group may not self-insure any required coverage with respect to Property, Plant and Equipment and provided further that the Master Trustee receives a report (as soon as practicable but in no event later than five months after the end of each Fiscal Year) of an Insurance Consultant to the effect that such self-insurance is consistent with proper management and insurance practices. If any member of the Obligated Group elects to self-insure in lieu of maintaining medical liability and malpractice insurance, a report of an Insurance Consultant shall be filed with the Master Trustee annually stating that such Insurance Consultant has reviewed the self-insurance program and that the self-insured Obligated Group Member has available the estimated amount required for the payment of claims and associated claims expenses with respect to such Fiscal Year.

In the event of damage to or destruction of all or any part of the Facilities of the Obligated Group with a Value in excess of five percent (5%) of the Value of all Property of the Obligated Group, the affected Obligated Group member or the Obligated Group Agent shall exercise its best efforts to recover any applicable insurance. Such proceeds shall be paid to the Obligated Group Agent for the payment or reimbursement of reasonable expenses of obtaining the recovery. The Obligated Group Agent shall then give notice to the Master Trustee of such expenses and of the amount of the remaining proceeds (herein called the "Net Proceeds").

Subject to the provisions of any Related Financing Document pertaining to a Permitted Lien, the affected Obligated Group member shall apply the Net Proceeds for any lawful corporate purpose as such Obligated Group member determines, if the Obligated Group Agent shall first have delivered to the Master Trustee an Officer's Certificate stating that the Projected Debt Service Coverage Ratio for each of the next two full succeeding Fiscal Years immediately following the date of such certificate(s), taking into account such damage or destruction and the proposed use of the Net Proceeds is at least 1.10. If the Obligated Group Agent is unable to deliver the foregoing

Officer's Certificate, the affected Obligated Group member shall apply the Net Proceeds or so much thereof as may be needed to the repair, replacement, restoration or reconstruction of the affected Facilities or, at the option of the applicable Obligated Group member, to any other capital project of equivalent value and utility, to the acquisition of any Property or to the repayment in whole or in part of any outstanding Obligations in such order of maturity or maturities or proportions as the Obligated Group Agent shall determine.

Any Net Proceeds remaining after compliance by the affected Obligated Group member and the Obligated Group Agent with the immediately preceding paragraph shall be transferred by the Obligated Group Agent to the Master Trustee and applied to the redemption of the outstanding Obligations that directly finance the damaged or condemned facilities and are secured thereby, second to other direct outstanding Obligations of the affected Member of the Obligated Group, and third to the redemption of other outstanding Obligations in such order of maturity or maturities or proportions as the Obligated Group Agent shall determine.

In the event of a taking by eminent domain of all or any part of the Facilities of the Obligated Group with a Value in excess of five percent (5%) of the Value of all Property of the Obligated Group, the affected Obligated Group member or the Obligated Group Agent shall exercise its best efforts to recover any applicable proceeds. Such proceeds shall be paid to the Obligated Group Agent. The Obligated Group Agent shall make appropriate deductions from such proceeds and give notice to the Master Trustee of such deductions and of the amount of the remaining proceeds (also, "Net Proceeds"). The Net Proceeds shall be applied in the same manner as insurance proceeds are applied pursuant to the two immediately preceding paragraphs.

Certain Covenants of the Obligated Issuers

Each Obligated Issuer covenants, among other things, to maintain its corporate or other separate legal existence and to be qualified to do business where such qualification is necessary, to maintain and keep its Facilities in good repair, to conduct its affairs in compliance with all applicable laws and regulations, to pay all lawful taxes and governmental charges and assessments levied or assessed upon or against it or its Property (except that each Obligated Issuer may withhold such payments where the validity of such taxes and assessments is being contested in good faith), to comply with any covenants and provisions of any Liens upon its property or securing any of its Indebtedness, to procure and maintain all necessary licenses and permits, to maintain accreditation of its health care Facilities and its status as a provider of health care services eligible for reimbursement under government programs (provided, however, that it need not comply with the requirements pertaining to licenses, permits, accreditation and its status as a provider if and to the extent its Governing Body shall have determined in good faith, evidenced by an Officer's Certificate 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).

In addition, each Obligated Issuer covenants not to merge with or consolidate with any other Person not a member of the Obligated Group or sell or convey all or substantially all of its assets to any Person not a member of the Obligated Group unless: (a) the successor corporation (if other than the Obligated Issuer) shall be a Person organized and existing under the laws of the United States of America or a state thereof and such Person shall become an Obligated Issuer and shall expressly assume the due and punctual payment of the principal of, premium, if any, and interest on all outstanding Obligations according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Master Indenture by a Supplemental Indenture satisfactory to the Master Trustee, executed and delivered to the Master Trustee by such Person; (b) if all amounts due or to become due on any outstanding Related Bonds which bear interest that is not includable in gross income under the Code have not been fully paid to the holders thereof (or provision for such payment has not been made in such manner as will result in the defeasance of the Related Financing Documents), the Master Trustee shall have received 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 the date of the delivery of any such Related Bonds, would not cause the interest payable on such Related Bonds to become includable in gross income under the Code or adversely affect the validity of such Related Bonds; and (c) there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Agent to the effect that immediately following such transaction, (A) no Event of Default then exists nor, to such officer's knowledge, does there exist any event which, with the passage of time or the giving of notice or both, would or might become an Event of Default under the Master Indenture, and (B) either (1) if one dollar of Additional Indebtedness were incurred, the Obligated Group would meet the tests providing for the incurrence of Long-Term

Indebtedness described in subsection (a)(i) or (ii) under the heading Additional Long-Term Indebtedness (assuming for purposes of such Certificate that the Income Available for Debt Service and Indebtedness of such person were Income Available for Debt Service and Indebtedness of an Obligated Issuer), or (2) such transaction will cure any Event of Default then in existence under the Master Indenture, or (3) by reason of such transaction, the Projected Debt Service Coverage Ratio for each of the two Fiscal Years following such release will be greater than the Projected Debt Service Coverage Ratio for such Fiscal Years had such transaction not occurred, and (C) the combined fund balance and net worth, as the case may be, of the Obligated Group will not be less than 90% of such combined fund balance and net worth immediately prior to such transaction.

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.

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 as may be appropriate.

Permitted Encumbrances

No Obligated Issuer will create or suffer to be created or to exist (or permit any Restricted Affiliate to create or suffer to be created or to exist) any Lien upon any of their Property including, without limitation, all proceeds thereof, whether cash or non-cash, now owned or after acquired by any of them, other than Permitted Liens.

Disposition of Property

Each Obligated Issuer agrees that neither it will sell, lease or otherwise dispose of any Property, except for sales, leases or other dispositions of Property:

(a) To another member of the Obligated Group;

(b) To any Person if prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate stating that, in the judgment of the officer executing such certificate, such Property has become, or within the next succeeding 24 calendar months is reasonably expected to become, inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property;

(c) To any Person provided that prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Agent certifying (1) that Property transferred pursuant to this section in the then-current Fiscal Year by all Obligated Issuers does not exceed 5% of the Value of all Property of the Obligated Group for the immediately preceding Fiscal Year and (2) that Property transferred pursuant to this section in the then-current Fiscal Year and in each of the immediately preceding three Fiscal Years by all Obligated Issuers does not in the aggregate exceed 15% of the Value of all Property of the Obligated Group for the immediately preceding Fiscal Year;

(d) To any Person provided that prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Agent, to the effect that immediately after the transfer in question, either (1) if one dollar of Additional Indebtedness were incurred, the Obligated Group would meet the test providing for the incurrence of Long-Term Indebtedness pursuant to subsection (a)(i) or (ii) above contained under the heading Additional Long-Term Indebtedness or (2) such disposition will increase the Projected Debt Service Coverage Ratio in the Fiscal Year immediately following such disposition over what such ratio would have been in such Fiscal Year had such disposition not occurred;

(e) As part of a merger, consolidation, sale or conveyance permitted under the heading "Certain Covenants of the Obligated Issuers";

(f) In the ordinary course of business;

(g) To any Person in connection with an operating lease of Property to such Person;

(h) Upon fair and reasonable terms no less favorable than would be obtained in a comparable arm's-length transaction;

(i) To any Person if the transfer involves any Property received as restricted gifts, grants, bequests or other similar sums or the income thereon, to the extent that such sums may not be pledged or applied to the payment of any Debt Service Requirement or operating expenses generally as a result of restrictions or designations imposed by the donor or maker of the gift, grant, bequest or other sums in question; or

(j) To any Person so long as such Property is not encumbered by the Master Deed of Trust and the amount of Property transferred pursuant to this subsection U) in any Fiscal Year shall not exceed $5,000,000.

To the extent that any Property of the Corporation that is permitted to be sold, leased or otherwise disposed of under the foregoing is encumbered by the Master Deed of Trust or the Master Indenture, upon receipt of an Officer's Certificate directing the Master Trustee to execute a release and/or termination statement with respect to such property to be sold, the Master Trustee shall execute and deliver to the Corporation a release and/or termination statement with respect to such property; provided, however, that no real property encumbered by the Master Deed of Trust shall be sold, leased or otherwise disposed of unless (1) such sale, lease or disposition is permitted under one of the provisions above and the Value of the Property being sold, leased or otherwise disposed of does not exceed $2,500,000 or (2) such Property is sold for fair market value (as determined by an appraisal delivered to the Master Trustee), provided that if such sales is of real property having an aggregate Book Value in excess of$15,000,000, the Corporation shall deliver to the Master Trustee an Officer's Certificate of the Obligated Group Agent to the effect that immediately after the transaction in question the Obligated Group (i) will have a Days Cash on Hand Ration equal to or greater than 50 (110 as long as any Related Bonds remain outstanding that are insured by the Bond Insurer or any amounts are owed by any member of the Obligated Group to the Bond Insurer unless waived by the Bond Insurer) and (ii) will be in compliance with the provisions of the Master Indenture relating to rates and charges. In the event that any Property is released from the Master Deed of Trust pursuant to clause (2) of the immediately preceding sentence, the consideration received by the Corporation from the sale of such Property shall be applied to acquisition, construction or equipping of facilities for use by the Obligated Group or to the option redemption or defeasance of outstanding Related Bonds. Notwithstanding the foregoing, if outstanding Related Bonds are insured by the Bond Insurer at the time of any sale, the Corporation may not sell any Property pursuant to clause (2) of this paragraph unless the Corporation encumbers additional real property pursuant to the Master Deed of Trust with a Value not Jess than the Value of the Property being released that is approved in writing by the Bond Insurer or the Bond Insurer otherwise consents to such sale.

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

The Obligated Group Agent covenants that it will:

(a) As soon as practicable but in no event later than four months after the end of each Fiscal Year, file, or cause to be filed, with the Master Trustee and, if such Persons are then providing a rating with respect to Obligations or any Related Bonds, with each Rating Agency, (i) a combined or consolidated revenue and expense statement of the Corporation, and each other Obligated Issuer, for such Fiscal Year and (ii) a combined or consolidated balance sheet of the Corporation and each other Obligated Issuer as of the end of such Fiscal Year, each accompanied by the required report of an Accountant.

(b) As soon as practicable but in no event later than four months after the end of each Fiscal Year, file with the Master Trustee, an Officer's Certificate of the Obligated Group Agent stating the Historical Debt Service Coverage Ratio and the Historical Maximum Annual Debt Service Coverage Ratio for such Fiscal year, stating that all insurance required by the Master Indenture has been obtained and is in full force and effect, and stating whether or not to the best knowledge of the signers, any Obligated Issuer 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, and an Officer's Certificate stating the Historical Debt Service Coverage Ratio and the Historical Maximum Annual Debt Service Coverage Ratio for such fiscal year, provided, if either such ratio is less than 1.75 to

1.00, such Officer's Certificate shall be accompanied by a certificate of the accountant whose report accompanies the financial statements referred to in (a) above stating such ratios.

(c) 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 group of companies of which it is a member) as the Master Trustee may from time to time reasonably request, excluding specifically donor records, patient records and personnel records and (ii) provide access to its Facilities for the purpose of inspection by the Master Trustee during regular business hours or at such other times as the Master Trustee may reasonably request.

(d) Within 10 days after its receipt thereof, file with the Master Trustee a copy of each report which any provision of the Master Indenture requires to be prepared by a Consultant or an insurance consultant.

(e) As soon as practicable, but in no event later than 45 days after the end of each fiscal quarter, file, or cause to be filed, with the Master Trustee (i) a combined or consolidated revenue and expense statement of the Corporation and each other Obligated Issuer for such quarter, and (ii) a combined consolidated balance sheet presented on the basis described above as of the end of such quarter.

(f) Cause the information described in subsections (a), (b) and (e) above, including the calculations described in subsections (b) and (e) above, in each case any holder of $1,000,000 or more in aggregate principal amount of Related Bonds who has requested such of the Corporation in writing (it being understood that such request may be a standing request).

Rates and Charges

Each Obligated Issuer covenants and agrees to operate, and to cause each of its Restricted Affiliates to operate on a revenue producing basis and to charge, and to cause each of its Restricted Affiliates to charge, such fees and rates for its Facilities and services and to exercise, and to cause each of its Restricted Affiliates to exercise, such skill and diligence as to provide income from its Property together with other available funds sufficient to pay promptly all payments of principal and interest on its Indebtedness, all expenses of operation, maintenance and repair of its Property and all other payments required to be made by it under the Master Indenture to the extent permitted by law, and to use its best efforts to maintain in each Fiscal Year beginning with the Fiscal Year ending June 30, 2001 a ratio of Total Income Available For Debt Service to Maximum Annual Debt Service at least equal to 1.30. Each Obligated Issuer further covenants and agrees that it will from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of this Section.

If in any Fiscal Year beginning with the Fiscal Year ending June 30, 2001 the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group is less than 1.30, the Master Trustee shall require the Obligated Group, at the expense of the Obligated Group, to retain a Consultant to make recommendations with respect to the rates, fees and charges of the Obligated Group and its methods of operation and other factors affecting its financial condition in order to increase such Historical Maximum Annual Debt Service Coverage Ratio to at least 1.30.

A copy of the Consultant's report and recommendations, if any, and any written responses from management of the Corporation, shall be filed with each Obligated Issuer, the Master Trustee, each Related Bond Trustee and each Related Issuer and, upon written request to the Corporation, any holder of at least $1,000,000 in aggregate principal amount of Related Bonds. Each Obligated Issuer shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined by the Governing Body of such Obligated Issuer) and permitted by law. This Section shall not be construed to prohibit any Obligated Issuer from serving indigent patients to the extent required for such Obligated Issuer to continue its qualification as a Tax-Exempt Organization or from serving any other class or classes of patients without charge or at reduced rates so long as such service does not prevent the Obligated Group from satisfying the other requirements of this Section. So long as the Obligated Group shall retain a Consultant and shall follow such Consultant's recommendations to the extent permitted by law, this Section shall be deemed to have been complied with even if such ratio for any subsequent Fiscal Year is below 1:30:1; provided, however, that in no event shall the Historical Maximum Annual Debt Service Coverage Ratio for any year be less than 1:00:1.

Notwithstanding the provisions of the immediately preceding paragraph, if by the end of the second Fiscal Year after the Fiscal Year (beginning with the Fiscal Year ending June 30, 2001) for which the Obligated Group failed to achieve a Historical Maximum Annual Debt Service Coverage Ratio of at least 1.3:1 the Obligated Group has not achieved a Historical Maximum Annual Debt Service Coverage Ratio of at least 1.3:1, the Obligated Group shall be deemed to be in violation of the provisions of the Master Indenture.

The selection of any Consultant retained pursuant to this section and the scope of such Consultant's activities and recommendations shall be subject to the approval of the Bond Insurer and ratification by each of the Holders of the two largest principal amounts of Uninsured Obligations; provided that the ratification by such Holders shall not be unreasonably withheld.

Liquidity Covenant

The Obligated Group shall maintain Unrestricted Liquid Funds as of the last day of each Fiscal Year to produce a Days Cash on Hand Ratio equal to or greater than 75.

Accreditation

The Corporation shall not fail to maintain any accreditation status currently held by the Corporation with respect to its hospital facilities unless it provides the Master Trustee with a Consultant's opinion to the effect that failure to maintain any such accreditation will not adversely affect the Corporation's hospital facilities. Notwithstanding the foregoing, this Section shall not be construed to require the Corporation to continue to operate any hospital facility or to maintain any accreditation for any hospital facility that is closed.

Hedge Agreements*

The members of the Obligated Group may not enter into a Hedge Agreement without the prior written consent of the Bond Insurer (so long as any outstanding Related Bonds are insured by the Bond Insurer) unless the following conditions are met:

(a) The Hedge Agreement must be entered into as a hedge against (i) swaps currently outstanding (as in basis swaps or reverse swaps), or (ii) debt then outstanding or to be issued, or (iii) as a means of achieving forward transactions, or (iv) against assets held at the time of the execution of the Hedge Agreement;

(b) The Hedge Agreement does not contain any element of leverage or multiplier component in excess of 1.0x unless there is a matching hedge arrangement which effectively offsets the exposure from any such element or component;

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* By their purchase of the Series 2012A Bonds, the initial holders thereof will consent to an amendment of this section. The amended section will read as follows:

> **Hedge Agreements**. The members of the Obligated Group may not enter into a Hedge Agreement unless the following conditions are met:
>
> (a) The Hedge Agreement must be entered into as a hedge against (i) swaps currently outstanding (as in basis swaps or reverse swaps), or (b) debt then outstanding or to be issued, or (iii) as a means of achieving forward transactions, or (iv) against assets held at the time of the execution of the Hedge Agreement;
>
> (b) The Hedge Agreement does not contain any element of leverage or multiplier component in excess of 1.0x unless there is a matching hedge arrangement which effectively offsets the exposure from any such element or component;
>
> (c) The uninsured payment due upon termination of any Hedge Agreement shall be subordinate in right of payment to all Obligations under the Master Indenture issued with respect to the Insured Bonds.
>
> (d) The Obligated Group shall not be in default under the Days Cash on Hand Ratio contained in Section 13.1(b)(iv) of this Master Indenture.
>
> (e) Notwithstanding the foregoing (a) through (d), the Corporation may assume the Hedge Agreements listed on Exhibit C attached to the Sixteenth Supplemental Master Trust Indenture that have been entered into by Mountain States Properties, Inc., an affiliate of the Corporation.

(c) If an amount equal to the Maximum Adverse Termination Payment (as defined below) of all of the Hedge Agreements of the Obligated Group, then in effect and those to be executed, determined as noted in (i) and (ii) below, at the time the new Hedge Agreement is to be entered into were excluded from unrestricted cash and investments, the Days Cash on Hand Ratio would still be satisfied:

(i) The Obligated Group Agent shall calculate the Maximum Adverse Termination Amount in three steps. First, the Obligated Group Agent will determine the actual mark-to-market value of all existing Hedge Agreements of the Obligated Group using standard mark-to-market methodology. Second, the Obligated Group Agent will calculate the Adverse Termination Amount (as defined below) of the contemplated derivative based on (ii) below. Third, the Adverse Termination Amount of the contemplated Hedge Agreement will be added to the actual mark-to-market value of all existing Hedge Agreements.

(ii) The methodology for calculating the Adverse Termination Amount for the contemplated Hedge Agreement depends on the type of swap it is. If the contemplated swap is a floating-to-fixed interest rate swap, a fixed-to-floating interest rates swap, or an option to enter into or cancel either of those structures, the Obligated Group Agent will calculate the present value of a 150 basis point loss using standard mark-to- market methodology and will assume taxable and tax-exempt rates both shift 150 basis points on the date of the calculation. This will result in the Adverse Termination Amount for the new swap. If the contemplated swap is a basis swap, a fixed spread basis swap, a constant maturity swap, a spread swap, or a similar structure (with or without an option), the Obligated Group Agent will calculate a 50 basis point loss by multiplying the absolute present value of one basis point in the then current market by -50 (negative fifty) to reflect an adverse change in ratios, spreads, rates, and other market conditions. This will result in the Adverse Termination Amount for the new swap.

(d) The Obligated Group's counterparty (or its guarantor) shall be rated at least "A+" or "AI" by a Rating Agent at the time the Hedge Agreement is entered into and a Credit Support Annex shall, or is required to, be executed to provide for collateral on a schedule that incorporates a zero threshold amount if any rating is below BBB+/Baal;

(e) Termination payments are payable only if and to the extent that after such payment the Obligated Group: (a) would still be in compliance with its Days Cash on Hand Ratio, assuming such payment had been excluded from unrestricted cash and investments in making such liquidity calculation and (b) would not be in default;

(f) Collateral for the payments due under the Hedge Agreement can be posted only to the extent that after such posting the Obligated Group would still be in compliance with the Days Cash on Hand Ratio assuming such posting had been excluded from unrestricted cash and investments in making such liquidity calculation;

(g) The uninsured payment due upon termination of any Hedge Agreement shall be subordinate in right of payment to all Obligations under the Master Indenture issued with respect to the Insured Bonds; and

(h) The term "Adverse Termination Amount" shall mean the amount if positive that would be required to be paid by a member of the Obligated Group that is the party to a Hedge Agreement upon the termination of the Hedge Agreement calculated in the manner provided in subsection (c)(ii) above, and the term "Maximum Adverse Termination Amount" shall be determined in accordance with subsection (c)(i) above.

Projected Debt Service Coverage Ratio

Anything in the Master Indenture to the contrary notwithstanding, in each instance in the Master Indenture in which the Projected Debt Service Coverage Ratio is to be evidenced by an Officer's Certificate, such Projected Debt Service Coverage Ratio must also be evidenced by a Consultant's report unless the Projected Debt Service Coverage Ratio in such Officer's Certificate is greater than 1.75:1.00.

Defaults and Remedies

The following events are "Events of Default" under the Master Indenture:

(a) failure of any Obligated Issuer to make any payment of principal, redemption price or interest when due under the terms of any Obligations and such failure continues to exist as of the end of any applicable grace period; or

(b) failure of any Obligated Issuer to observe or perform any covenant or agreement contained in the Master Indenture or any Related Financing Documents for any Obligations for a period of30 days after written notice of such failure, requiring the same to be remedied, has been given by the Master Trustee to each of the Obligated Issuers, the giving of which notice shall be at the discretion of the Master Trustee unless the Master Trustee is requested in writing to do so by the holders of at least 25% in aggregate principal amount of all outstanding Obligations, in which event such notice shall be given; provided, however, that if such observance or performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be don, taken or remedied, within such 30-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the defaulting Obligated Issuer shall commence such observance or performance within such 30-day period and shall diligently and continuously prosecute the same to completion; or

(c) (i) default of any Obligated Issuer in the payment of any Indebtedness (other than Obligations issued and outstanding under the Master Indenture), the principal amount of which in the aggregate exceeds 5% of the Book Value of all Property of the Obligated Group for the immediately preceding Fiscal Year, whether such Indebtedness now exists or shall be created after the date of the Master Indenture and any grace period with respect thereto shall have expired, or (ii) any event of default as defined in any Related Financing Documents under which any such Indebtedness may be issued, secured or evidenced shall occur, which default in payment or event of default results in such Indebtedness becoming or being declared due and payable unless within the time allowed for service of a responsive pleading in any proceeding to enforce payment of the Indebtedness under the laws governing such proceeding (i) the Obligated Issuers commence proceedings to contest the existence or payment of such Indebtedness, and (ii) in the absence of such contest, neither the pledge and security interest created under the Master Indenture nor any Property of the Obligated Group will be materially impaired or subject to material loss or forfeiture; or

(d) bankruptcy, dissolution, liquidation or reorganization in bankruptcy of any Obligated Issuer or other similar events; or

(e) if the Hospital Maximum Annual Debt Service Coverage Ratio of the Obligated Group for any Fiscal Year is less than 1.0 to 1; or

(f) a breach of the Alliance's covenant to file audited financial statements as described above under "Filing of Financial Statements, Certificate of No Default, Other Information" under paragraph (a) above thereof shall have occurred and be continuing; or

(g) a breach of the Alliance's "Liquidity Covenant" as described above shall have occurred and be continuing.

Upon the occurrence of an Event of Default, the Master Trustee may, by notice in writing to the Obligated Issuers, declare the principal of all (but not less than all) outstanding Obligations to be immediately due and payable provided that the Master Trustee shall be required to make such a declaration (i) if an Event of Default has occurred under subsection (a) above, or (ii) if the Master Trustee is requested to make such a declaration by the Holders of not less than 25% in aggregate principal amount of all outstanding Obligations. If all Events of Default other than nonpayment of amounts that have become due as a result of such declaration are remedied, the Holders of 25% in aggregate principal amount of all Obligations may waive all Events of Default and rescind and annual such declaration of acceleration.

Any acceleration of the principal shall be subject to the condition that if, at any time after the principal of all outstanding Obligations shall have been accelerated, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered: (i) one or more Obligated Issuers shall deposit with the Master Trustee an aggregate sum sufficient to pay (A) all matured installments of interest upon all outstanding Notes and the principal and premium, if any, of all outstanding Notes due otherwise than by acceleration (with interest on overdue installments of interest, to the extent permitted by law and on such principal and premium, if any, at the respective rates borne by such Notes to the date of such deposit) and any other amounts required to be paid pursuant to such Notes, (B) all amounts due under each Indenture Guaranty other than by reason of acceleration, (C) all sums due under any Obligations other than Notes and Indenture Guaranties, other than by reason of acceleration, and (D) the expenses and fees of the Master Trustee; and (ii) any and all Events of Default under the Master Indenture, other than the nonpayment of principal of and accrued interest on outstanding Obligations that have become due by acceleration, shall have been remedied, then and in every such case, the Master Trustee shall, if requested by the Holders of twenty- five percent in aggregate principal amount of all Obligations then outstanding, waive all Events of Default and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or effect any subsequent Event of Default.

The Master Trustee may, at any time that an Event of Default exists, (i) by written notice to the banking institutions in which any Gross Receipts are deposited pursuant to the requirements of the Master Indenture, direct that such funds be immediately transferred to the Master Trustee, and upon receipt of such funds the same shall be held in trust by the Master Trustee and disbursed as provided in the Master Indenture, and (ii) by written notice to the Obligated Issuers direct that all subsequent deposits of Gross Receipts be made with the Master Trustee.

Upon the occurrence of an Event of Default, as described in the Master Indenture, and upon demand of the Master Trustee, each Obligated Issuer will pay to the Master Trustee, for the benefit of the Holders of all outstanding Obligations, (a) the amount then due and payable on all Obligations for principal or interest, or both, and such other amounts as may be required to be paid on all such Obligations, with interest on the overdue principal and installments of interest (to the extent permitted by law) at the respective rates of interest borne by such Obligations or as is provided in the applicable Supplemental Indenture, and (b) such further amounts sufficient to cover the cost and expenses of collection, including a reasonable compensation to the Master Trustee, its agents, attorneys and counsel, and any expenses incurred by the Master Trustee other than as a result of its gross negligence or bad faith.

The Master Trustee may institute any actions or proceedings at law or in equity for the collection of the sums due and may collect such sums in the manner provided by law out of the Property of the Obligated Issuer wherever situated.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of any Obligated Issuer, or in case a receiver or trustee shall have been appointed for its Property, the Master Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal, premium, if any, interest and any other amounts owing and unpaid in respect of Obligations, and, in case of any judicial proceedings, to file such proofs of claim and other papers as may be necessary or advisable in order to have the claims of the Master Trustee and of the Holders of the Obligations allowed in such judicial proceedings relative to such member of the Obligated Group, its creditors or its Property, and to collect and receive any moneys or other Property payable or deliverable on any such claim and to distribute the same after the deduction of its charges and expenses.

All rights of action and rights to assert claims under any Obligation may be enforced by the Master Trustee without the possession of such Obligation. In any proceedings brought by the Master Trustee (and also any proceedings involving the interpretation of any provision of the Master Indenture to which the Master Trustee shall be a party) the Master Trustee shall be held to represent all the Holders of Obligations, and it shall not be necessary to make any Holders of Obligations parties to such proceedings.

Application of Moneys Collected

Any amounts collected by the Master Trustee in connection with the exercise of any rights and remedies following an Event of Default and, except as otherwise provided in the Master Indenture, all money and Investment

Securities on deposit in any funds which the Master Trustee may establish under the Master Indenture from time to time shall be applied for the equal and ratable benefit of the Holders of Obligations in the following order at the date or dates fixed by the Master Trustee for the distribution of such moneys, upon presentment of such Obligations, and stamping thereon the payment, if only partially paid, and upon surrender thereof if fully paid:

(a) to the payment of costs and expenses of collection, including fees of Counsel and reasonable compensation to the Master Trustee; and, thereafter,

(b) whether or not the principal of all outstanding Obligations shall have become or have been declared due and payable to Holders of the outstanding Obligations for amounts due and unpaid on the Obligations, ratably, without preference or priority of any kind, according to the amounts due and payable on the Obligations; provided that for the purpose of determining the unpaid amount of any Obligation, there shall be deducted the amount, if any, which has been realized by the Holder by exercise of its rights as a secured party with respect to any Liens permitted pursuant to the Master Indenture or is on deposit in any fund established pursuant to any Related Financing Documents for such Obligations (other than amounts consisting of payments of principal and interest previously made and credited against the payments due under such Obligations) as of the date of payment by the Master Trustee pursuant to this subsection (b), all as certified to the Master Trustee by the Holder; and

(c) to the payment of the remainder, if any, to the Obligated Group Agent, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Actions by Holders

(a) No Holder of an Obligation shall have any right by virtue of or by availing of any provision of the Master Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Master Indenture or for the appointment of a receiver or trustee, or any other remedy, unless the Holders of not less than 25% in aggregate principal amount of Obligations then outstanding shall have made written request upon the Master Trustee to institute such action, suit or proceeding in its own name as Master Trustee and shall have offered to the Master Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities which may be incurred therein or thereby, and the Master Trustee, for 30 days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Master Trustee; it being understood and intended, and being expressly covenanted by the Holder of an Obligation and the Master Trustee, that no one or more Holders of Obligations shall have any right in any manner whatever by virtue of or by availing of any provision of the Master Indenture to affect, disturb or prejudice the rights of any other Holder of an Obligation or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under the Master Indenture, except in the manner therein provided and for the equal, ratable and common benefit of all Holders of Obligations. For the protection and enforcement of these provisions, each and every Holder of an Obligation and the Master Trustee shall be entitled to such relief as can be given either at law or in equity.

(b) The Holder of an Obligation instituting a suit, action or proceeding in compliance with the provisions outlined herein and more fully set forth in the Master Indenture shall be entitled to such suit, action or proceeding to such amounts as shall be sufficient to cover the costs and expenses of collection, including to the extent permitted by applicable law, a reasonable compensation to its Counsel.

(c) Notwithstanding any other provision of the Master Indenture, the right of a Holder of an Obligation to receive payment of the principal of and interest on any Obligation and any other amounts payable thereunder, on or after the respective due dates expressed in such Obligation, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder, provided that any moneys collected through the exercise of rights and remedies of any Holder against any Obligated Issuer pursuant to the Related Financing Documents for an Obligation (other than rights and remedies relating to Liens permitted pursuant to the Master Indenture or to funds and accounts established under such Related Financing Documents) shall be paid over to the Master Trustee or, with the consent of the Holder, collected directly by the Master Trustee.

Direction of Proceedings by Holders

The Holders of 75% in aggregate principal amount of Obligations then outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred on the Master Trustee; provided, however, that, subject to its right to be indemnified in the Master Indenture, the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee, being advised by Counsel, determines that the action so directed may not lawfully be taken, or if the Master Trustee in good faith shall, by a responsible officer or officers of the Master Trustee, determine that the proceedings so directed would be illegal or involve it in personal liability, and provided further that nothing in the Master Indenture shall impair the right of the Master Trustee in its direction to take any action deemed proper by the Master Trustee and which is not inconsistent with such direction by the Holders.

Delay or Omission of Master Trustee

No delay or omission of the Master Trustee, or of any Holder of an Obligation, to exercise any right or power accruing upon an Event of Default shall impair any such right or power, or be construed as a waiver of any Event of Default or an acquiescence therein, nor shall the action of the Master Trustee or of the Holders of Obligations in case of any Event of Default, or in case of any Event of Default and subsequent waiver of such Event of Default, affect or impair the rights of the Master Trustee or of such Holders in respect of any subsequent Event of Default or any right resulting therefrom.

Remedies Cumulative

No remedy under the Master Indenture is intended to be exclusive of any other remedy, but each and every other such remedy shall be cumulative, and shall be in addition to the remedies pursuant to the Master Indenture; and the employment of any remedy under the Master Indenture or otherwise, shall not prevent the concurrent employment of any such other appropriate remedy or remedies. In the pursuit of any such remedies, the Master Trustee shall have and be vested with the rights of a secured creditor under the Tennessee Uniform Commercial Code (or similar laws of other jurisdictions as applicable) with respect to moneys collected by the Master Trustee pursuant to any provision of the Master Indenture, and shall have the power to foreclose any Lien which may be granted to it as Master Trustee under the Master Indenture, all to the extent permitted by law.

Notice of Default

The Master Trustee shall, within 10 days after the occurrence of an Event of Default known to the Trustee, mail to all Holders of Obligations, as the names and addresses of such Holders appear upon the books maintained by the Master Trustee, and, as long as the Initial Obligation remains outstanding, to the Bond Insurer, notice of such Event of Default under the Master Indenture known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice; provided that, except above under "Defaults and Remedies," the Master Trustee shall be protected in withholding such notice if and so long as the Master Trustee in good faith determines that the withholding of such notice is in the interest of the Holders of the Obligations. For purposes of the Master Indenture, matters shall not be considered to be known to the Master Trustee unless an officer of its corporate trust department located at its principal corporate trust office has actual knowledge thereof.

Concerning the Master Trustee

Prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, the Master Trustee undertakes to perform only those duties specifically set forth in the Master Indenture. In case an Event of Default has occurred, the Master Trustee shall exercise the rights and powers vested in it by the Master Indenture, and use the same degree of care and skill as a prudent man under the circumstances in the conduct of its own affairs.

No provision of the Master Indenture shall be construed to relieve the Master Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act, or its own willful misconduct; provided, however, that:

(a) the Master Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Master Trustee, unless it is provided that the Master Trustee was grossly negligent in ascertaining the pertinent facts; and

(b) the Master Trustee shall not be liable with respect to any action taken or admitted to be taken by it in good faith in accordance with the direction of the Holders of the majority in aggregate principal amount of Obligations then outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee, under the Master Indenture.

Except as otherwise provided in the immediately preceding paragraph:

(a) The Master Trustee may rely and shall be protected in acting or refraining from acting upon various papers or documents believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) An Officer's Certificate (unless otherwise specifically prescribed) shall be sufficient evidence of any request, direction, order or demand of any Obligated Issuer mentioned under the Master Indenture. Any resolution of the Governing Body of an Obligated Issuer may be evidenced to the Master Trustee by copy thereof, certified by the Secretary or an Assistant Secretary of such Obligated Issuer.

(c) The Master Trustee may consult with Counsel, and the advice of such counsel shall be full and complete authorization and protection. The Master Trustee shall be relieved of liability to the Holders of the Obligations and to the Obligated Issuers in respect of any action taken, suffered or omitted by it under the Master Indenture in good faith and in accordance with Counsel's advice.

(d) Prior to the occurrence of an Event of Default under the Master Indenture and after the curing of all Events of Default, the Master Trustee is not bound to make any investigation into facts or matters stated in various papers or documents, unless requested in writing to do so by the Holders of a majority in aggregate principal amount of Obligations then outstanding. As a condition to proceeding with the requested investigation, the Master Trustee, in accordance with the terms of the Master Indenture, may require indemnity against various costs, expenses or liabilities.

(e) The Master Trustee may execute any of the trusts or powers under the Master Indenture or perform any duties under the Master Indenture either directly or by or through agents or attorneys.

(f) The Master Trustee shall be under no responsibility for the approval by it in good faith by an expert or other skilled person for any of the purposes expressed in the Master Indenture.

The recitals contained in the Master Indenture and in the Obligations (other than the Certificate of Authentication on such Obligations) shall be taken as the statements of the Obligated Issuer, and the Master Trustee assumes no responsibility for the correctness thereof. Further, the Master Trustee makes no representations as to the validity or sufficiency of the Master Indenture or the liens and security created thereunder or of the Obligations. The Master Trustee shall not be accountable for the use or application of: any of the Notes or the proceeds of such Obligations, any moneys paid over by the Master Trustee, or any moneys received by any paying agent other than the Master Trustee.

The Master Trustee, in its individual or any other capacity, may become the owner or pledgee of Obligations with the same rights it would have if it were not the Master Trustee under the Master Indenture. Further, the Master Indenture shall not prohibit the Master Trustee from serving as Trustee under any Related Financing Documents or for maintaining a banking relationship with any Obligated Issuer; provided that if the

Master Trustee determines that there is a conflict with its duties under the Master Indenture, it shall eliminate the conflict or resign as Master Trustee.

Each Obligated Issuer shall pay, and shall be jointly and severally liable to pay, to the Master Trustee reasonable compensation, reimbursement for all reasonable expenses, disbursement and advances. Each Obligated Issuer shall indemnify, defend and shall be jointly and severally liable to indemnify, the Master Trustee and its officers, directors, employees and agents for, and to hold them harmless against, any loss, liability or expense incurred without gross negligence or willful misconduct on the part of the Master Trustee and arising out of or in connection with the acceptance or administration of such trusts, including the costs and expenses of defending itself against any claim of liability in the premises. The Obligated Issuers' joint and several obligations described in this paragraph shall survive the satisfaction and discharge of the Master Indenture and the resignation, removal and succession of the Master Trustee. Subject only to the rights of any Holder, the Master Trustee shall have an express first and prior lien on any moneys or Investment Securities on the deposit in any funds as security for the payment of all such obligations.

Subject to the first paragraph under this section entitled "Concerning the Master Trustee," any matter may be conclusively proved and established by an Officer's Certificate delivered to the Master Trustee. In the absence of bad faith on the part of the Master Trustee, any such Officer's Certificate shall be full ratification of any action taken, suffered or omitted by the Master Trustee under the provisions of the Master Indenture upon the faith thereof, and the Master Trustee shall not be obligated to make any investigation into the facts stated therein.

The Master Trustee may resign at any time without cause by giving notice as required under the Master Indenture. Further, the Master Trustee may be removed (a) with cause at the direction of the Holders of not less than 66-2/3% in aggregate principal amount of Obligations then outstanding, delivered to the Obligated Group and the Master Trustee, or (b) for any reason at the direction of the Obligation Group Agent if no Event of Default then exists under the Master Indenture. The Master Trustee shall promptly give notice of any removal pursuant to the previous sentence in writing to each Holder of an Obligation then outstanding. In the case of the resignation and removal of the Master Trustee, a successor Master Trustee may be appointed by the Obligated Group unless an Event of Default exists under the Master Indenture. If an Event of Default exists under the Master Indenture, or if the Obligated Group otherwise fails to appoint a successor in accordance with the terms of the Master Indenture, a successor may be appointed at the direction of the Holders of not less than 66-2/3% in aggregate principal amount of Obligations then outstanding.

Any successor Master Trustee, however appointed, in accordance with the terms of the Master Indenture, shall accept such appointment, and, without further act, shall become vested with all the estates, properties, rights, powers and duties of its predecessor under the Master Indenture as if originally named the Master Trustee. The successor Master Trustee may, however, request that its predecessor execute and deliver an instrument transferring the above and assigning, transferring, delivering and paying over to such successor Master Trustee all moneys or other property then held by the predecessor under the Master Indenture.

Any successor Master Trustee, however appointed, shall be a bank or trust company having together with its Affiliates a combined capital and surplus on a consolidated basis of at least $50,000,000.

Any corporation into which the Master Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Master Trustee shall be a party, or any corporation to which substantially all the business of the Master Trustee may be transferred, shall, subject to the immediately preceding paragraph, be the Master Trustee under the Master Indenture without further act.

Subject to the terms and conditions as set forth in the Master Indenture, the Master Trustee shall have the power to appoint one or more Persons not unsatisfactory to the Obligated Group Agent to act as Co-Master Trustee.

Modifications and Amendments

Each Obligated Issuer, when authorized by a resolution of its Governing Body, and the Master Trustee may, without the consent of the holders of the Obligations then outstanding, enter into a Supplemental Indenture to the Master Indenture to (a) provide for the issuance of any Obligations under the Master Indenture, (b) evidence the addition of an Obligated Issuer or the succession of another corporation to any Obligated Issuer, (c) add additional covenants for the protection of the holders of Obligations, (d) cure any ambiguity or defective provision of the Master Indenture or any Supplemental Indenture in such manner as is not inconsistent with and does not impair the security of the Master Indenture or adversely affect the holders of Obligations of any series of Obligations issued under the Master Indenture, (e) qualify the Master Indenture under the Trust Indenture Act of 1939 or under any similar federal statute hereafter enacted, (f) provide for the establishment of additional funds and accounts, (g) permit the issuance of additional forms of Obligations provided such Obligations are equally and ratably secured with all other Obligations issued under the Master Indenture (except as provided herein), and (h) reflect a change in applicable law.

With the consent of the Holders of not less than a majority* in aggregate principal amount of Obligations then outstanding, each Obligated Issuer, when authorized by its Governing Body, and the Master Trustee, may from time to time and at any time enter into a Supplemental Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Master Indenture or of any Supplemental Indenture or of modifying in any manner the rights of the Holders of Obligations; provided, however, that (i) without the consent of the Holders of all Obligations whose Obligations are proposed to be modified, no such supplemental indenture shall effect a change in the times, amounts or currency of payment of the principal of, premium, if any, or interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon or permit the preference or priority of any Obligation over any other Obligation; (ii) without the consent of the Holders of all Obligations then outstanding, no such supplemental indenture shall reduce the aforesaid percentage or affected class of Obligations, the Holders of which are required to consent to any such Supplemental Indenture; (iii) without the consent of the Holders of all Obligations then outstanding, no such supplemental indenture shall effect a change in the conditions for withdrawal as a Member of the Obligated Group; (iv) without the consent of the Holders of all Obligations then outstanding, no such supplemental indenture shall effect a change in the provisions permitting the Holders of 25% in aggregate principal amount of all outstanding Obligations to direct acceleration upon the occurrence of an Event of Default; and (v) without the consent of the Holders of all Obligations then outstanding, any provision of the Master Indenture which specifies a percentage of Holders required to take any action hereunder.

Effect of Supplemental Indenture

Upon the execution of any Supplemental Indenture, the Master Indenture shall be modified and amended in accordance therewith, and the respective rights, limitation of rights, obligations, duties, and immunities under the Master Indenture of the Master Trustee, each Obligated Issuer and the Holders of Obligations issued under the Master Indenture shall thereafter be determined, exercised and enforced under the Master Indenture subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Master Indenture.

Satisfaction and Discharge of Indenture

If the Master Trustee receives: (a) an amount which is (i) in the form of (A) cash, or (B) Government Obligations, and (ii) in a principal amount sufficient, together with the interest thereon and any funds on deposit under the Master Indenture and available for such purpose, to provide for the payment of the principal of and

* By purchasing the Bonds, the initial holders thereof, as well as the holders of certain Obligations previously issued under the Master Indenture, have consented to an amendment providing for majority approval. However, with respect to the change to the definition of "Debt Service Requirement" (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Amendment of the Master Indenture" in the front part of this Official Statement) and any future amendments to the Master Indenture requiring consent under this paragraph, the consent of the holders of 75% in the aggregate principal amount of Obligations outstanding will be required until receipt of the consent of the percentage of bondholders and credit enhancers required under the terms of the Master Indenture.

premium, if any, and interest on all outstanding Obligations to and including the maturity date or prior redemption or prepayment date thereof; (b) irrevocable instructions to redeem all Obligations to be redeemed prior to maturity and to notify the Holders of each such redemption; and (c) an amount sufficient to pay or provide for the payment of all other sums payable under the Master Indenture by the Obligated Issuers or any thereof, then the Master Indenture shall cease to be of further effect, and the Master Trustee, on demand of the Obligated Group Agent, shall execute all such instruments acknowledging satisfaction of and discharging the Master Indenture as requested by the Obligated Group Agent.

Similarly, the Obligated Issuer of any particular Obligation may provide for the payment thereof at or prior to maturity, and the Obligation so provided for shall thereupon cease to be outstanding under the Master Indenture.

In lieu of the foregoing, the Obligated Issuer of any particular Obligation may deliver to the Holder thereof the amount required under the Related Financing Documents to provide for the payment of the principal, premium, if any, and interest due or to become due in respect of such Obligation and such Obligation shall, upon surrender to the Master Trustee for cancellation, no longer be deemed outstanding under the Master Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE

Funds; Disposition of Revenues

Revenue Fund. The Issuer shall establish with the Bond Trustee under the Bond Indenture and maintain so long as any of the Bonds are outstanding thereunder a separate account to be known as the "Revenue Fund-- Mountain States Health Alliance" (hereinafter called the "Revenue Fund"). All payments upon the Obligations pledged under such Bond Indenture and all transfers from the Rebate Fund shall, when received by the Bond Trustee, be deposited in the Revenue Fund and shall be held therein until disbursed as provided in the Bond Indenture. Beginning at the times indicated below, the Bond Trustee will make transfers each month from the Revenue Fund to the Interest Fund and then to the Bond Sinking Fund. If any payment is due and payable on a date which is not a business day, such payment shall be due and payable on the first business day immediately following such payment.

Interest Fund. The Issuer shall establish with the Bond Trustee and maintain so long as any of the Bonds are outstanding a separate account to be known as the "Interest Fund-- Mountain States Health Alliance" (hereinafter called the "Interest Fund"). A deposit to the credit of the Interest Fund is to be made in an amount equal to the accrued interest on each series of Bonds from the date of such series to the date of delivery thereof.

On or before the 14th day of each February and August, commencing with February 14, 2013, the Bond Trustee shall deposit in the Interest Fund from moneys in the Revenue Fund an amount which will be not less than the interest to become due on the next succeeding semi-annual interest payment date of the Bonds; provided, however, that such deposit shall be reduced to the extent that there is a sufficient amount already on deposit in the Interest Fund for that purpose. Moneys on deposit in the Interest Fund, other than income thereon which is to be transferred to other funds created under the Bond Indenture, must be used to pay interest on the bonds as it becomes due.

Bond Sinking Fund. The Issuer shall establish with the Bond Trustee and maintain so long as any of the Bonds are outstanding a separate account to be known as the "Bond Sinking Fund-- Mountain States Health Alliance" (hereinafter called the "Bond Sinking Fund"). On or before the 14th day of each August, commencing August 14, 2013, the Bond Trustee shall deposit in the Bond Sinking Fund from the moneys in the Revenue Fund an amount which is not less than the principal of the Bonds next to become due by maturity or mandatory Bond Sinking Fund redemption. No such deposit need be made, however, to the extent that there is a sufficient amount already on deposit and available for such purpose in the Bond Sinking Fund to be applied to such maturity or mandatory Bond Sinking Fund redemption payment.

Moneys on deposit in the Bond Sinking Fund, other than income earned thereon which is to be transferred to other funds created under the Bond Indenture, shall be applied by the Bond Trustee to pay principal on the Bonds as it becomes due and to redeem the Bonds in accordance with the mandatory Bond Sinking Fund redemption schedule provided for in the Bond Indenture. In lieu of such mandatory Bond Sinking Fund redemption, the Bond Trustee may, at the request of the Corporation, purchase for cancellation an equal principal amount of Bonds of the series and maturity to be redeemed in the open market at prices not exceeding the principal amount of such Bonds being purchased plus accrued interest, with the principal portion of such purchase price to be paid from the Bond Sinking Fund and with the interest portion of such purchase price to be paid from the Interest Fund. In addition, the amount of Bonds to be redeemed on any date pursuant to the mandatory Bond Sinking Fund redemption schedules shall be reduced by the principal amount of Bonds of the series and maturity required to be redeemed which are acquired by the Corporation or any other Obligated Issuer and delivered to the Bond Trustee for cancellation.

Optional Redemption Fund. The Issuer shall establish with the Bond Trustee and maintain so long as any of the Bonds are outstanding a separate account to be known as the "Optional Redemption Fund-- Mountain States Health Alliance" (hereinafter called the "Optional Redemption Fund"). In the event of (i) prepayment by or on behalf of the Corporation or any other Obligated Issuer of amounts payable on the Obligations pledged under the Bond Indenture, including prepayment with condemnation or insurance proceeds or proceeds of sale consummated under threat of condemnation, or (ii) deposit with the Bond Trustee by the Corporation or the Issuer of moneys from any other source for redeeming Bonds or purchasing Bonds for cancellation, except as otherwise provided in the Bond Indenture, such moneys shall be deposited in the Optional Redemption Fund. Moneys on deposit in the

Optional Redemption Fund shall be used first to make up any deficiencies existing in the Interest Fund and the Bond Sinking Fund (in the order listed) and second for the redemption of Bonds in accordance with the provisions of the Bond Indenture.

Expense Fund. The Issuer shall establish with the Bond Trustee and separate account to be known as the "Expense Fund-- Mountain States Health Alliance" (hereinafter called the "Expense Fund"). Amounts on deposit in the Expense Fund shall be used for the payment of expenses for recording, trustee's and depository's fees and expenses, accounting and legal fees, financing costs (including costs of acquiring investments for the funds and escrows), and other fees and expenses incurred or to be incurred by or on behalf of the Issuer or the Corporation in connection with or incident to the issuance and sale of the Bonds. At such time as the Bond Trustee is notified that all such fees and expenses have been paid, the Bond Trustee shall transfer any moneys remaining in the Expense Fund as provided in the Bond Indenture.

Project Fund. The Issuer shall establish with the Bond Trustee a separate account to be known as the "Project Fund -- Mountain States Health Alliance" (hereinafter called the "Project Fund"). Any moneys received by the Bond Trustee from any source for the Project shall be deposited into the Project Fund unless otherwise specifically excepted under the Bond Indenture. Except to the extent required to be transferred to the Rebate Fund in accordance with the Tax Agreement, moneys in the Project Fund shall be held in trust by the Bond Trustee, and shall be applied from time to time by the Bond Trustee in order to pay (or reimburse the Corporation for) the costs of the Project and other costs related to the Project and permitted under the Act, in each case after receipt by the Bond Trustee of a written request of the Corporation as specified in the Bond Indenture.

If, after receipt by the Bond Trustee of a completion certificate with respect to the Project required pursuant to the Bond Indenture, there shall remain any moneys in the Project Fund, the Corporation may (i) elect to retain all or a portion of such money in the Project Fund until approximately three years from the issue date of the Bonds as set forth in the Bond Indenture, or withdraw such moneys for payment of the cost of one or more "projects" (as such term is defined in the Act) but only if the Corporation complies with the requirements of the Tax Agreement relating to changes in or amendments to the Project, or (ii) deposit such moneys in the Revenue Fund to the extent necessary to make the transfers therefrom within one year from the date of deposit to the Interest Fund and the Bond Sinking Fund and then to the Optional Redemption Fund.

Investment of Funds

(a) Upon a Written Request of the Corporation filed with the Bond Trustee, moneys in the Revenue Fund, Project Fund, Interest Fund, Bond Sinking Fund, Expense Fund and Optional Redemption Fund shall be invested only in Permitted Investments. Such investments shall be made so as to mature on or prior to the date or dates that moneys therefrom are anticipated to be required. The Bond Trustee, when authorized by the Corporation, may trade with itself in the purchase and sale of securities for such investment; provided, however, that in no case shall any investment be otherwise than in accordance with the investment limitations contained in the Bond Indenture and in the Tax Agreement. The Bond Trustee shall not be liable or responsible for any loss resulting from any such investments.

(b) Until completion of the Project, if the Corporation so elects prior to the receipt of such investment income, investment income from the fund specified in subsection (a) above in excess of the requirements of such funds, shall be deposited into the Project Fund.

(c) Except as provided in subsection (b) above, all income in excess of the requirement of the Funds specified in subsection (a) derived from the investment of moneys on deposit in any such Fund will be deposited in the following Funds, in the order listed:

(i) The Interest Fund and Bond Sinking Fund (in that order) to the extent of the amounts required to be deposited in each on the next required payment date for the Bonds; and

(ii) The balance, if any, in the Optional Redemption Fund.

The Bond Trustee is permitted to transfer moneys in any of the trust funds established under the Bond Indenture to the Rebate Fund in order to comply with the provisions of the Tax Agreement.

Additional Bonds

In addition to providing for the issuance of the Bonds initially being issued thereunder, the Bond Indenture provides for the issuance by the Issuer of Additional Bonds for any one or more of the following purposes:

(1) to refund any series of outstanding Bonds or portion thereof;

(2) to advance refund any series of outstanding Bonds or portion thereof by depositing with the Bond Trustee, in trust for the sole benefit of such series of Bonds or portion thereof, cash or Defeasance Investments in a principal amount which, alone or, in the case of Defeasance Investments, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, will be, in the opinion of a certified public accountant acceptable to the Bond Trustee and the Issuer, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds of such series or portion thereof to be refunded at or before their respective maturity dates;

(3) to obtain funds to loan to the Corporation in order to complete any "project" (as defined in the Act) financed or refinanced, in whole or in part, with the proceeds of any Bonds issued under the Bond Indenture; and

(4) to obtain funds for any other purpose permitted under the Act.

The principal amount of such Additional Bonds may include an amount sufficient to pay the costs and expenses of issuance as well as such capitalized amounts as are permitted by Act. Such Additional Bonds shall be issued on a parity with the thereunder (except that any series of Bonds or portion thereof may be advance refunded through the deposit in escrow for the benefit of such Bonds of cash or Defeasance Investments) notwithstanding the fact that no additional security (except for the required pledge of an Additional Obligation issued pursuant to the Master Indenture) is made subject to the lien of the Bond Indenture; provided, however, that the Bond Trustee and the Bond are authorized to accept additional security upon the issuance of any Additional Bonds.

Prior to the delivery of any Additional Bonds, there shall be filed with the Bond Trustee, among other things, all of the following:

(a) A written statement by the Corporation approving (i) the issuance and delivery of such Additional Bonds and the issuance of Additional Obligations to the Issuer (which Additional Obligations shall be pledged under the Bond Indenture) in a principal amount equal to such Additional Bonds and with payments of principal and interest thereon sufficient to cover payments of principal and interest to be made on such Additional Bonds to the same extent as if such Additional Bonds were included in the issuance of the existing Bonds, and (ii) any other matters to be approved by the Corporation pursuant to the Loan Agreement, the Master Indenture and the Bond Indenture.

(b) A copy of the Issuer resolution theretofore adopted and approved authorized the execution and delivery of such supplements to the Bond Indenture and to the Loan Agreement as may be necessary and authorizing the issuance of such Additional Bonds.

(c) A copy of the Corporation resolutions theretofore adopted and approved authorizing the execution and delivery of the additional Obligations and a supplement to the Loan Agreement and the Master Indenture and further approving such supplemental bond indenture and the issuance and sale of such Additional Bonds.

(d) The original executed additional Obligations referred to in paragraph (a) above made payable to the Issuer and duly issued pursuant to the Master Indenture and original executed counterparts of the supplements to the Bond Indenture, the Loan Agreement and the Master Indenture.

(e) A request and authorization to the Bond Trustee on behalf of the Issuer to authenticate and deliver such Additional Bonds (specifically stating the principal amount to be issued and delivered to the purchasers therein identified) upon payment to the Bond Trustee, but for the account of the Issuer, of a sum specified in such request and authorization plus accrued interest, if any, thereon to the date of delivery. The Bond Trustee shall out of such proceeds deposit to the Interest Fund under the Bond Indenture the amounts, if any, set forth in the supplemental indenture with respect to such Additional Bonds, and deposit to the credit of an expense fund the amount set forth in said supplemental indenture. If the proceeds received by the Bond Trustee are from the issuance of Additional Bonds for the purpose of acquiring or constructing additional health facilities, then the supplemental indenture shall provide that, after making the deposits set forth above, the balance of such proceeds shall be deposited in an acquisition or construction fund maintained under the Bond Indenture having such terms and provisions as are acceptable to the Issuer and shall be paid out against such showings as are acceptable to the Issuer.

(f) Copies of the materials required to be delivered to the Master Trustee in connection with the issuance of the Additional Obligations referred to in paragraph (a) above.

(g) Appropriate supplements to the Bond Indenture and the Loan Agreement providing, among other things, for the pledge of the Additional Obligations referred to in paragraph (a) above under the Bond Indenture.

(h) Such other closing documents and opinions of counsel as the Issuer and the Bond Trustee may reasonably specify.

Arbitrage

The Issuer and the Bond Trustee, to the extent of its discretion described under "Investment of Funds," covenant and agree that they will not take any action or fail to take any action with respect to the investment of the proceeds of the Bonds or any Additional Bonds issued under the Bond Indenture or with respect to the payments derived from the Obligations pledged under such Bond Indenture or from the Loan Agreement or any other moneys regardless of source or where held which may, notwithstanding compliance with the other provisions of the Bond Indenture, Loan Agreement, and Tax Agreement, cause the Bonds to constitute "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code. The Issuer further covenants and agrees that it will comply with and take all actions required by the Tax Agreement.

Supplemental Bond Indentures

Subject to the limitations set forth in the next paragraph, the Issuer and the Bond Trustee may, without the consent of, or notice to, any of the bondholders, enter into an indenture or indentures supplemental to the Bond Indenture to (a) cure any ambiguity or formal defect or omission in the Bond Indenture; (b) grant to or confer upon the bond Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders and the Bond Trustee, or either of them; (c) assign and pledge under the Bond Indenture additional revenues, properties or collateral; (d) evidence the appointment of a separate trustee or the succession of a new trustee under the Bond Indenture; (e) permit the qualification of the Bond Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States; (f) permit the issuance of coupon Bonds of any series under the Master Indenture and permit the exchange of bonds from registered form to coupon form and vice versa; (g) provide for the refunding or advance refunding of any Bonds; (h) permit the issuance of any series of Additional Bonds; (i) permit continued compliance with the Tax Agreement or any similar agreement entered into in connection with the issuance of any series of Additional Bonds; and (j) to make any other change that, in the judgment of the Bond Trustee, does not materially adversely affect the rights of any Bondholders. The Issuer and the Bond Trustee may not enter into a bond indenture or indentures supplemental to the Bond Indenture pursuant to (f) above unless they shall have received an opinion of nationally recognized municipal bond counsel to the effect that the issuance of coupon Bonds will not adversely affect the validity of such Bonds or any exclusion from federal income taxation of interest paid on any Bonds to which such Bond would otherwise be entitled.

In addition to supplemental indentures for the purposes set forth in the previous paragraph, and subject to the terms and provisions described in this paragraph, and not otherwise, the holders of not less than a majority in the

aggregate principal amount of the Bond which are outstanding under the Bond Indenture at the time of the execution of such supplemental indenture or, in the case less than all of the several series of Bonds outstanding are affected thereby, the holders of not less than a majority in aggregate principal amount of all Bonds of each series so affected which are outstanding at the time of such execution shall have the right, from time to time, anything contained in the Bond Indenture to the contrary notwithstanding, to consent to and approve the execution by indenture as shall be deemed necessary and desirable by the board for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Indenture or in any supplemental indenture; except that no such supplemental indenture shall permit: (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of paying interest on, or reduction of any premium payable on the redemption of any Bonds without the consent of the holders of such Bonds; (b) a reduction in the amount or extension of the time of any payment required to be made to or from the Interest Fund or the Bond Sinking Fund or any interest or sinking fund applicable to any Additional Bonds; (c) the creation of any lien prior to or on a parity with the lien of the Bond Indenture without the consent of the holders of all the Bonds at the time outstanding; (d) a reduction in the aforesaid aggregate principal amount of Bonds the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all the Bonds at the time outstanding which would be affected by the action to be taken; or (e) a modification of the rights, duties or immunities of the Bond Trustee, without the written consent of the Bond Trustee.

So long as the Obligated Issuers are not in default under the Master Indenture or the Corporation is not in default under the Loan Agreement, any supplemental indenture which adversely affect the rights of any member under the Master Indenture or the Corporation under the Loan Agreement shall not become effective unless and until the Corporation shall have consented in writing to the execution and delivery of such supplemental indenture.

Defeasance

The Issuer may pay or provide for the payment of the entire indebtedness on all Bonds outstanding (including, for these purposes, Bonds held by any Member of the Obligated Group) in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on all Bonds outstanding, as and when the same become due and payable;

(b) by depositing with the Bond Trustee, in trust, at or before maturity, moneys in an amount sufficient to pay or redeem (when redeemable) all Bonds outstanding (including the payment of premium, if any, and interest payable on such Bonds to the maturity or redemption date thereof), provided that such moneys, if invested, shall be invested in Defeasance Investments increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds outstanding at or before their respective maturity dates, it being understood that the investment income on such Defeasance Investments may be used for any other purpose under the Act;

(c) by delivering to the Bond Trustee, for cancellation, all Bonds outstanding; or

(d) by depositing with the Bond Trustee, in trust, Defeasance Investments in such amounts as the Bond Trustee shall determine will, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all bonds at or before their respective maturity dates.

Upon the deposit with the Bond Trustee, in trust, of money or Defeasance Investments in the necessary amount to pay or redeem all outstanding Bonds and compliance with the other payment provisions of the Bond Indenture, including delivery to the Bond Trustee of a certificate of an independent certified public accounting firm satisfactory to the Bond Trustee that the cash or Defeasance Investments held by the bond Trustee pursuant to the provisions described above are sufficient for the purposes set forth above, the Bond Indenture may be discharged in accordance with the provisions thereof but the liability of the Issuer upon the Bonds shall continue provided that the holders thereof shall thereafter be entitled to payment only out of the moneys or the Defeasance Investments deposited with the Bond Trustee as indicated above.

If the Issuer shall pay or provide for the payment of the entire indebtedness on all Bonds of a particular series, or any portion of a particular series, in any one or more of the ways described in the first paragraph of this section, such Bonds shall cease to be entitled to any lien, benefit or security under the Bond Indenture. The liability of the Issuer in respect of such Bonds, if any, shall continue but the holders thereof shall thereafter be entitled to payment (to the exclusion of all other Bondholders) only out of the moneys or Defeasance Investments deposited with the Bond Trustee.

The foregoing notwithstanding, none of the Bonds may be so refunded nor may the Bond Indenture be discharged thereby if under any circumstances interest on such refunded Bonds is thereby made subject to federal income taxation to which such interest would not otherwise be subject. As a condition precedent to the advance refunding of any Bonds, the Bond Indenture requires the Bond Trustee to receive an opinion of Bond Counsel, which opinion may be based upon a ruling or rulings of the Internal Revenue Service, to the effect that interest on the Bonds being refunded will not, by reason of such refunding, be subject to federal income taxation to which such interest would not otherwise be subject.

Defaults and Remedies

Events of default are set forth in the Bond Indenture. Such events of default include, among other things: (i) failure to pay interest on any of the Bonds when the same shall become due and payable; (ii) failure to pay the principal of or the premium, if any, payable on any of the bonds when the same shall become due and payable, either at maturity, by proceedings for redemption, upon acceleration, through failure to make any payment to any Fund under the Bond Indenture or otherwise; (iii) certain events of bankruptcy, insolvency and the like relating to the Issuer; (iv) the Issuer shall for any reason be rendered incapable of fulfilling its obligations under the Bond Indenture; (v) any event of default as defined in the Loan Agreement or in the Master Indenture shall occur and be continuing from and after the date the Issuer is entitled under the Loan Agreement to request that the Master Trustee declare the Obligations pledged under the Bond Indenture immediately due and payable or the date on which the Master Trustee is entitled under the Master Indenture to declare any Obligation immediately due and payable; (vi) default by the Issuer in the due and punctual performance of any of the other covenants conditions, agreements and provisions be performed on the part of the Issuer and continuance of such default for the period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer, the Obligated Group Agent and the Corporation by the Bond Trustee (which notice may be given by the Bond Trustee in its discretion and shall be given by the Bond Trustee at the request of the owners of Bonds whose Bond Obligation is not less than 10% in aggregate principal amount of Bonds then outstanding); (vii) the Issuer, the Corporation or the Bond Trustee shall default in the performance of any covenant, condition, agreement or provision of the Tax Agreement, and such default shall continue for the period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the party in default, the Corporation and the Obligated Group Agent by the other party; and (viii) certain other events listed in the Bond Indenture.

Upon the happening of any event of default (other than the events of default described in (i) and (ii) above) and the continuance of the same for the period, if any, specified under the Bond Indenture, the Bond Trustee may, without any action on the part of the Bondholders, and upon the happening and continuance of any event of default described in (i) and (ii) or upon the happening and continuance of any other event of default and the written request of the owners of Bonds of not less than twenty-five percent (25%) in aggregate principal amount of all Bonds then outstanding under the Bond Indenture (exclusive of Bonds then owed by the Issuer of any Member), and upon being indemnified to its satisfaction, the Bond Trustee shall, by notice in writing delivered to the Issuer, declare the entire principal amount of the Bonds then outstanding and the interest accrued thereon, immediately due and payable, and such entire principal and interest shall thereupon become and be immediately due and payable, subject, however, to the provisions of the Bond Indenture with respect to waivers of events of default.

Direction of Proceedings

The owners of a majority in aggregate principal amount of all Bonds then outstanding shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Bond Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Indenture, including the enforcement of the rights of the Issuer under the Loan Agreement or

the appointment of a receiver or any other proceedings under the Bond Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Bond Indenture.

Waivers of Events and Default

The Bond Trustee may in its discretion waive any event of default under the Bond Indenture and its consequences and rescind any declaration of maturity of principal, and shall do so upon written request of the owners of (1) at least a majority in aggregate principal amount of the Bonds outstanding in respect of which default in the payment of principal and/or interest exists, or (2) at least a majority in aggregate principal amount of all the Bonds outstanding in the case of any other event of default. The foregoing notwithstanding, in no event shall there be waived (a) any event of default in the payment of the principal of any outstanding Bond when due whether by mandatory redemption through the Bond Sinking Fund or at the dates of maturity specified therein, or (b) any default in the payment, other than an acceleration of the Bonds, when due of the interest on any such Bonds, unless prior to such waiver or rescission all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such default shall have occurred on overdue installments of interest or all arrears of payments of principal when due, as they case may be, and all expenses of the Bond Trustee and any Paying Agent in connection with such default shall have been paid or provided for. In case of any such waiver or rescission or in case any proceeding taken by the Bond Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, by the Bond Trustee and the Bondholders shall, subject to any determination in such proceedings, be restored to their former positions and rights under the Bond Indenture respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement between the Corporation and the Issuer, to which reference is made for a full and complete statement of its provisions.

Loan of Bond Proceeds

The Issuer will lend the proceeds from the sale of the Bonds to the Corporation. The Obligations will be delivered to the Issuer to evidence such Joan and the obligation of the Corporation to repay the same. Each Obligation will be issued in a principal amount equal to the aggregate principal amount of the corresponding series of Bonds, and will provide for payment of principal, premium, if any, and interest thereon, sufficient to permit the Issuer to make payments of principal, premium, if any, and interest on the corresponding series of Bonds.

Representations

The Corporation represents that it is a not for profit corporation duly incorporated under the laws of the State of Tennessee, is in good standing and duly authorized to conduct its business in the State, has full power to execute and deliver the Loan Agreement, the Master Indenture, the Tax Agreement and each Obligation. The Corporation also warrants that each Obligation is in the hands of the holder thereof will be the legal and valid joint and several obligation of the Corporation and each other Obligated Issuer. In addition, the Corporation will represent that no litigation, proceedings or investigation are pending or, to the knowledge of the Corporation, threatened against the Corporation except (i) litigation, proceedings or investigations involving claims for hospital professional or general patient liability for which the probably ultimate recovers and the estimated costs and expenses of defense, in the opinion of Independent Counsel, will be entirely within applicable insurance policy limits (subject to applicable deductibles) or are not in excess of the total available assets held under applicable self-insurance programs of (ii) litigation, proceedings or investigations involving other types of claims which if adversely determined will not, in the opinion of Independent Counsel, have a material adverse effect on the operations or condition, financial or otherwise, of the Corporation.

Assignment of Rights under the Loan Agreement and the Obligations

The Corporation agrees that the Loan Agreement, the Obligation and any Additional Obligations delivered to the Issuer to evidence loans made by the Issuer pursuant to the Loan Agreement from the proceeds of Additional Bonds and payments to be made thereunder and thereon (excluding fees and expenses payable to the Issuer and the Issuer's right of indemnification in certain circumstances) shall be assigned and pledge to secure payment of the Bonds, and all of the rights, interest, powers, privileges and benefits accruing to or vested in the Issuer thereunder may be protected and enforced in conformity with the Bond Indenture and may be assigned by the Issuer to the Bond Trustee as additional security for the Bonds, other than the right of the Issuer to receive payment of its fees and expenses, its right to indemnification and its right to execute and deliver supplements and amendments to the Loan Agreement.

Payments in Respect of Obligation and Under the Loan Agreement

Under the terms of the Loan Agreement, the Corporation covenants and agrees to pay the Bond Trustee such amounts at such times as shall provide for payment of interest, premium, if any, and principal, whether upon a regularly schedule interest payment date, maturity, mandatory redemption or acceleration, on each series of Bonds outstanding under the Bond Indenture. The Loan Agreement also requires that the Corporation pay certain other charges which may be incurred for such items as the Bond Trustee's fees, the Issuer's fees and expenses, taxes and assessments, if any, and costs incurred in connection with or incident to the issuance and sale of the Bonds which exceed the amount on deposit in the Expense Fund. All payments due on each Obligation, on any Additional Obligations issued in connection with the issuance of Additional Bonds and under the Loan Agreement, shall be paid directly to the Bond Trustee's and applied in the manner provided in the Bond Indenture.

Corporation's Obligations are Unconditional

The obligations of the Corporation to pay the principal, premium, if any, and interest on the Obligations pledged under the Bond Indenture, to pay the other sums provided for in the Loan Agreement and to perform and observe its other agreements under the Loan Agreement shall be absolute and unconditional, and the Corporation shall not be entitled to any abatement or diminution thereof nor to any termination of the Loan Agreement for any reason whatsoever.

Completion of the Project; Completion Certificate. The Corporation agrees to cause the Project to be completed in accordance with the Loan Agreement and the Tax Agreement with reasonable dispatch. The Corporation shall provide (from its own funds if required) all moneys necessary to complete the Project.

The Corporation will deliver to the Bond Trustee, within 90 days after completion of the Project, the Completion Certificate in the form provided in the Bond Indenture and the Loan Agreement.

Changes in or Amendments to the Project. The Corporation may make, authorize or permit such changes in or amendments to the Project as it reasonably determines to be necessary or advisable. However, no such change shall be made to the Project if it would (i) cause the average maturity of the applicable series of Bonds to be more than 120% of the average reasonably expected economic life of the Project, (ii) result in the Facilities being used for any purpose prohibited by the Loan Agreement, (iii) violate or conflict with the terms of the approvals or findings of non-reviewability concerning the Project by the Tennessee Health Facilities Commission, or (iv) add material construction projects which were part of the Project contemplated in the Tax Agreement.

Certain Covenants of the Corporation Relating to the Use and Operation of Certain of its Property

The Corporation agrees that it will use its health care Facilities primarily as and for hospitals and related activities and only in the furtherance of the lawful corporate purposes of the Corporation.

The Corporation agrees that it will not permit any of the Property for which the Corporation or the Issuer is or has been reimbursed, in whole or in part, whether directly or indirectly, from the proceeds of the Bonds, to be used (i) by any Person in an Unrelated Trade of Business of the Corporation or by any person who is not a Tax-Exempt Organization, in either case in such manner or to such extent as would result in the loss of tax exemption of interest on the Bonds or any other such tax-exempt Additional Bonds otherwise afforded under Section 103(a) of the Code, (ii) primarily for sectarian instruction or study or as a place of devotional activities or religious worship or as a facility used primarily in connection with any part of the program of a school or department of divinity for any religious denomination or the training of ministers, priests, rabbis or other similar person in the field of religion, or (iii) in a manner which is prohibited by the Establishment of Religion Clause of the First Amendment to the Constitution of the United States of America and the decision of the United States Supreme Court interpreting the same or by any comparable provisions of the Constitution of the State and the decisions of the Supreme Court of the State interpreting the same.

Transfer of Assets by Corporation

The Corporation covenants and agrees that it will not sell, lease or otherwise dispose of any of its Property except as provided by the provision of the Master Indenture summarized under "Summary of Certain Provisions of the Master Indenture--Sale, Lease, or Other Disposition of Property" above. The provisions of the Master Indenture notwithstanding, the Corporation agrees that it will not sell, lease or otherwise dispose (including without limitation any involuntary disposition) of in excess of 2%, in the aggregate of the Property financed or refinanced with the proceeds of the Bonds (which percentage shall be reduced to the extent Property financed or refinanced with the proceeds of the Bonds is used in an Unrelated Trade of Business of the Corporation) unless: (a) prior to such sale, lease or other disposition there is delivered to the Bond Trustee and the Issuer an Officer's Certificate of the Corporation stating that, in the judgment of such officer, such Property has become inadequate, obsolete or worn out and that Any amounts received by the Corporation upon such disposition shall be applied by the Corporation to acquire additional property constituting a "project" under the Act; or (b) prior to such sale, lease or other disposition the Corporation delivers to the Bond Trustee and the Issuer a written Opinion of Bond Counsel (which counsel and

opinion is acceptable to the Bond Trustee and the Issuer) to the effect that any such disposition will not adversely affect the validity of the Bonds or the exclusion from federal income taxation of the interest paid on the Bonds or any other such tax-exempt Bonds under Section 103(a) of the Code. The Corporation agrees to apply the proceeds of any disposition described in (a) above as provided in such clause and agrees that any Property acquired with such proceeds shall be deemed to be Property financed with the proceeds of the Bonds for purpose of applying the provisions of the Loan Agreement. The amount of Property disposed of will be calculated in accordance with the provisions of the Master Indenture.

Indemnification of the Issuer

The Corporation agrees to pay, protect, indemnify and save the Issuer and the Bond Trustee harmless from and against any and all liability, losses, damages, costs and expenses (including those arising or resulting from any injury to or death of any person or damage to property) arising from or in any manner directly or indirectly growing out of or connected with, among other things, the use and occupancy of any of the Corporation's Property, any repairs, construction, alterations, renovation, relocation, remodeling and equipping thereof or thereto or the condition of any of the Corporation's Property including adjoining sidewalks, streets or alleys and any equipment or facilities at any time located on such Property or used in connection therewith, but which are not the result of the negligence of the Issuer or the Bond Trustee.

Maintenance of Corporate Existence; Bonds to Remain Tax-Exempt

The Corporation agrees to at all times maintain its existence as a Tennessee not-for-profit corporation and it will neither take any action nor suffer any action to be taken by others which will alter, change or destroy its status as a nonprofit corporation or its status as a Tax-Exempt Organization except as permitted by the Master Indenture. The Corporation covenants and agrees that, as long as any Bond remain outstanding, it or any successor thereto into which it is merged or consolidated under the terms of the Master Indenture will remain a Member of the Obligated Group. The Corporation further covenants that it will not make any distribution except as authorized by applicable law and as otherwise permitted under the terms of the Loan Agreement. The Corporation further agrees that it will not act or fail to act in any other manner which would adversely affect the tax exemption for federal income tax purpose of the interest earned by the owners of the Bonds or any other such tax-exempt Additional Bonds to which such Bonds would otherwise be entitled.

Accreditation and Licensure

The Corporation warrants that its hospitals are now accredited by the Joint Commission on Accreditation of Healthcare Organization or other applicable accreditation body and that its health care Facilities have all state and local licenses required for the operation thereof. The Corporation agrees to obtain and maintain all such licenses required for its operations and the operation of its health care Facility and to use its best efforts to obtain and maintain such accreditation, so long as it is in the best interests of the Corporation and the Bondholders, as determined by the Corporation.

Government Grants

The Corporation covenants to comply with all of the terms and provisions of any governmental grants it receives, including those made by the State and the federal government and the laws and regulations under which they are made.

Supplements and Amendments to the Loan Agreement

Under the terms of the Bond Indenture, the Issuer, the Corporation and the Bond Trustee may, without the consent of or notice to the holders of the Bonds, consent to any amendment, change or modification of the Loan Agreement as may be required (i) by the provisions of the Loan Agreement or the Bond Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) in connection with the issuance of Additional Bonds, (iv) in connection with any other change therein which, in the judgment of the Bond Trustee, does not materially adversely affect the rights of the Bond Trustee or the owners of the Bonds, or (v) for the purpose of

complying with the provisions of the Tax Agreement. Except for the amendments, changes or modifications referred to in the preceding sentence, neither the Issuer nor the Bond Trustee shall consent to any other amendment, change or modification of the Loan Agreement without the written approval or consent of the owners of not less than a majority in aggregate principal amount of all Bonds at the time outstanding or in case less than all of the several series of Bonds then outstanding are affected thereby, the owners of not less than a majority in aggregate principal amount of all Bonds of each series so affected then outstanding at the time of execution of any such amendment, change or modification; provided that if such amendment, change or modification will, by its terms, not take effect so long as any Bonds of a specified series remain outstanding, the consent of the holders of such Bonds shall not be required.

Defaults and Remedies

Events of default under the Loan Agreement include: (i) failure of the Corporation to make any payment of principal, interest or premium, on any Obligation pledged under the Bond Indenture or any other payment required by the Loan Agreement when due and payable, (ii) payment of principal, interest or premium on any Bond is not made when due and payable, (iii) failure of the Corporation to perform and comply with any of the covenants and conditions under the Loan Agreement or the Tax Agreement and failure to remedy such default within 30 days after notice thereof from the Bond Trustee; provided that, if such default cannot with due diligence and dispatch be wholly cured within 30 days but can be wholly cured, the failure of the Corporation to remedy such default within such 30-day period shall not constitute a default under the Loan Agreement if the Corporation shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch, (iv) any event of default shall occur under the Master Indenture which would permit the acceleration of any Obligation, (v) certain events of bankruptcy, insolvency and the like relating to the Corporation, and (vi) certain other defaults described in the Loan Agreement.

Whenever any event of default shall have occurred and be continuing under the Loan Agreement, the Issuer may (i) request that the Master Trustee declare the unpaid principal balance of the outstanding Obligations (if not then due and payable) immediately due and payable subject to the provisions of the Master Indenture regarding waiver of events of default, and (ii) pursue any available remedy to collect the payments then due and thereafter to become due on the Obligations pledged under the Bond Indenture or to enforce performance and observance of any obligation, agreement or covenant of the Corporation under the Loan Agreement, the Obligations or the Master Indenture.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

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[Form of Opinion of Bond Counsel]
[Subject to Review]

September 18, 2012

The Health and Educational Facilities Board
of the City of Johnson City, Tennessee
Johnson City, Tennessee

The Bank of New York Mellon Trust Company, N.A.,
Bond Trustee and Master Trustee
St. Louis, Missouri

Merrill Lynch, Pierce, Fenner & Smith Incorporated
New York, New York

Re: The Health and Educational Facilities Board of the City of Johnson City, Tennessee $55,000,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2012A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by The Health and Educational Facilities Board of the City of Johnson City, Tennessee (the "Issuer") of its $55,000,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2012A (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. Reference is made to the forms of the Bonds for additional information concerning their details, payment and redemption provisions and the proceedings pursuant to which they were issued.

The Bonds are issued pursuant to a Bond Trust Indenture dated as of September 1, 2012 (the "Bond Indenture"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee"). The proceeds from the sale of the Bonds will be loaned by the Issuer to Mountain States Health Alliance, a not-for-profit corporation incorporated under the laws of the State of Tennessee (the "Alliance"), under a Loan Agreement dated as of September 1, 2012 (the "Loan Agreement"), between the Issuer and the Alliance, which loan will be evidenced by the $55,000,000 Mountain States Health Alliance Note, Series 2012A (The Health and Educational Facilities Board of the City of Johnson City, Tennessee) (the "Series 2012A Obligation") issued pursuant to an Amended and Restated Master Trust Indenture dated as of February 1, 2000, as heretofore amended and as amended by a Thirty-Fourth Supplemental Master Trust Indenture dated as of September 1, 2012 (collectively, the "Master Indenture"), between the Alliance and The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee"). Under the Loan Agreement and the Series 2012A Obligation, the Alliance has agreed to make payments to be used to pay when due the principal of and premium, if any, and interest on the Bonds, and such payments and other revenues under the Loan Agreement and the Series 2012A Obligation (collectively, the "Revenues") and the rights of the Issuer under the Loan Agreement (except certain rights to indemnification, reimbursement and administrative fees) are pledged and assigned by the Issuer as security for the Bonds. The Bonds are payable solely from the Revenues.

Reference is made to an opinion of even date of Anderson & Fugate, counsel to the Alliance, with respect, among other matters, to the corporate status, good standing and qualification to do business of the Alliance, the corporate power of the Alliance to enter into and perform the Loan Agreement, the Series 2012A Obligation and the Master Indenture and the authorization, execution and delivery of the Loan Agreement, the Series 2012A Obligation and the Master Indenture by the Alliance and with respect to the Loan Agreement, the Series 2012A Obligation and the Master Indenture being binding and enforceable upon the Alliance.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and the Alliance contained in the Bond Indenture and the Loan Agreement, the certified proceedings and other certifications of public officials furnished to us, and certifications furnished to us by or on behalf of the Alliance (including certifications as to the use of bond proceeds and other bond issues which are material to paragraph 4 below), without undertaking to verify the same by independent investigation.

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

1. The Issuer is duly created and validly existing as a public, nonprofit corporation, organized and existing under the laws of the State of Tennessee with the corporate power to enter into and perform the Bond Indenture and issue the Bonds.

2. The Bond Indenture has been duly authorized, executed and delivered by the Issuer and is a valid and binding obligation of the Issuer enforceable against the Issuer. The Bond Indenture creates a valid lien on the Revenues and on the rights of the Issuer under the Loan Agreement (except certain rights to indemnification, reimbursement and administrative fees) for the benefit of the Bonds.

3. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer, payable solely from the Revenues.

4. Interest on the Bonds (a) will not be included in gross income for federal income tax purposes, and (b) will not be an item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations; such interest, however, is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations (as defined for federal income tax purposes). The foregoing opinion is given in reliance upon certifications by representatives of the Issuer and the Alliance as to certain facts relevant to both the opinion and the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Issuer and/or the Alliance have covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment of arbitrage profits with respect to the Bonds to the United States. Failure by the Issuer or the Alliance to comply with such covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The Bonds and the income therefrom shall be exempt from all state, county and municipal taxation in Tennessee except (a) inheritance, gift and estate taxes, (b) excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Bond Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Our services as bond counsel have been limited to rendering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the excludability of the interest on the Bonds from gross income for federal income tax purposes. We have not made any investigation concerning the financial resources of the Alliance and, therefore, we express no opinion as to the business or financial resources of the Alliance, its ability to provide for the payment of the Bonds or the accuracy or completeness of any information that may have been relied on by anyone in making the decision to purchase the Bonds.

Very truly yours,

APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is executed by the Mountain States Health Alliance, a Tennessee nonprofit corporation (the "Alliance), in connection with (i) the issuance by the Health and Educational Facilities Board of the City of Johnson City, Tennessee of its $55,000,000 Hospital Revenue Bonds (Mountain States Health Alliance) Series 2012A (the "Series 2012A Bonds"), and its $_____ Hospital Revenue Bonds (Mountain States Health Alliance) Series 2012B (the "Series 2012B Bonds"), and (ii) the issuance by the Industrial Development Authority of Wise County of its $_____ Hospital Revenue Bonds (Mountain States Health Alliance), Series 2012C (the "Series 2012C Bonds" and, together with the Series 2012A Bonds and the Series 2012B Bonds, the "Bonds").

1. Purpose of the Agreement

This Agreement is being executed and delivered by the Alliance for the benefit of the Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with the Rule (as hereinafter defined).

2. Definitions

Except as otherwise indicated, any capitalized terms used, but not defined herein shall have the meaning assigned to them in the bond indenture pursuant to which the Bonds were issued. The following capitalized terms when used in this Agreement will have the following meanings:

"Annual Disclosure" means the annual financial information, audited financial statements prepared in accordance with generally accepted accounting principles and the operating data, all to be provided by the Alliance with respect to itself and any future Obligated Issuer pursuant to the Rule and this Agreement, as provided in Section 4 hereof.

"Beneficial Owner" means any person who (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.

"Fixed Rate Official Statement" means the Official Statement dated August 24, 2012, pursuant to which the Series 2012A Bonds were sold.

"Listed Events" means any of the events listed below under "Reporting of Significant Events."

"MSRB" means the Municipal Securities Rulemaking Board, or any successor thereto. Currently, the MSRB's address is: MSRB, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314, Attn: Disclosure.

"Official Statements" means the Fixed Rate Official Statement and the Variable Rate Official Statement.

"Quarterly Disclosure" means the provision of the Quarterly Financial Information and any other financial information as provided in Section 5, hereof.

"Quarterly Financial Information" means (i) the Alliance's quarterly financial results in the form of its unaudited quarterly statement of excess of revenue over expenses and its unaudited quarterly balance sheet, each on a consolidated basis for the combined Obligated Group (as defined in the bond documents pursuant to which the Bonds are issued) and (ii) two calculations of the Historical Maximum Annual Debt Service Coverage Ratio (one utilizing a *pro forma* Total Income Available for Debt Service based upon the results of such quarter and the other utilizing Total Income Available for Debt Service over the rolling twelve month period ended with the end of such quarter).

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as previously amended and as the same may be amended from time to time.

"Underwriter" means Merrill Lynch, Pierce, Fenner & Smith Incorporated.

"Variable Rate Official Statement" means the Official Statement dated _____, 2012, pursuant to which the Series 2012B Bonds and the Series 2012C Bonds were sold.

3. Provision of Annual Disclosure and Quarterly Disclosure

Not later than four months after the end of each fiscal year, the Alliance will file its Annual Disclosure with the MSRB. The Annual Disclosure may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided below.

Not later than 45 days after the end of each quarter of the Alliance's fiscal year the Alliance shall file its Quarterly Financial Information with the MSRB.

If the Annual Disclosure is not filed as provided in the preceding paragraph, the Alliance will send a notice to that effect to the MSRB.

4. Content of Annual Disclosure

The Alliance and any future Obligated Issuer shall provide and incorporate the following information in its Annual Disclosure:

(a) The audited financial statements of the Alliance and any future Obligated Issuer whose operations are not reflected in the audited financial statements of the Alliance; and

(b) To the extent not included in the audited financial statements of the Alliance, the Alliance annually will make available the following financial and operating data:

(i) The patient origin analysis from all service areas as a percent of the discharges in Alliance-owned facilities for the prior 12 month period, as set forth under the caption "SERVICE AREA, MARKET SHARE AND COMPETITION – Patient Origin -- Alliance Facilities Patient Origin by Fiscal Year" in Appendix A of the Official Statements.

(ii) The percentage of gross patient revenues received by the Alliance from each program (i.e., Medicare, TennCare/Medicaid, Managed Care, Commercial and Other, and Private Pay) for the most recently concluded fiscal year, as set forth under the caption "SOURCES OF REVENUE – Gross Patient Revenues by Source of Payment (Payor Mix)" in Appendix A of the Official Statements.

(iii) The historic patient utilization for the Alliance and aggregate utilization for all divisions for the prior 12 month period ending June 30, as set forth in the table under the caption "HISTORICAL UTILIZATION INFORMATION" in Appendix A of the Official Statements.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Alliance is an "obligated person" (as defined by the Rule), which have been filed in accordance with the Rule and the other rules of the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must have been filed with and be available from the MSRB. The Alliance must clearly identify each such other document so incorporated by reference.

5. Content of Quarterly Disclosure

The Alliance's Quarterly Disclosure will contain its Quarterly Financial Information.

6. Reporting of Significant Events

The following are Listed Events:

(a) principal and interest payment delinquencies;
(b) non-payment related defaults, if material;
(c) unscheduled draws on debt service reserves reflecting financial difficulties;
(d) unscheduled draws on any credit enhancement reflecting financial difficulties;
(e) substitution of credit or liquidity providers, or their failure to perform;
(f) adverse tax opinions; the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(g) modifications of rights of the holders of the Bonds, if material;
(h) bond calls, if material, and tender offers;
(i) defeasance of all or any portion of the Bonds;
(j) release, substitution, or sale of property securing repayment of the Bonds, if material;
(k) rating changes;
(l) bankruptcy, insolvency, receivership or similar event of the Issuer;
(m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

If the Alliance obtains knowledge of the occurrence of a Listed Event, the Alliance shall, in a timely manner not in excess of ten business days after the occurrence of the event, file a notice of such occurrence with the MSRB. Notice of Listed Events described in subsections (h) and (i) will be disseminated automatically, but will not be given any earlier than the notice (if any) of the underlying event is given to the Beneficial Owners of affected Bonds pursuant to the governing bond documents. The content of any notice of the occurrence of a Listed Event will be determined by the Alliance in accordance with the requirements of the Rule.

7. Filing Method

Any filing required hereunder shall be made by transmitting such disclosure, notice or other information in electronic format to the MSRB through the MSRB's Electronic Municipal Market Access (EMMA) system pursuant to procedures promulgated by the MSRB.

8. Termination of Reporting Obligation

The Alliance's obligations under this Agreement will terminate upon the defeasance (within the meaning of the Rule), prior redemption or payment in full of all of the Bonds. The Alliance will notify the MSRB that the Alliance's obligations under this Agreement have terminated. If the Alliance's obligations are assumed in full by some other entity, such person will be responsible for compliance with this Agreement in the same manner as if it were the Alliance and the Alliance will have no further responsibility hereunder.

9. Dissemination Agent

The Alliance may, from time to time, appoint a dissemination agent to assist it in carrying out its obligations under this Agreement, and the Alliance may, from time to time, discharge the dissemination agent, with or without appointing a successor dissemination agent. If at any time there is not a designated dissemination agent, the Alliance will be the dissemination agent.

10. Amendment

This Agreement may not be amended unless independent counsel experienced in securities law matters has rendered an opinion to the Alliance to the effect that the amendment does not violate the provisions of the Rule.

In the event that this Agreement is amended or any provision of this Agreement is waived, the notice of a Listed Event pursuant to subsection (6) under the heading "Reporting of Significant Events" will explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided in the Annual Disclosure. If an amendment or waiver is made in this Agreement which allows for a change in the accounting principles to be used in preparing financial statements, the Annual Disclosure for the year in which allows for a change in the accounting principles to be used in preparing financial statements, the Annual Disclosure for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison will include a qualitative discussion of the differences in the accounting principles and impact of the change in the accounting principles on the presentation of the financial information. A notice of the change in the accounting principles will be deemed to be material and will be filed with the MSRB.

11. Additional Information

Any registered owner of $1,000,000 or more in principal amount of Bonds shall receive, upon written request, any of the Annual Financial Information, Audited Financial Information or Quarterly Financial Information directly from the Alliance, by sending such request to Mountain States Health Alliance, 400 North State of Franklin Road, Johnson City, Tennessee 37604, Attn: Chief Financial Officer.

Nothing in this Agreement will be deemed to prevent the Alliance from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Alliance chooses to include any information in any Annual Disclosure or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Agreement, the Alliance will have no obligation under this Agreement to update such information or include it any future Annual Disclosure or notice of occurrence of a Listed Event.

12. Default

In the event of a failure of the Alliance to comply with any provision of this Agreement, the Underwriter or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Alliance to comply with its obligations under this Agreement. A default under this Agreement will not be deemed an Event of Default under the bond documents, and the sole remedy under this Agreement in the event of any failure of any party to comply with this Agreement will be an action to compel performance.

Acting by and through its duly authorized officer, the Alliance has caused this Continuing Disclosure Agreement to be executed under seal as of the 1st day of September, 2012.

MOUNTAIN STATES HEALTH ALLIANCE

By: _____
Its: Senior Vice President and
Chief Financial Officer

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

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BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and premium, if any, and interest on the Bonds to The Depository Trust Company, New York, New York, its nominee, Participants or Beneficial Owners (each as hereinafter defined), confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, Participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "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, however, are 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 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 holding 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to each of the respective Issuer or the Alliance, as applicable, 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 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 Alliance or the Bond Trustee on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Trustee, the Issuer or the Alliance, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Alliance or the Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the respective Issuer or the Alliance. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates will be printed and delivered.

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

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

Neither the Issuer nor the Registrar has any responsibility or obligation to the Direct or Indirect Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (b) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Bond Resolution to be given to Bondholders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only holder of Bonds for all purposes under the Bond Resolution.

The Issuer may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.

Exhibit 11.4

Attachment C

Mountain States Bonds Official Statement for 2013 Bonds

NEW ISSUE - Book-Entry Only **Ratings: (See "RATINGS")**

In the opinion of Bass, Berry & Sims PLC, Bond Counsel, under existing law and subject to conditions described in "TAX MATTERS," interest on the Series 2013A Bonds (a) will not be included in gross income for federal income tax purposes, and (b) will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; such interest, however, is taken into account in determining the adjusted current earnings for purposes of the alternative minimum tax on corporations. Interest on the Series 2013A Bonds and the Series 2013B Bonds will be exempt from all state, county and municipal taxation in Tennessee except inheritance, transfer, estate taxes and except that interest may not be exempt from Tennessee franchise and excise taxes. A holder may be subject to other federal tax consequences as described in "TAX MATTERS."

$115,915,000
THE HEALTH AND EDUCATIONAL FACILITIES BOARD OF THE CITY OF JOHNSON CITY, TENNESSEE

$16,235,000
Hospital Revenue Bonds
(Mountain States Health Alliance),
Series 2013A

$99,680,000
Taxable Hospital Refunding Revenue Bonds
(Mountain States Health Alliance),
Series 2013B

Dated: Date of Delivery **Maturity: As shown on inside cover page**

This Official Statement contains information relating to the offering of two series of bonds (each, a "Series") for the benefit of Mountain States Health Alliance (the "Alliance"), a Tennessee non-profit corporation, with all such bonds secured on a parity basis with each other and certain previously issued bonds and bonds that may be issued in the future.

At the request of the Alliance, The Health and Educational Facilities Board of the City of Johnson City, Tennessee (the "Issuer"), is issuing its $16,235,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2013A (the "Series 2013A Bonds"), and its $99,680,000 Taxable Hospital Refunding Revenue Bonds (Mountain States Health Alliance), Series 2013B (the "Series 2013B Bonds"). The Series 2013A Bonds and the Series 2013B Bonds (together, the "Series 2013 Bonds") are being issued under separate Bond Trust Indentures between the Issuer and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee"). The Series 2013 Bonds are limited obligations of the Issuer, payable from payments to be made by the Alliance to the Bond Trustee pursuant to separate Loan Agreements between the Issuer and the Alliance, and pursuant to the Series 2013 Obligations, hereinafter defined. The Series 2013 Obligations are promissory notes of the Alliance issued under and secured by the Amended and Restated Master Trust Indenture dated as of February 1, 2000, as amended (the "Master Indenture"), between the Obligated Issuers (as defined herein) and The Bank of New York Mellon Trust Company, N.A., as master trustee, which provides the security for the Series 2013 Obligations.

The Series 2013 Bonds will be issued in denominations of $100,000 or any integral multiples of $5,000 in excess thereof and will bear interest at variable rates as described herein from their date of issuance until maturity or any earlier Conversion Date to the Fixed Rate (as defined herein). Interest on the Series 2013 Bonds will be payable on each Interest Payment Date as described herein, commencing September 3, 2013. Each Series of Series 2013 Bonds will be subject to redemption prior to maturity, including optional redemption, mandatory sinking fund redemption and extraordinary optional redemption as described herein. The Series 2013 Bonds will be subject to mandatory tender for purchase prior to maturity under the circumstances described herein.

The timely payment of the principal of and interest on the Series 2013 Bonds and the purchase price of tendered Series 2013 Bonds of each Series will be secured by separate irrevocable, transferable direct-pay letters of credit (each, a "Letter of Credit") issued by



(the "Bank"). Each Letter of Credit will entitle the Bond Trustee to draw thereunder amounts equal to the principal amounts of the applicable Series 2013 Bonds outstanding and up to 37 days' interest thereon calculated at a rate of 12% per annum. Each Letter of Credit will expire on July 30, 2018, unless renewed, and each may be replaced by a Substitute Letter of Credit as described herein.

Payment of each Series of Series 2013 Bonds will be secured by a separate Letter of Credit. The Letter of Credit related to one Series of Series 2013 Bonds does not secure payments of principal or purchase price of or interest on the other Series of Series 2013 Bonds.

The Series 2013 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2013 Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2013 Bonds purchased. Interest on the Series 2013 Bonds will accrue from the date of issuance and be payable by the Bond Trustee from funds available to it under the Bond Indentures to DTC for the account of DTC Participants, who are responsible for crediting the accounts of the beneficial owners.

The Series 2013 Bonds will be limited obligations of the Issuer, payable solely from the sources described in this Official Statement and will not constitute or create any debt, liability or obligation of the State of Tennessee or any political subdivision or agency thereof or a pledge of the faith and credit of the State of Tennessee or any political subdivision or agency thereof. Neither the faith and credit nor taxing power of any state or any political subdivision or agency thereof will be pledged to the payment of the Series 2013 Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information necessary to make an informed investment decision. For a description of certain risk factors relating to the Series 2013 Bonds, see "CERTAIN RISK FACTORS."

The Series 2013 Bonds are offered when, as and if issued, subject to the approving opinion of Bass, Berry & Sims PLC, Nashville and Knoxville, Tennessee, as Bond Counsel, and certain other conditions. In connection with the issuance of the Series 2013 Bonds, certain legal matters will be passed upon by Anderson & Fugate, Johnson City, Tennessee, as counsel to the Alliance; Samuel B. Miller, Esq., Johnson City, Tennessee, as counsel to the Issuer; Thompson Coburn LLP, St. Louis, Missouri, as counsel to the Bank; and Hunton & Williams LLP, as Underwriter's Counsel. The Public Advisory Corporation serves as financial advisor to the Alliance. It is expected that the Series 2013 Bonds will be issued and available for delivery to DTC in New York, New York, on or about July 30, 2013.

BofA Merrill Lynch

Dated: July 25, 2013

INFORMATION REGARDING MATURITIES, INITIAL RATE PERIODS AND REMARKETING AGENTS

The Health and Educational Facilities Board of the City of Johnson City, Tennessee

$16,235,000
Hospital Revenue Bonds
(Mountain States Health Alliance),
Series 2013A
Initial Rate Period: Weekly
Due: August 15, 2043
CUSIP: 478271 JY6*
Remarketing Agent: U.S. Bancorp Investments, Inc.

$99,680,000
Taxable Hospital Refunding Revenue Bonds
(Mountain States Health Alliance),
Series 2013B
Initial Rate Period: Weekly
Due: August 15, 2043
CUSIP: 478271 KA6*
Remarketing Agent: BofA Merrill Lynch

* CUSIP numbers have been assigned by an organization not affiliated with the Issuer or the Alliance and are included solely for the convenience of the holders of the Series 2013 Bonds. The Issuer and the Alliance are not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2013 Bonds or as indicated above.

No dealer, salesperson, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Series 2013 Bonds and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer, the Alliance, or the Underwriter. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Alliance, or others since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been obtained from the Issuer, the Alliance and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by the Underwriter.

THE PRICES AT WHICH THE SERIES 2013 BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE FOREGOING PAGE. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS TO DEALERS AND OTHERS FROM THE PRICES AT WHICH THE SERIES 2013 BONDS ARE OFFERED TO THE PUBLIC. IN CONNECTION WITH THE OFFERING OF THE SERIES 2013 BONDS, THE UNDERWRITER MAY EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2013 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 SERIES 2013 BONDS WILL NOT BE REGISTERED BY THE ISSUER OR THE ALLIANCE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE, MUNICIPAL, OR OTHER GOVERNMENTAL ENTITY OR AGENCY SHALL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS FORWARD-LOOKING STATEMENTS THAT ARE SUBJECT TO A NUMBER OF RISKS AND UNCERTAINTIES, INCLUDING THOSE DESCRIBED IN "CERTAIN RISK FACTORS," MANY OF WHICH ARE BEYOND THE ISSUER'S AND THE ALLIANCE'S CONTROL. FORWARD-LOOKING STATEMENTS ARE TYPICALLY IDENTIFIED BY WORDS SUCH AS "BELIEVE," "EXPECT," "ANTICIPATE," "INTEND," "ESTIMATE," AND SIMILAR EXPRESSIONS. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE CONTEMPLATED BY THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF FACTORS ("CAUTIONARY STATEMENTS") SUCH AS THOSE DESCRIBED IN "CERTAIN RISK FACTORS" HEREIN. IN LIGHT OF THESE RISKS AND UNCERTAINTIES, THERE CAN BE NO ASSURANCE THAT THE RESULTS AND EVENTS CONTEMPLATED BY THE FORWARD-LOOKING INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT WILL IN FACT TRANSPIRE. YOU ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS. NEITHER THE ISSUER NOR THE ALLIANCE UNDERTAKE ANY OBLIGATION TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS. ALL SUBSEQUENT WRITTEN OR ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO THE ISSUER AND THE ALLIANCE OR PERSONS ACTING ON THEIR BEHALF ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS.

Other than with respect to information concerning the Bank and the Letters of Credit contained under the headings "THE LETTERS OF CREDIT - Terms of the Letters of Credit" and "THE BANK" and in Appendix F, none of the information in this Official Statement has been supplied or verified by the Bank, and the Bank does not make any warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Bonds, or (iii) the tax status of interest on the Bonds.

MATTERS RELATED TO THE REMARKETING AGENTS

The Remarketing Agent is Paid by the Alliance. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Series 2013 Bonds that are optionally or mandatorily tendered by the owners thereof, all as further described in this Official Statement. The Remarketing Agent is appointed by the Alliance and is paid by the Alliance for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Series 2013 Bonds.

The Remarketing Agent Routinely Purchases Series 2013 Bonds for its Own Account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2013 Bonds for its own account. The Remarketing Agent, in its sole discretion, routinely acquires tendered Series 2013 Bonds for its own inventory in order to achieve a successful remarketing of the Series 2013 Bonds (i.e., because there otherwise are not enough buyers to purchase the Series 2013 Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Series 2013 Bonds, and may cease doing so at any time without notice. The Remarketing Agent also may make a market in the Series 2013 Bonds by routinely purchasing and selling Series 2013 Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Series 2013 Bonds. The Remarketing Agent also may sell any Series 2013 Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2013 Bonds. The purchase of Series 2013 Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Series 2013 Bonds in the market than is actually the case. The practices described above also may reduce the supply of Series 2013 Bonds that may be tendered in a remarketing.

Series 2013 Bonds May Be Offered at Different Prices on any Date. The Remarketing Agent is required to determine on the Adjustment Date (as defined herein) the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Series 2013 Bonds at par plus accrued interest, if any, on the Adjustment Date. The interest rate will reflect, among other factors, the level of market demand for the Series 2013 Bonds (including whether the Remarketing Agent is willing to purchase Series 2013 Bonds for its own account). There may or may not be Series 2013 Bonds tendered and remarketed on an Adjustment Date, the Remarketing Agent may or may not be able to remarket any Series 2013 Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Series 2013 Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Series 2013 Bonds at the remarketing price. In the event the Remarketing Agent owns any Series 2013 Bonds for its own account, the Remarketing Agent may, in its sole discretion in a secondary market transaction outside the tender process, offer the Series 2013 Bonds on any date, including the Adjustment Date, at a discount to par to some investors.

The Ability To Sell the Series 2013 Bonds other than through Tender Process May Be Limited. While the Remarketing Agent may buy and sell Series 2013 Bonds, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Series 2013 Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2013 Bonds other than by tendering the Series 2013 Bonds in accordance with the tender process. The Letters of Credit are not available to purchase Series 2013 Bonds other than those tendered in accordance with a sale of Series 2013 Bonds by the bondholder to the Remarketing Agent. The Letters of Credit will only be drawn when such Series 2013 Bonds have been properly tendered in accordance with the terms of the transaction.

Remarketing Agent May Be Removed, Resign or Cease Remarketing the Series 2013 Bonds Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

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$115,915,000
THE HEALTH AND EDUCATIONAL FACILITIES BOARD OF THE CITY OF JOHNSON CITY, TENNESSEE

$16,235,000	**$99,680,000**
Hospital Revenue Bonds (Mountain States Health Alliance), Series 2013A	**Taxable Hospital Refunding Revenue Bonds (Mountain States Health Alliance), Series 2013B**

OFFICIAL STATEMENT

INTRODUCTION

This Official Statement, including its cover page and appendices, provides information in connection with the issuance and sale of two series of bonds for the benefit of Mountain States Health Alliance (the "Alliance"), a Tennessee non-profit corporation, with all such bonds secured on a parity basis with each other and certain previously issued bonds and bonds that may be issued in the future. See below "Sources of Payment and Security for the Series 2013 Bonds."

The Series 2013 Bonds

At the request of the Alliance, The Health and Educational Facilities Board of the City of Johnson City, Tennessee (the "Issuer") will issue its $16,235,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2013A (the "Series 2013A Bonds"), and its $99,680,000 Taxable Hospital Refunding Revenue Bonds, Series 2013B (the "Series 2013B Bonds" and, together with the Series 2013A Bonds, the "Series 2013 Bonds").

Capitalized terms used herein and not otherwise defined have the meanings given thereto (1) in the Amended and Restated Master Trust Indenture dated as of February 1, 2000, as amended (the "Master Indenture"), between the Obligated Issuers (as defined below) and The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee"), and (2) in separate Bond Trust Indentures, each dated as of July 1, 2013 (the "2013A Bond Indenture" and the "2013B Bond Indenture" and together, the "Bond Indentures"), and each between the Issuer and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee").

The Alliance

The Alliance is a Tennessee nonprofit corporation that is an "exempt organization" under Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"). The Alliance provides an integrated, comprehensive continuum of care to people in portions of Tennessee, Virginia, Kentucky and North Carolina. The Alliance currently operates 13 hospital facilities containing a total of 1,623 licensed beds, and serves a population of more than 1,000,000 in 29 counties and two independent cities in the States of Tennessee, Virginia, Kentucky and North Carolina. Its integrated health care delivery system also includes 23 primary/preventive care centers and 12 outpatient care sites. **For additional information regarding the Alliance, see Appendix A.**

The Obligated Issuers

The Alliance, Blue Ridge Medical Management Corporation ("Blue Ridge"), Norton Community Hospital ("Norton") and Smyth County Community Hospital ("Smyth") are each an Obligated Issuer as such term is defined in the Master Indenture. Only the Obligated Issuers are obligated to make payments on the Series 2013 Bonds. See in Appendix A "HISTORY AND OVERVIEW - Operations of Subsidiary and Other Affiliates" and "CONDENSED SUMMARY OF REVENUE AND EXPENSES; FINANCIAL STATEMENTS."

The Bank

The timely payment of the principal of and interest on each Series of the Series 2013 Bonds and the purchase price thereof will be secured by separate irrevocable transferable direct-pay letters of credit issued by U.S. Bank National Association. The Letter of Credit related to one Series of Series 2013 Bonds does not secure

payments of principal or purchase price of or interest on the other Series of Series 2013 Bonds. See "THE BANK" and Appendix F.

The Remarketing Agents

U.S. Bancorp Investments, Inc. will serve as the Remarketing Agent for the Series 2013A Bonds. Merrill Lynch, Pierce, Fenner and Smith Incorporated will serve as the Remarketing Agent for the Series 2013B Bonds.

Plan of Finance

The proceeds of the Series 2013 Bonds are being loaned to the Alliance pursuant to separate Loan Agreements each dated as of July 1, 2013 (respectively, the "2013A Loan Agreement" and the "2013B Loan Agreement" and together, the "Loan Agreements"), between the Issuer and the Alliance. The proceeds of the Series 2013A Bonds will be used by the Alliance (1) to finance or refinance capital improvements and equipment acquisitions at facilities owned by the Alliance and its affiliates and (2) to pay certain expenses incurred in connection with the issuance of the Series 2013A Bonds. The proceeds of the Series 2013B Bonds will be used by the Alliance (1) to refund $97,915,000 principal amount of the Issuer's Hospital Revenue Bonds (Mountain States Health Alliance), Series 2007B-2, and (2) to pay certain expenses incurred in connection with the issuance of the Series 2013B Bonds. See "PLAN OF FINANCE."

Book-Entry Registration

The Series 2013 Bonds initially will be issued in the form of one registered bond in the aggregate principal amount of each maturity of each Series and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will maintain a book-entry system for recording ownership interest in the Series 2013 Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2013 Bonds purchased. Principal of, any redemption price for, and interest on the Series 2013 Bonds will be payable by the Bond Trustee from funds available to it under the Bond Indentures to DTC for the account of DTC Participants (as defined herein), who are responsible for crediting the accounts of the beneficial owners. See Appendix G - "BOOK-ENTRY ONLY SYSTEM."

Sources of Payment and Security for the Series 2013 Bonds

The Series 2013 Bonds shall not constitute a debt or obligation of the State of Tennessee or any political subdivision or agency thereof or a pledge of the faith and credit of any state or any political subdivision or agency of any state, including the Issuer. The Series 2013 Bonds are special, limited obligations of the Issuer, each payable exclusively from the respective Trust Estates as described in "THE SERIES 2013 BONDS - General" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS - Trust Estate."

To evidence the Alliance's repayment obligations in connection with the Series 2013 Bonds, the Alliance will issue under the Master Indenture (1) its $16,235,000 Mountain States Health Alliance Note (The Health and Educational Facilities Board of the City of Johnson City, Tennessee) Series 2013A (the "Series 2013A Obligation"), and (2) its $99,680,000 Mountain States Health Alliance Note (The Health and Educational Facilities Board of the City of Johnson City, Tennessee) Series 2013B (the "Series 2013B Obligation" and, together with the Series 2013A Obligation, the "Series 2013 Obligations").

In the Master Indenture, the Alliance and the other Obligated Issuers have covenanted, and any future Obligated Issuer would be required to covenant, to operate its facilities in such a manner and to charge such fees and rates as will be sufficient to provide funds (together with other available amounts) to pay debt service on its outstanding indebtedness, to pay certain other expenses and indebtedness of the Alliance and all future Obligated Issuers, and to maintain a coverage ratio of Income Available for Debt Service to Maximum Annual Debt Service equal to at least 1.30:1. For a description of such covenants, including exceptions thereto, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS" and Appendix C - "SUMMARY OF THE FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE."

Certain existing bonds of the Issuer and other conduit issuers, as well as bonds of the Alliance, previously have been issued and are secured by Obligations issued by the Alliance and the other Obligated Issuers under the Master Indenture ("Master Obligations") and therefore are secured on a parity with the Series 2013 Bonds. The reimbursement obligations of the Alliance with respect to the Letters of Credit also will be secured on a parity basis under the Master Indenture. The Alliance and any future Obligated Issuer have the right, subject to specified conditions, to incur additional indebtedness secured on a parity basis with the Series 2013 Obligations and therefore on a parity basis with the Series 2013 Bonds. See also "PLAN OF FINANCE" for a description of bonds expected to be issued and secured on a parity basis.

No Debt Service Reserve Fund

The Series 2013 Bonds are not secured by any Debt Service Reserve Fund.

Tax Matters

In the opinion of Bass, Berry & Sims PLC, Bond Counsel, under existing law and subject to conditions described under "TAX MATTERS," interest on the Series 2013A Bonds (a) will not be included in gross income for federal income tax purposes and (b) will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest on the Series 2013A Bonds is taken into account in determining a corporation's alternative minimum income tax. Holders of Series 2013A Bonds may be subject to other federal tax consequences, as described herein under "TAX MATTERS."

Interest on the Series 2013B Bonds will be included in gross income for federal income tax purposes.

In the opinion of Bond Counsel, interest on the Series 2013 Bonds will be exempt from all state, county, and municipal taxation in the State of Tennessee except inheritance, gift, and estate taxes and except that interest may not be exempt from Tennessee franchise and excise taxes.

Continuing Disclosure

To permit compliance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12"), the Alliance will execute a Continuing Disclosure Agreement in connection with the issuance of the Series 2013 Bonds in which it will agree for the benefit of the holders of the Series 2013 Bonds to provide certain annual financial information and operating data and certain quarterly financial data as to the Alliance and any future Obligated Issuer under the Master Indenture, and to provide notice of certain enumerated events, if material. See "CONTINUING DISCLOSURE AGREEMENT" for a more complete description of the Continuing Disclosure Agreement and the Alliance's performance under previous continuing disclosure agreements.

Professionals Involved in the Offering

Bass, Berry & Sims PLC will act as Bond Counsel in connection with the issuance of the Series 2013 Bonds. In connection with the issuance of the Series 2013 Bonds, certain legal matters will be passed upon by Anderson & Fugate, Johnson City, Tennessee, as counsel to the Alliance; Samuel B. Miller, Esq., Johnson City, Tennessee, as counsel to the Issuer; Thompson Coburn LLP, St. Louis, Missouri, as counsel to the Bank; and Hunton & Williams LLP, as Underwriter's Counsel. The Alliance's consolidated financial statements for the fiscal years ended June 30, 2012 and 2011, included in Appendix B hereto, have been audited by Pershing Yoakley & Associates, P.C.

Relationships of the Parties

The Alliance has entered into interest rate exchange agreements, or swap agreements, with Bank of America, which is an affiliate of Bank of America Merrill Lynch, underwriter for the Series 2013 Bonds.

Acceleration

Subject to certain conditions, the Series 2013 Bonds are subject to acceleration of the maturity date upon the happening of an Event of Default under the Bond Indentures. See "SUMMARY OF THE FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURES" in Appendix C.

Bondholders' Risks

Payment of the Series 2013 Bonds is dependent in part on the ability of the Alliance and the other Obligated Issuers to make payments under the Loan Agreements and the Master Indenture. The Alliance's ability to make such payments may be adversely affected by many factors. There may also be legal and practical limitations on the enforcement of remedies and amounts that may be realized upon enforcement of remedies available to the Bond Trustee and owners of the Series 2013 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS" and "CERTAIN RISK FACTORS" herein and "SOURCES OF REVENUE" in Appendix A.

Legal Document Summaries and Definitions

Certain provisions of the Master Indenture, the Bond Indentures and the Loan Agreements are summarized in Appendix C hereto. Other definitions of certain terms used in this Official Statement are also set forth in Appendix C hereto.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The quotations from, and summaries and explanations of, the statutes, regulations and documents referenced herein do not purport to be complete and reference is made to those statutes, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such documents may be obtained during the offering period, upon request to the Alliance and upon payment to the Alliance of a charge for copying, mailing and handling, at 400 North State of Franklin Road, Johnson City, TN 37604-6094, Attn: Legal Department.

Purchasers of the Series 2013 Bonds should note the use of forward-looking information and the covenants related thereto.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between either the Issuer or the Alliance and the purchasers or holders of any of the Series 2013 Bonds.

This introduction is not a summary of this Official Statement. It is only a summary description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2013 Bonds to potential investors is made only by means of the entire Official Statement.

THE ISSUER

The Issuer is a public nonprofit corporation organized under the laws of the State of Tennessee. The Issuer was incorporated on May 3, 1973, by the Board of Commissioners of the City of Johnson City, Tennessee, pursuant to the laws now codified under Tennessee Code Annotated Section 48-101-301, *et seq.* (the "Tennessee Act"). The Tennessee Act authorizes the Issuer, among other things, to issue its bonds, to acquire, improve, maintain, extend, equip and furnish hospital facilities either within or without the corporate limits of the City of Johnson City, and in

certain other jurisdictions in Tennessee, to mortgage its projects, to pledge the revenues and receipt therefrom, and to sell, exchange, donate and convey any or all of its properties. The Issuer has no taxing power.

THE ALLIANCE

The Alliance is a Tennessee nonprofit corporation recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"). Today, the Alliance directly and through related entities provides an integrated, comprehensive continuum of care to people in 29 counties and two independent cities in Tennessee, Virginia, Kentucky and North Carolina. The Alliance was initially incorporated as Memorial Hospital on April 12, 1945, as a non-sectarian, general welfare, not-for-profit corporation. In connection with the relocation of its operations, it changed its name to Johnson City Medical Center Hospital, Inc. in 1983. In 1998, Johnson City Medical Center Hospital, Inc. assumed operating responsibility for five hospitals and related assets acquired from Columbia/HCA. In recognition of its expanded facilities and scope of services resulting from the 1998 acquisition, Johnson City Medical Center Hospital, Inc. changed its name to Mountain States Health Alliance.

The Alliance currently owns or controls the following facilities:

Facility	Location
Johnson City Medical Center	Johnson City, TN
James H. & Cecile Quillen Rehabilitation Hospital	Johnson City, TN
Woodridge Hospital	Johnson City, TN
Franklin Woods Community Hospital	Johnson City, TN
Indian Path Medical Center	Kingsport, TN
Sycamore Shoals Hospital	Elizabethton, TN
Johnson County Community Hospital	Mountain City, TN
Smyth County Community Hospital[(1)]	Marion, VA
Norton Community Hospital[(2)]	Norton, VA
Dickenson Community Hospital[(2)]	Clintwood, VA
Russell County Medical Center	Lebanon, VA
Johnston Memorial Hospital[(2)]	Abingdon, VA

(1) 80% membership interest held by the Alliance.
(2) 50.1% membership interest held by the Alliance.

The Alliance now has a total of 1,623 licensed beds serving a population of more than 1,000,000. In addition to its hospitals, the Alliance's integrated health care delivery system includes 23 primary/preventive care centers and 12 outpatient care sites. The Alliance's medical facilities provide a full spectrum of general and specialty medical services, including rehabilitative services for individuals with brain injuries, strokes and spinal cord injuries, in-patient psychiatric services and centers for health focusing on cardiovascular health, pulmonary medicine, women's health and cancer therapy, among other services. The Alliance also serves as a clinical training facility for medical students, residents, and nursing students from the East Tennessee State University's James H. Quillen College of Medicine and the School of Public and Allied Health. **For additional information regarding the Alliance, see Appendix A.**

The Alliance, Blue Ridge, Norton and Smyth are each an Obligated Issuer as such term is used in the Master Indenture. Blue Ridge is a wholly-owned, for-profit subsidiary of the Alliance. Norton is a Virginia non-stock corporation in which the Alliance owns a 50.1% interest. Smyth is a Virginia non-stock corporation in which the Alliance owns an 80% interest. See Appendix A - "HISTORY AND OVERVIEW - Operations of Subsidiary and Other Affiliates."

The Alliance also operates the hospital facilities in Dickenson County and Washington County, Virginia, through ownership of a majority interest in the membership of the corporations owning such facilities. None of such corporations are an Obligated Issuer or otherwise are responsible for repayment of amounts due from the Alliance

with respect to the Series 2013 Bonds, and none of the assets of such corporations are pledged as security for the Alliance's payment obligations.

Only the Obligated Issuers are obligated to pay the Series 2013 Bonds. The audited and unaudited financial statements of the Alliance included as Appendices B and C reflect the assets, liabilities, revenues and expenses of related organizations that are not Obligated Issuers. See Appendix A − "CONDENSED SUMMARY OF REVENUE AND EXPENSES; FINANCIAL STATEMENTS."

THE SERIES 2013 BONDS

Set forth below is a summary of certain provisions of the Series 2013 Bonds. General information describing the Series 2013 Bonds appears elsewhere in this Official Statement. That information should be read in conjunction with this summary, which is qualified in its entirety by reference to the Bond Indentures, and the forms of the Series 2013 Bonds. See "SUMMARY OF THE FINANCING DOCUMENTS" in Appendix C hereto.

General

The Series 2013 Bonds shall be initially issued as fully registered bonds without coupons in denominations of $100,000 or any integral multiple of $5,000 in excess thereof. The Series 2013 Bonds will mature, subject to prior redemption as described herein, on August 15, in the years noted below, and will bear interest payable on the first Business Day of each month, commencing September 3, 2013, so long as the Series 2013 Bonds bear interest at the Weekly Rate, as defined below. In the event the interest on either Series of Series 2013 Bonds is converted to the Medium-Term Rate or the Fixed Rate, as defined below, interest will be payable semiannually on February 15 and August 15 of each year (each such date referred to herein as an "Interest Payment Date"). The Weekly Rate for Series 2013 Bonds of different Series may be different rates at any time.

The Series 2013 Bonds will mature on August 15, 2043.

Interest on the Series 2013 Bonds shall be computed from the Interest Payment Date to which interest on the Series 2013 Bonds has been paid or duly provided for next preceding the date of authentication thereof, unless (a) such date of authentication shall be prior to the first Interest Payment Date, in which case interest shall be computed from the Closing Date, or (b) such date of authentication shall be an Interest Payment Date to which interest on the Series 2013 Bonds has been paid or duly provided for, in which case interest shall be computed from such Interest Payment Date, or (c) such date of authentication shall be after any Record Date and before the next succeeding Interest Payment Date, in which case interest shall be computed from the next succeeding Interest Payment Date.

The principal and premium, if any, of the Series 2013 Bonds, and the purchase price for any Series 2013 Bonds shall be payable at the office of the Bond Trustee in East Syracuse, New York, upon surrender of the Series 2013 Bonds at such office. Interest on the Series 2013 Bonds (other than Defaulted Interest) shall be payable by check drawn upon the Bond Trustee and paid to the Persons in whose names the Series 2013 Bonds are registered on the Bond Register as of the close of business on the Record Date next preceding the relevant Interest Payment Date, provided that during Weekly Rate Periods, on written request to the Bond Trustee by any Person who is the registered owner of Series 2013 Bonds of a Series in a principal amount of $1,000,000 or more received by the Bond Trustee on or before 15 days prior to such Record Date (which instructions shall remain in effect until revoked by subsequent written instructions), interest on such Series 2013 Bonds shall be payable by wire transfer of immediately available funds to an account at a bank located in the continental United States specified by the person in whose name such Series 2013 Bonds are registered. Any interest on any Series 2013 Bond which is payable but which is not punctually paid or duly provided for ("Defaulted Interest") shall cease being payable to the person in whose name such Series 2013 Bond is registered on the Record Date and instead shall be payable to the person in whose name such Series 2013 Bond is registered at close of business on a Special Record Date selected by the Bond Trustee and which shall be at least 10 days but not more than 30 days before the date selected by the Bond Trustee for payment of such Defaulted Interest. The Bond Trustee shall give Notice by Mail of the Special Record Date and date for payment of Defaulted Interest at least 10 days before the Special Record Date.

THE SERIES 2013 BONDS ARE, AND ARE TO BE, EQUALLY AND RATABLY SECURED, TO THE EXTENT PROVIDED IN THE APPLICABLE BOND INDENTURE, SOLELY BY A PLEDGE OF THE REVENUES AND OTHER FUNDS PLEDGED UNDER SUCH BOND INDENTURE. THE SERIES 2013 BONDS, TOGETHER WITH PREMIUM, IF ANY, AND THE INTEREST THEREON, ARE SPECIAL AND LIMITED OBLIGATIONS OF THE ISSUER. THE SERIES 2013 BONDS AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF TENNESSEE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF JOHNSON CITY, TENNESSEE. THE CITY OF JOHNSON CITY, TENNESSEE, SHALL NOT IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2013 BONDS, OR FOR THE PERFORMANCE OF ANY PLEDGE, MORTGAGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER THEREIN OR INDEBTEDNESS BY THE ISSUER, AND NEITHER THE SERIES 2013 BONDS NOR ANY OF THE ISSUER AGREEMENTS OR OBLIGATIONS DESCRIBED IN THE SERIES 2013 BONDS OR OTHERWISE SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF THE CITY OF JOHNSON CITY, TENNESSEE, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS WHATSOEVER. THE ISSUER HAS NO TAXING AUTHORITY.

Interest Rate on the Series 2013 Bonds

The Remarketing Agent shall determine the interest rate on the Series 2013 Bonds of a Series for each Weekly Rate Period, as defined in the next sentence. "Weekly Rate Periods" shall mean any period from and commencing on any Wednesday (or in certain circumstances on a Proposed Conversion Date) and ending on the earliest of (a) the next succeeding Tuesday (including such Tuesday), (b) the Conversion Date to the Fixed Rate, (c) the Interest Payment Date on which a Medium-Term Rate Period begins or (d) maturity of the Series 2013 Bonds of that Series. The interest rate on the Series 2013 Bonds of a series shall be determined by the Remarketing Agent for each Weekly Rate Period as the rate equal to the lowest rate which, having due regard for general financial conditions and such other special conditions as in the judgment of the Remarketing Agent may have a bearing on the rate, would produce as nearly as possible a par bid for the Series 2013 Bonds of a series (without regard to accrued interest) in the secondary market on the first day of such Weekly Rate Period. The rate for any Weekly Rate Period shall be determined prior to 10:00 a.m., New York City time on the first day for any Weekly Rate Period. The first day of any Weekly Rate Period is referred to herein as an "Adjustment Date." On the Adjustment Date, the Remarketing Agent shall notify the Bond Trustee no later than 10:00 a.m., New York City time of the rate applicable for such Weekly Rate Period. Any time after 10:00 a.m., New York City time on the Adjustment Date, any Bondholder may contact the Remarketing Agent to obtain such rate.

In the event the Remarketing Agent fails to determine the rate for any Weekly Rate Period, the rate of interest borne by the Series 2013 Bonds for such Weekly Rate Period shall be the SIFMA Municipal Swap Index.

In no event shall the interest rate borne by the Series 2013 Bonds during any Weekly Rate Period exceed the lesser of 12% per annum and the maximum contract rate of interest permitted by the laws of the State of Tennessee. During the Weekly Rate Periods, interest on the Series 2013 Bonds will be computed on the basis of a 365- or 366-day year, as the case may be, and the actual days elapsed.

The determination of any interest rate in accordance with the provisions of the Bond Indentures shall be conclusive and shall be binding upon the Bond Trustee, the Issuer, the Alliance, the Bank, the Remarketing Agent and the Bondholders.

Effective on any Interest Payment Date while the Weekly Rate Periods are in effect, the Alliance shall have the option, with the written approval of the Bank, the Issuer and the Remarketing Agent, to change the Rate Periods for a Series of the Series 2013 Bonds from the Weekly Rate Periods then in effect to the Medium-Term Rate Periods or to a Fixed Rate Period. Upon such event, the Bond Trustee shall notify the holders of the Series 2013 Bonds of such conversion, and the Series 2013 Bonds shall be subject to mandatory tender for purchase as described herein. The date on which the interest rate on the Series 2013 Bonds is converted to a Fixed Rate is referred to herein as the "Conversion Date."

Registration and Transfer of Series 2013 Bonds

The Bond Indentures contain the following provisions with respect to registration of transfer and exchange of Series 2013 Bonds. Such provisions do not apply while the Series 2013 Bonds are held by DTC. See Appendix G - "BOOK-ENTRY ONLY SYSTEM."

Any holder of a Series 2013 Bond, in person or by his duly authorized attorney, may register the transfer of his Series 2013 Bond on the Bond Register, upon surrender thereof at the office of the Bond Trustee in East Syracuse, New York, together with a written instrument of transfer (in such form as shall be reasonably satisfactory to the Bond Trustee) executed by the holder or his duly authorized attorney; and upon surrender for registration of transfer of any Series 2013 Bond, the Issuer shall execute and the Bond Trustee shall authenticate and deliver in the name of the designated transferee or transferees a new Series 2013 Bond or Bonds of the same Stated Maturity, aggregate principal amount and tenor as the Series 2013 Bond surrendered and of any Authorized Denomination.

Series 2013 Bonds may be exchanged at the office of the Bond Trustee in East Syracuse, New York, for an equal aggregate principal amount of Series 2013 Bonds of the same Series, Stated Maturity, interest rate, aggregate principal amount and tenor as the Series 2013 Bonds being exchanged and of any Authorized Denomination. The Issuer shall execute and the Bond Trustee shall authenticate and deliver Series 2013 Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding.

Such registrations of transfers or exchanges of Series 2013 Bonds shall be without charge to the holders of such Series 2013 Bonds, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder of the Series 2013 Bond requesting such registration of transfer or exchange as a condition precedent to the exercise of such privilege. The Bond Trustee shall not be required (a) to transfer or exchange any Series 2013 Bond during the period from a Record Date to an Interest Payment Date or from the Business Day prior to a Special Record Date to the date for payment of Defaulted Interest, or (b) to make any exchange or registration of transfer of any Series 2013 Bonds called for redemption in whole or in part.

The person in whose name any Series 2013 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of, or on account of, either principal or interest shall be made only to or upon the order of such person or his duly authorized attorney, but such registration may be changed as hereinabove described. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2013 Bond to the extent of the sum or sums so paid.

Redemption

The Series 2013 Bonds may not be called for redemption during the Weekly Rate Periods except as described below. This Official Statement does not describe any redemption provisions for Series 2013 Bonds during the Medium-Term Rate Period or after the Conversion Date. The Letters of Credit do not secure the payment of any premium due to the optional redemption of Series 2013 Bonds by the Alliance.

Optional Redemption. While the Weekly Rate Periods are in effect, the Series 2013 Bonds of each Series are subject to optional redemption upon the direction of the Alliance, in whole or in part on any Business Day, at the direction of the Alliance, with the prior written consent of the Bank if proceeds drawn under any Letter of Credit will be used for redemption of Series 2013 Bonds, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

Extraordinary Optional Redemption. The Series 2013 Bonds are callable for redemption prior to maturity in the event of damage to or destruction of the Property of any member of the Obligated Group (as defined in the Master Indenture) or any part thereof or condemnation of the Facilities or any part thereof, if the Net Proceeds of insurance or condemnation received in connection therewith to the extent such Net Proceeds are not applied either to any lawful purposes of the Obligated Group or to the repair, replacement, restoration or reconstruction of the affected Facilities pursuant to the Master Indenture, but only to the extent of the funds provided for in the Master Indenture. If thus called for redemption, Series 2013 Bonds shall be subject to redemption by the Issuer or the Alliance, as applicable, at any time, in whole or in part, and if in part, the Alliance may decide the amount of each Series of Series 2013 Bonds to be redeemed. Such redemption shall be at the principal amount thereof plus accrued

interest to the redemption date, and without premium, from the proceeds of such insurance or condemnation award or such sale but not in excess of the amount of such proceeds applied to such purpose. If no direction is given by the Alliance, the Bond Trustee will redeem Series 2013 Bonds of each Series then outstanding pro rata based on the then outstanding principal amount of each Series.

Mandatory Sinking Fund Redemption. Subject to the credit described following the tables below, the Series 2013 Bonds of each Series are subject to Mandatory Sinking Fund Redemption prior to maturity on August 15 in the years and in the principal amounts specified below for each Series of Series 2013 Bonds, at a redemption price equal to 100% of the principal amount thereof plus accrued interest:

Series 2013A Bonds		**Series 2013B Bonds**	
August 15,	**Principal Amount**	**August 15,**	**Principal Amount**
		2039	$16,715,000
2040	$ 1,260,000	2040	15,990,000
2041	1,650,000	2041	16,070,000
2042	1,300,000	2042	17,590,000
2043	12,025,000	2043	33,315,000

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the Alliance may (i) deliver to the Bond Trustee for cancellation bonds of the applicable Series of Series 2013 Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any bonds of the applicable Series of Series 2013 Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Bond Trustee and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Series 2013 Bond so delivered or previously purchased or redeemed shall be credited by the Bond Trustee at 100% of the principal amount thereof on the obligation of the Issuer or the Alliance, as applicable, on such payment date and any excess shall be credited on future redemption obligations in such order as the Alliance directs, and the principal amount of Series 2013 Bonds of the applicable Series to be redeemed by operation of the mandatory sinking fund provision shall be accordingly reduced. The Alliance shall on or before the forty-fifth (45th) day next preceding each payment date furnish the Bond Trustee with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this paragraph are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

Notice of Redemption. The Bond Trustee shall cause notice of the call for any such redemption identifying the Series 2013 Bonds to be redeemed to be sent not less than 30 nor more than 60 days prior to the redemption date (a) by first-class mail postage prepaid, to the holder of each such Series 2013 Bond to be redeemed at his address as it appears on the registration books of the Bond Trustee, (b) by first-class mail, to at least two organizations registered with the Securities and Exchange Commission as securities depositories, (c) to at least one information service of national recognition which disseminates redemption information with respect to municipal securities, and (d) if a Letter of Credit is in effect, to the Bank. Failure to give any notice described in (a), or any defect therein, shall not affect the validity of any proceedings for the redemption of any Series 2013 Bonds with respect to which no such failure has occurred and failure to give any notice described in (b) or (c), or any defect therein, shall not affect the validity of any proceedings for the redemption of any Series 2013 Bonds with respect to which the notice specified in (a) is correctly given. Any notice mailed as described above shall conclusively be presumed to have been given whether or not actually received by any Holder. All Series 2013 Bonds called for redemption shall cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit at the place of payment on the date fixed for redemption. Notwithstanding the foregoing, if the depository is DTC, the Bond Trustee shall send redemption notices in accordance with DTC procedures.

Partial Redemption of Series 2013 Bonds. If less than all the Series 2013 Bonds of a Series are to be redeemed, the particular Series 2013 Bonds of a Series or portions thereof to be redeemed shall be selected by the Bond Trustee by lot or in such other manner as the Bond Trustee shall deem appropriate, which shall be deemed to

include pro rata redemption of Series 2013 Bonds of a Series, and which may provide for the selection for redemption of portions (equal to Authorized Denominations) of the principal of Series 2013 Bonds of a Series; provided that (a) if at the time of selection of any Series 2013 Bonds for redemption any Series 2013 Bonds of a Series are Pledged Bonds or Borrower Bonds, such Pledged Bonds or Borrower Bonds shall be selected for redemption prior to any other Series 2013 Bonds of such Series, and (b) if at the time of selection, the Bond Trustee has received notice of tender of any Series 2013 Bonds for which the Optional Tender Date will be on or after the redemption date, the Bond Trustee (after redeeming all Series 2013 Bonds to which clause (a) applies) shall select such Tendered Bonds for redemption prior to any Series 2013 Bonds of such Series, other than Pledged Bonds or Borrower Bonds.

Any Series 2013 Bond which is to be redeemed only in part shall be surrendered to the Bond Trustee (a) for payment of the redemption price (including accrued interest thereon to the redemption date) of the portion thereof called for redemption and (b) for exchange for Series 2013 Bonds in any Authorized Denomination or denominations in aggregate principal amount equal to the unredeemed portion of such Series 2013 Bond, without charge therefor.

Notwithstanding the foregoing, in the event that the depository for the Series 2013 Bonds is DTC, the Bond Trustee will follow the procedure for redemption, and selection of Series 2013 Bonds for redemption, prescribed by DTC.

Purchase of Series 2013 Bonds in Lieu of Redemption. In lieu of redeeming Series 2013 Bonds, the Bond Trustee may, at the request of the Alliance, use Eligible Moneys otherwise available under the Bond Indenture for redemption of Series 2013 Bonds to purchase Series 2013 Bonds identified by the Alliance in the open market for cancellation at a price specified by the Alliance not exceeding the redemption price then applicable under the Bond Indenture. In the case of any extraordinary redemption or any purchase and cancellation of the Series 2013 Bonds, the Alliance shall receive credit against its required deposits to the Bond Sinking Fund with respect to Series 2013 Bonds of the Series and maturity redeemed or purchased in such order as the Alliance elects prior to such extraordinary redemption or purchase and cancellation or, if no election is made, in the inverse order thereof.

Tender and Purchase of Series 2013 Bonds

Purchase of Series 2013 Bonds at Option of Holder. While the Weekly Rate Periods are in effect, the Bond Trustee, from funds available to it under the Bond Indentures, as Tender Agent and acting on behalf of the Alliance and for the benefit of the Bondholders, shall purchase any Series 2013 Bond (other than Pledged Bonds and Borrower Bonds), in whole or in part in Authorized Denominations upon the demand of the holder thereof at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the date of purchase, for the account of the Alliance, but only upon (a) delivery to the Bond Trustee and the Remarketing Agent at their respective principal offices (St. Louis, Missouri for the Bond Trustee) of a written notice, or at the option of the Bond Trustee or the Remarketing Agent (with respect to their respective notices), telephonic notice confirmed in writing, from the Holder of such Series 2013 Bond (an "Optional Tender Notice") which shall state (1) the principal amount or portions of such Series 2013 Bond being tendered, the number of the Series 2013 Bond being tendered and the name of the Holder thereof and (2) the date such Series 2013 Bond or portion thereof shall be purchased pursuant to the Bond Indenture (the "Optional Tender Date"), which date shall be a Business Day not sooner than 3:00 p.m., New York City time on the Business Day that is five Business Days after the date of receipt of such Optional Tender Notice by the Remarketing Agent and the Bond Trustee and (b) delivery of such Series 2013 Bond (with all necessary endorsements) to the Bond Trustee, at its office in East Syracuse, New York, at or prior to 10:00 a.m., New York City time, on the first Business Day prior to the date of purchase specified in the aforesaid notice; provided, however, that payment of the purchase price of such Series 2013 Bonds shall be made only if the Series 2013 Bonds so delivered to the Bond Trustee, as Tender Agent, shall conform in all respects to the description thereof in the aforesaid notice. Payment of such purchase price shall be made by check unless the Bondholder's Optional Tender Notice contains instructions to the Bond Trustee to wire such purchase price to a particular account. If the date that a Series 2013 Bond is to be purchased is after a Record Date but before the next succeeding Interest Payment Date, the owner of such Series 2013 Bond shall also be required to deliver to the Bond Trustee a due bill instructing that the interest due on the next succeeding Interest Payment Date be paid to the person who purchases such Series 2013 Bond on the purchase date.

On the Optional Tender Date, the Bond Trustee, as Tender Agent, shall purchase the Series 2013 Bond or portion thereof identified in such Optional Tender Notice from the Holder thereof for the account of the Alliance, at a purchase price equal to the principal amount or portion thereof being tendered plus accrued interest, but only from funds provided by the Alliance, including moneys drawn under the Letter of Credit.

Any Series 2013 Bonds which are not tendered on an Optional Tender Date pursuant to an Optional Tender Notice (the "Untendered Bonds"), for which there has been irrevocably deposited in trust with the Bond Trustee an amount sufficient to pay the purchase price thereof, shall be deemed to have been tendered for purchase and purchased as described herein. Holders of Untendered Bonds shall not be entitled to any payment (including any interest to accrue subsequent to the Optional Tender Date) other than the purchase price for such Untendered Bonds, and the Holders of such Untendered Bonds shall no longer be entitled to the benefits of the Bond Indenture, except for the purpose of payment of the purchase price thereof. Replacement Bonds shall be issued in place of such Untendered Bonds and after the issuance of such Replacement Bonds, such Untendered Bonds shall be deemed to have been purchased and shall no longer be Outstanding under the Bond Indenture.

Mandatory Purchase Upon Conversion Date. The Series 2013 Bonds are required to be tendered for purchase on each Conversion Date or any Proposed Conversion Date. Upon receipt of notice from the Alliance establishing the Proposed Conversion Date and certain other documentation required by the Bond Indenture, the Bond Trustee shall give Notice by Mail to the Bondholders at least 30 days before the Proposed Conversion Date that the Proposed Conversion Date is a Mandatory Tender Date. Such notice shall state (a) that the interest rate on the Series 2013 Bonds will be converted to a Fixed Rate; (b) the Conversion Date; (c) the date by which (1) the Preliminary Fixed Rate that is required to be determined pursuant to the Bond Indenture is to be determined and (2) the Bondholders may contact the Bond Trustee (and the name and telephone number of the person whom the Bondholders may contact) to obtain the Preliminary Fixed Rate; (d) the date by which (1) the Remarketing Agent is required to determine the Fixed Rate, (2) the Bondholders may contact the Bond Trustee (and the name and telephone number of the person whom the Bondholders may contact) to obtain the Fixed Rate, and (3) the Bond Trustee will notify upon request the Bondholders of the Fixed Rate; (e) that subsequent to the conversion to a Fixed Rate (1) any ratings of the Rating Agency or Agencies then rating the Series 2013 Bonds may be withdrawn or changed (if such is the case) and (2) the Bondholders will no longer have the right to tender their Series 2013 Bonds to the Bond Trustee for purchase under the Bond Indenture; (f) the last date on which the Bondholders' right to tender Series 2013 Bonds may be exercised; (g) that the Series 2013 Bonds will not be entitled to the benefit of the Letter of Credit or a Substitute Letter of Credit after the Conversion Date, if such is the case; (h) that there will be a failure of conversion (1) if the Fixed Rate is less than the Preliminary Fixed Rate, (2) if the Opinion of Bond Counsel required in connection with such a conversion is withdrawn prior to the Conversion Date, (3) if the Remarketing Agent fails to determine the Preliminary Fixed Rate or Fixed Rate or (4) if the Alliance revokes its request to convert the interest rate on the Series 2013 Bonds to a Fixed Rate; (i) that such failure of conversion shall result in the Series 2013 Bonds bearing interest at a Weekly Rate; (j) the Termination Date of the Letter of Credit; and (k) that, on the Proposed Conversion Date, the Bondholder shall have no further rights under such Series 2013 Bond or Bonds except to receive the principal of the Series 2013 Bond or Bonds upon presentation and surrender of such Series 2013 Bond or Bonds to the Bond Trustee.

On the Proposed Conversion Date, whether or not a Failed Conversion as described below has occurred, the Bond Trustee shall purchase all outstanding Series 2013 Bonds (except Pledged Bonds and Borrower Bonds) from the Holders thereof, who shall also have delivered such Series 2013 Bonds to the Bond Trustee, all as above described.

If (i) the Fixed Rate as determined by the Remarketing Agent is less than the Preliminary Fixed Rate, (ii) the Remarketing Agent fails to determine the Preliminary Fixed Rate or Fixed Rate, (iii) the Opinion of Bond Counsel required with respect to the conversion to the Fixed Rate is withdrawn prior to the Conversion Date or, (iv) the Alliance revokes its request to convert the interest rate on the Series 2013 Bonds to a Fixed Rate, then a failed conversion shall be deemed to have occurred (a "Failed Conversion"). In the event of a Failed Conversion, the interest rate on the Series 2013 Bonds will be the Weekly Rate, and the Weekly Rate Periods shall be in effect. If the Weekly Rate Periods were not in effect prior to the Proposed Conversion Date, the Proposed Conversion Date shall be deemed to be an Adjustment Date for a Weekly Rate Period beginning on such date.

Mandatory Purchase Upon Conversion to Medium-Term Rate Periods. The Series 2013 Bonds are required to be tendered for purchase on the first day of each period at which the Series 2013 Bonds bear interest at the Medium-Term Rate, each such date being an Adjustment Date for the Medium-Term Rate Periods. The Bond Trustee shall give Notice by Mail to the Bondholders, the Remarketing Agent, the Issuer and the Bank at least 30 days before each Adjustment Date for the Medium-Term Rate Periods that such date is a Mandatory Tender Date. Such notice shall state (a) the Mandatory Tender Date; (b) the date on which the Remarketing Agent is required to determine the length of the Medium-Term Rate Period that begins on such Date; (c) the date by which the Remarketing Agent is required to determine the interest rate for such Medium-Term Rate Period; (d) that the Bondholders may contact the Bond Trustee (and the name and telephone number of the person whom the Bondholders may contact) to obtain the length of the Medium-Term Rate Period and the interest rate for such Medium-Term Rate Period on or after the date of its determination; (e) the Interest Payment Date and Record Date for such Medium-Term Rate Period; (f) that during the Medium-Term Rate Period, the Bondholders will no longer have the right to tender their Series 2013 Bonds to the Bond Trustee for purchase under the Bond Indenture and the last day on which the Bondholders' right to tender Series 2013 Bonds may be exercised; (g) the rating of the Series 2013 Bonds by each Rating Agency, if the Series 2013 Bonds are to be rated, after the Mandatory Tender Date; and (h) that, on such Mandatory Tender Date, the Bondholder shall have no further rights under such Series 2013 Bond or Bonds except to receive the principal of the Series 2013 Bond or Bonds upon presentation and surrender of such Series 2013 Bond or Bonds to the Bond Trustee.

Mandatory Purchase Upon Substitution Tender Date. The Series 2013 Bonds of a Series are required to be tendered for purchase on the fifth Business Day prior to the effective date of any Substitute Letter of Credit (the "Substitution Tender Date") for such Series. The Bond Trustee shall give Notice by Mail to the Bondholders, the Remarketing Agent, the Issuer, the Alliance and the Bank at least 30 days before the Substitution Tender Date that such date will be a Mandatory Tender Date. Such notice shall state: (i) the Substitution Tender Date; (ii) the identity of the bank that is issuing the Substitute Letter of Credit; and (iii) that, on such Mandatory Tender Date, interest shall cease to accrue with respect to such Bondholder's Series 2013 Bond or Bonds on such date and the Bondholder shall have no further rights under such Series 2013 Bond or Bonds except to receive the principal of the Series 2013 Bond or Bonds upon presentation and surrender of such Series 2013 Bond or Bonds to the Bond Trustee.

Mandatory Purchase on Termination of Letter of Credit. The Series 2013 Bonds of each Series are subject to mandatory tender for purchase in whole on the second Business Day prior to the Termination Date of the Letter of Credit securing such Series.

No Purchase After Event of Default. Anything in the Bond Indentures to the contrary notwithstanding, there shall be no purchases of Series 2013 Bonds pursuant to such Bond Indenture if there shall have occurred and be continuing an Event of Default of which the Bond Trustee has knowledge that immediately requires the acceleration of the Series 2013 Bonds under such Bond Indenture.

Defeasance

If the Issuer deposits with the Bond Trustee funds, evidenced by moneys or Defeasance Investments (as defined in Appendix C) the principal of and interest on which, when due, will be sufficient to pay the principal or redemption price of any Series of Series 2013 Bonds, by call for redemption or otherwise, together with interest accrued to the due date or the redemption date, as appropriate, in accordance with the terms of the Bond Indentures, such Series of Series 2013 Bonds shall no longer be deemed to be Outstanding under the applicable Bond Indenture. Interest on such Series of Series 2013 Bonds, as appropriate, will cease to accrue on the due date or the redemption date, as appropriate, and from and after the date of such deposit of funds with the Bond Trustee the holders of such Series of Series 2013 Bonds will be restricted to the funds so deposited as provided in the Bond Indentures.

PLAN OF FINANCE

Application of Proceeds

The proceeds of the Series 2013A Bonds will be loaned by the Issuer to the Alliance pursuant to the 2013A Loan Agreement and used by the Alliance (1) to finance or refinance certain capital improvements and equipment acquisitions at facilities owned by the Alliance and its affiliates and (2) to pay certain expenses incurred in connection with the issuance of the Series 2013A Bonds. The proceeds of the Series 2013B Bonds will be loaned by the Issuer to the Alliance pursuant to the 2013B Loan Agreement and used by the Alliance (1) to refund $97,915,000 principal amount of the Issuer's Hospital Revenue Bonds (Mountain States Health Alliance), Series 2007B-2 (the "Series 2007B-2 Bonds"), and (2) to pay certain expenses incurred in connection with the issuance of the Series 2013B Bonds.

The Alliance expects that, contemporaneously with the issuance of the Series 2013 Bonds and the refunding of the Series 2007B-2 Bonds, the Alliance will cause the refunding of (1) the Issuer's Hospital Revenue Bonds, Series 2008A, and Hospital Revenue Bonds, Series 2012B, (2) the Industrial Development Authority of Russell County's Hospital Revenue Bonds, Series 2008B, (3) the Industrial Development Authority of Smyth County's Hospital Revenue Bonds, Series 2011C, and Hospital Revenue Bonds, Series 2011D, and (4) the Industrial Development Authority of Wise County's Hospital Revenue Bonds, Series 2012C, through private placements with financial institutions, as reflected in the table in "Current and Pro Forma Long-Term Debt," below.

Estimated Sources and Uses of Funds

The sources and uses of the proceeds of the Series 2013 Bonds are set forth below.

Sources of Funds	**2013A**	**2013B**
Principal Amount	$16,235,000	$99,680,000
TOTAL	$16,235,000	$99,680,000
Uses of Funds		
Project Costs	$15,945,000	-
Refund Series 2007B-2 Bonds	-	$97,915,000
Costs of Issuance	290,000	1,765,000
TOTAL	$16,235,000	$99,680,000

Current and Pro Forma Long-Term Debt

The left column of the following table reflects the total outstanding debt of the Alliance under the Master Indenture as of July 1, 2013, prior to the issuance of the Series 2013 Bonds. The right column of the following table shows the outstanding debt of the Alliance under the Master Indenture as of July 1, 2013, but adjusted to show the effect of the issuance of the Series 2013 Bonds. The table below and the information in the immediately following section do not include the indebtedness of certain entities controlled by the Alliance that are not Obligated Issuers.

Outstanding Long-Term Debt (at July 1, 2013)		Pro Forma Long-Term Debt (at July 1, 2013)	
Description	**Principal Amount**	**Description**	**Principal Amount**
Debt:		***Debt:***	
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Refunding Bonds, Series 2000A	$35,100,246 (1)	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Refunding Bonds, Series 2000A	$35,100,246 (1)
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Bonds, Series 2000C	30,750,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Bonds, Series 2000C	30,750,000
Mountain States Health Alliance Taxable Note, Series 2000D	13,245,000	Mountain States Health Alliance Taxable Note, Series 2000D	13,245,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Bonds, Series 2001A	20,400,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Bonds, Series 2001A	20,400,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Bonds, Series 2006A	167,730,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital First Mortgage Revenue Bonds, Series 2006A	167,730,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2007B-1	19,515,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2007B-1	19,515,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2007B-2	97,915,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2009A	5,415,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2008A	13,245,000	Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2009B	5,400,000
Industrial Development Authority of Russell County Hospital Revenue Bonds, Series 2008B	50,970,000	Industrial Development Authority of Washington County, Virginia, Hospital Revenue Bonds, Series 2009C	111,265,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee, Hospital Revenue Bonds, Series 2009A	5,415,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2010A	154,240,000
Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2009B	5,400,000	Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2010B	25,230,000
Industrial Development Authority of Washington County, Virginia, Hospital Revenue Bonds, Series 2009C	111,265,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2011A	56,945,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2010A	154,240,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2011B	19,985,000
Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2010B	25,230,000	Mountain States Health Alliance Taxable Bonds, Series 2011E[1]	6,445,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2011A	56,945,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2012A	55,000,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2011B	19,985,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2013A	16,235,000
Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2011C	48,220,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2013B	99,680,000
Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2011D	60,655,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2013C	13,350,000
Mountain States Health Alliance Taxable Bonds, Series 2011E	15,945,000	Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2013D	61,180,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2012A	55,000,000	Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2013E	9,880,000
The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2012B	28,095,000	Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2013F	51,430,000
Industrial Development Authority of Wise County Hospital Revenue Bonds, Series 2012C	9,785,000	The Health and Educational Facilities Board of the City of Johnson City, Tennessee Hospital Revenue Bonds, Series 2013G	28,310,000
		Industrial Development Authority of Smyth County Hospital Revenue Bonds, Series 2013H	48,600,000
Total Long-Term Debt	**$1,045,050,246**	**Total Long-Term Debt**	**$1,055,330,246**
Less: 2000 Reserve Fund	$7,000,000	Less: 2000 Reserve Fund	$7,000,000
NET TOTAL LONG-TERM DEBT	**$1,038,050,246**	**NET TOTAL LONG-TERM DEBT**	**$1,048,330,246**

[1] The Alliance expects to pay off its Taxable Bonds, Series 2011E, by December 31, 2013.

Estimated Annual Debt Service Requirements

The following table reflects the estimated outstanding debt service obligations of the Alliance on all long term indebtedness secured under the Master Indenture following the issuance of the Series 2013 Bonds. The estimated annual debt service with respect to outstanding indebtedness assumes a 3.0% interest rate on all variable rate bonds, and does not take into account any interest rate hedges that may exist or may be executed in the future.

Annual Debt Service Requirements

Year Ending June 30	2013A Principal	2013B Principal	2013C Principal	2013D Principal	2013E Principal	2013F Principal	2013G Principal	2013H Principal	2013A-H Interest	Estimated Annual Debt Service on Other Outstanding Indebtedness	Estimated Total Annual Long-Term Debt Service Requirements
2014	-	-	-	-	-	-	-	-	$ 5,340,806	$ 20,897,931	$ 26,238,738
2015	-	-	-	-	-	$ 250,000	-	$ 630,000	9,846,750	58,267,769	68,994,519
2016	-	-	-	-	-	250,000	-	470,000	9,822,750	58,448,188	68,990,938
2017	-	-	-	-	-	260,000	-	540,000	9,799,950	58,394,294	68,994,244
2018	-	-	-	$ 95,000	-	1,120,000	-	1,430,000	9,748,275	56,240,800	68,634,075
2019	-	-	-	2,900,000	$ 370,000	1,595,000	-	1,510,000	9,612,975	52,645,063	68,633,038
2020	-	-	$ 25,000	3,345,000	370,000	2,165,000	-	6,170,000	9,336,225	47,222,266	68,633,491
2021	-	-	25,000	3,855,000	370,000	2,590,000	-	5,895,000	8,964,075	46,933,231	68,632,306
2022	-	-	30,000	3,730,000	370,000	2,745,000	-	3,065,000	8,623,950	50,068,309	68,632,259
2023	-	-	30,000	3,955,000	370,000	3,645,000	-	3,115,000	8,308,125	49,209,241	68,632,366
2024	-	-	-	4,305,000	370,000	4,005,000	-	3,245,000	7,962,525	48,746,334	68,633,859
2025	-	-	-	6,420,000	370,000	2,880,000	-	2,890,000	7,595,250	48,474,250	68,629,500
2026	-	-	-	7,395,000	370,000	2,875,000	-	3,170,000	7,199,700	47,621,306	68,631,006
2027	-	-	-	955,000	370,000	2,060,000	-	-	6,941,775	58,303,506	68,630,281
2028	-	-	-	995,000	-	2,525,000	-	-	6,838,200	58,272,669	68,630,869
2029	-	-	-	2,025,000	-	1,990,000	-	-	6,725,175	57,891,444	68,631,619
2030	-	-	-	3,685,000	-	-	-	-	6,609,675	57,468,169	67,762,844
2031	-	-	-	3,920,000	-	-	-	490,000	6,488,250	56,867,031	67,765,281
2032	-	-	-	13,600,000	-	-	$ 1,450,000	9,610,000	6,052,200	37,054,644	67,766,844
2033	-	-	-	-	-	-	2,970,000	6,370,000	5,542,200	52,881,838	67,764,038
2034	-	-	-	-	-	-	10,330,000	-	5,247,150	52,188,094	67,765,244
2035	-	-	-	-	-	-	-	-	5,092,200	65,065,925	70,158,125
2036	-	-	-	-	-	-	-	-	5,092,200	64,959,275	70,051,475
2037	-	-	-	-	-	-	-	-	5,092,200	64,829,500	69,921,700
2038	-	-	-	-	-	-	-	-	5,092,200	60,813,413	65,905,613
2039	-	-	13,240,000	-	-	-	-	-	4,893,600	43,813,306	61,946,906
2040	-	$16,715,000	-	-	1,330,000	6,015,000	2,495,000	-	4,296,675	15,166,625	46,018,300
2041	$ 1,260,000	15,990,000	-	-	1,375,000	6,140,000	2,595,000	-	3,487,950	15,168,500	46,016,450
2042	1,650,000	16,070,000	-	-	1,740,000	5,955,000	2,780,000	-	2,654,625	15,166,875	46,016,500
2043	1,300,000	17,590,000	-	-	2,105,000	2,365,000	5,690,000	-	1,795,950	15,170,000	46,015,950
2044	12,025,000	33,315,000	-	-	-	-	-	-	680,100	-	46,020,100
	$16,235,000	**$99,680,000**	**$13,350,000**	**$61,180,000**	**$9,880,000**	**$51,430,000**	**$28,310,000**	**$48,600,000**	**$200,783,681**	**$1,434,249,794**	**$1,963,698,475**

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS

Special, Limited Obligations of the Issuer

The Series 2013 Bonds will be issued under and secured by the Bond Indentures and are payable from moneys received by the Bond Trustee from the Alliance, as further described in "Trust Estate" below.

Trust Estate

The Series 2013 Bonds of each Series are payable from the respective Trust Estates under the Bond Indentures, which consist of (i) payments or prepayments to be made on the Series 2013 Obligations, and any additional obligations of the Alliance to the Issuer to the extent such additional obligations may be pledged under the Bond Indentures in the future; (ii) other payments under the Loan Agreements (other than fees and expenses payable to the Issuer and the Issuer's rights to notices and indemnification in certain circumstances); (iii) all moneys and investments held under the applicable Bond Indenture as security for the Series 2013 Bonds (excluding funds held in the Rebate Fund established under the applicable Bond Indenture); and (iv) in certain circumstances, proceeds from certain insurance and condemnation awards.

Pursuant to the Series 2013 Obligations, the Alliance is required to make payments to the applicable Bond Trustee for deposit into the Debt Service Fund established under the applicable Bond Indenture, at the times and in amounts sufficient to pay the principal of and interest on the Series 2013 Bonds.

Payment of principal and interest on the Series 2013 Bonds will not be secured by any encumbrance, mortgage or other pledge of any property of the Issuer. **The Series 2013 Bonds will not constitute a debt or indebtedness of any state or any political subdivision or agency thereof, including the Issuer, within the meaning of any constitutional or statutory provision or limitation. The Issuer does not have taxing power.**

Master Indenture Covenants

In the Master Indenture, the Alliance has made certain covenants, on behalf of itself and the Obligated Group (as defined in the Master Indenture), regarding maintenance of fees and rates, and any future Obligated Issuer would be required to make similar covenants upon joining the Obligated Group. These covenants provide, among other matters, that each Obligated Issuer (including the Alliance) will continue to impose such fees as are included within the Gross Revenues, operate on a revenue producing basis, and charge such fees and rates for its facilities and services and exercise such skill and diligence as to provide income from its property together with other available funds sufficient to pay promptly all payments of principal and interest on its indebtedness secured by the Master Indenture, all expenses of operation, maintenance, and repair of its property subject to the Master Indenture, and all other payments required to be made by it under the Master Indenture to the extent permitted by law. Each Obligated Issuer (including the Alliance) also covenants to use its best efforts to maintain in each Fiscal Year a ratio of total Income Available for Debt Service to Maximum Annual Debt Service for all Obligated Issuers at least equal to 1.30 to 1. Each Obligated Issuer (including the Alliance) further covenants that it will from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of the Master Indenture described in this paragraph. See Appendix C - "SUMMARY OF THE FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Rates and Charges."

The Master Indenture defines "Income Available for Debt Service" of the Alliance or other Obligated Issuer to mean, with respect to any period of time, the excess of revenues over expenses, or, in the case of for-profit entities, net income after tax, as determined in accordance with generally accepted accounting principles, to which shall be added, in either case, (i) depreciation, (ii) amortization, (iii) interest expense on Long-Term Indebtedness (as defined in the Master Indenture) and (iv) to the extent not already included, contributions and donations and from which shall be excluded any extraordinary items, any impairment losses, any gain or loss resulting from either the extinguishment of indebtedness or the sale, exchange or other disposition of assets not made in the ordinary course of business, provided, however, that (a) no determination of Income Available for Debt Service will take into account any gains or losses resulting from the periodic valuation of investments or Hedge Agreements that do not

involve the sale, transfer or other disposition of any such investment or Hedge Agreement or the termination of any Hedge Agreement and (b) a person may include in its net income such person's share of the net income of any person controlled by such person or in whom such person has a legal interest. The Master Indenture contains provisions relating to the calculation of Maximum Annual Debt Service that provides for reallocation of amounts due on balloon indebtedness and assumptions as to the interest rates on variable rate indebtedness and payment of guaranties. For financial information of the Alliance, see Appendix A and the Alliance's audited consolidated financial statements for the fiscal years ended June 30, 2012 and June 30, 2011, included as Appendix B. For a more complete description of the covenants under the Master Indenture, see "SUMMARY OF THE FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Rates and Charges" in Appendix C.

Only Obligated Issuers are obligated to make payments on the Series 2013 Bonds and to abide by the covenants under the Master Indenture. The audited and unaudited financial statements included as Appendices B and C reflect the assets and operations of entities that are not Obligated Issuers. See Appendix A − "CONDENSED SUMMARY OF REVENUE AND EXPENSES; FINANCIAL STATEMENTS."

Amendment of Master Indenture

By purchasing the Series 2013 Bonds, the initial holders thereof will consent to an amendment to the definition of "Debt Service Requirement" in the Master Indenture and an amendment to the requirements applicable to interest rate swaps. Such amendments will not become effective immediately and will become effective only upon receipt of the consent of the required percentage of bondholders and credit enhancers under the terms of the Master Indenture.

Both the existing definition and the proposed definition are set forth in Appendix C, "SUMMARY OF THE FINANCING DOCUMENTS – DEFINITIONS OF CERTAIN TERMS." The definition of "Debt Service Requirement" is utilized in calculations under both the additional debt test and the rate covenant under the Master Indenture, and such amendment may in certain circumstances increase or decrease the amount of the Debt Service Requirement in any required calculation. See "Additional Long-Term Indebtedness" and "Rates and Charges" in "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE" in Appendix C.

Both the existing requirements and the proposed new requirements for interest rate swaps are set forth in Appendix C.

Pledged Assets; Mortgage

Currently, the Series 2013 Bonds are secured by the applicable Trust Estate, including the assignment of the applicable Series 2013 Obligation. As security for its Master Obligations, the Alliance has granted to the Master Trustee a security interest in its Pledged Assets, subject to Permitted Liens. The Pledged Assets consist of: Receivables, Inventory, Equipment, General Intangibles, Contracts and Contract Rights, Government Approvals, Fixtures and other personal property, goods, instruments, chattel paper, documents, credits, claims, demands and assets. For a definition of these terms see Appendix C - "SUMMARY OF THE FINANCING DOCUMENTS - DEFINITIONS OF CERTAIN TERMS." Financing statements will be filed in the appropriate records of the Office of the Tennessee Secretary of State to perfect the security interest in Pledged Assets and Equipment to the extent possible by such filing. Continuation statements meeting the requirements of the Uniform Commercial Code of Tennessee (the "UCC") must be filed every five years to continue the perfection of such security interest. The security interest in the Pledged Assets and Equipment is subject to Permitted Liens that exist prior to or may be created subsequent to the time the security interest granted by the Master Indenture attaches.

The security interest in any item of inventory will be inferior to the interest of a buyer in the ordinary course of business and will be inferior to a purchase money security interest, as defined in the UCC, perfected in connection with the sale to an Obligated Issuer of such item. The lien on certain other Pledged Assets may not be enforceable against third parties unless such other Pledged Assets are transferred to the Master Trustee (which transfer Obligated Issuers are not required by the Master Indenture to make prior to an Event of Default thereunder and which transfer may be set aside if it occurs within 90 days of the filing of a petition in bankruptcy) and is subject

to exception under the UCC. The federal government may in the future proscribe or restrict the assignment of rights arising out of Medicare, Medicaid or other federal programs.

As a condition to becoming a Member of the Obligated Group, an entity must grant to the Master Trustee a security interest in its Pledged Assets.

Pursuant to the Master Indenture, the Obligated Issuers agree that they will not create or suffer to be created or exist any Lien other than Permitted Liens, as defined under "SUMMARY OF THE FINANCING DOCUMENTS - DEFINITIONS OF CERTAIN TERMS" in Appendix C, upon any of their facilities now owned or hereafter acquired.

The Series 2013 Obligations also are secured by a mortgage on the Johnson City Medical Center located in Johnson City, Tennessee, and the Sycamore Shoals Hospital facility in Elizabethton, Tennessee (together, the "Mortgaged Property"). Such mortgage secures all Master Obligations issued under the Master Indenture.

Subject to certain conditions, in case of the failure of the Obligated Issuers to make any payment on the Master Obligations when due or upon any other event of default under the Master Indenture, the Master Trustee may, after such notice as is required by the Master Indenture and the applicable security instruments, take possession of Mortgaged Property or, upon such public notice as required by Tennessee statute, sell the Mortgaged Property, and apply the proceeds to payment of principal of and interest on the Master Obligations (and thereby on the Series 2013 Bonds) on a parity basis with any other Master Obligation.

Additional Indebtedness

The Alliance has certain debt outstanding under the Master Indenture. The Master Indenture permits the Alliance and any other members of the Obligated Group to incur Additional Indebtedness (including Guaranties), all upon the terms and subject to the conditions specified therein. Such Additional Indebtedness may, but need not, be evidenced or secured by a Master Obligation. Additional Indebtedness may be issued to the Issuer or to persons other than the Issuer.

The reimbursement obligations of the Alliance with respect to the Letters of Credit will also be secured under the Master Indenture.

Except as noted above, under the Master Indenture, the Alliance and each other Obligated Issuer agrees that it will not incur other Additional Indebtedness unless it can demonstrate that certain coverage ratios have been and will be met between debt service obligations and Income Available for Debt Service. Under the Master Indenture, Additional Indebtedness may be Long-Term Indebtedness or Short-Term Indebtedness. The Master Indenture allows any future Obligated Issuer to incur Additional Indebtedness under the Master Indenture as a Master Obligation constituting the joint and several obligation of the Alliance and all other Obligated Issuers and subject to cross-guarantees of all Obligated Issuers, including the Alliance. Except to the extent entitled to the benefits of additional security as permitted by the Master Indenture and except for Subordinated Indebtedness, all Master Obligations will be equally and ratably secured by the Master Indenture. See Appendix C - "SUMMARY OF THE FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE."

Subject to certain conditions set forth in the Master Indenture, Additional Indebtedness incurred by any Member of the Obligated Group may be secured by security which does not extend to any other Indebtedness. Such security may include Liens on the Property (including health care facilities) of the Members of the Obligated Group, letters or lines of credit or insurance, and could also consist of Liens on cash or securities deposited or held in any depreciation reserve, debt service or interest reserve, debt service or similar fund established pursuant to the terms of any Supplemental Master Indenture, Related Bond Indenture or Related Loan Document. The Master Indenture provides that Supplemental Master Indentures pursuant to which one or more series of Master Obligations entitled to additional security are issued may provide for such amendments to provisions of the Master Indenture, including the provisions thereof relating to the exercise of remedies upon the occurrence of an event of default, as are necessary to provide for such security and to permit realization upon such security solely for the benefit of the Master Obligation secured thereby.

Defeasance

If the interest on, and the principal or redemption price (as the case may be) of a Series of the Series 2013 Bonds have been paid, or the required amount of money and/or Defeasance Investment (see "SUMMARY OF THE FINANCING DOCUMENTS - DEFINITIONS OF CERTAIN TERMS" in Appendix C) have been deposited with the applicable Bond Trustee to provide sufficient amounts to pay the principal of, and premium, if any, and interest due and to become due on such Series of Series 2013 Bonds on or prior to the redemption date or maturity date thereof, such Series of Series 2013 Bonds shall no longer be deemed outstanding under the applicable Bond Indenture and will no longer be secured thereby. If all Series 2013 Bonds of a Series have been so provided for, the applicable Bond Trustee shall cancel and discharge the applicable Bond Indenture. See "SUMMARY OF THE FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURES - Defeasance" in Appendix C.

Bankruptcy

The lien on the Pledged Assets and Equipment given for the benefit of holders of Master Obligations (and thereby the Series 2013 Bonds) are generally superior to the claims of other creditors (subject to the limitations set forth above). However, bankruptcy and similar proceedings and usual equity principles may affect the enforcement of rights to such security. If such security is inadequate for payment in full of the Bonds, bankruptcy proceedings and usual equity principles may also limit any attempt by the Master Trustee to seek payment from other property of the Alliance or future Obligated Issuers. In particular, federal bankruptcy law permits adoption of a reorganization plan even though it has not been accepted by the holders of a majority in aggregate principal amount of the Bonds if the holders are provided with the benefit of their original lien or the "indubitable equivalent." In addition, if the bankruptcy court concludes that the holders have "adequate protection," it may (1) substitute other security for the security subject to the lien of the holders and (2) subordinate the lien of the holders to claims by entities or persons supplying post-petition financing to the Alliance after bankruptcy. Furthermore, the reasonable and necessary costs and expenses of preserving or disposing of the Pledged Assets and Equipment in a bankruptcy may, in certain circumstances, reduce the value of the lien on the Pledged Assets and Equipment to the extent such costs and expenses benefit the Master Trustee (and holders). In the event of the bankruptcy of the Alliance, the amount realized by the holders might depend on the bankruptcy court's interpretation of "indubitable equivalent" and "adequate protection" under the then existing circumstances, which may result in a reduction in the security for or proceeds available to the holders.

THE LETTERS OF CREDIT

Terms of the Letters of Credit

The timely payment of the principal of and interest on the Series 2013 Bonds and the purchase price of each Series of the Series 2013 Bonds will be secured by a corresponding irrevocable transferable direct-pay letter of credit (each, a "Letter of Credit") issued by the Bank in a stated amount equal to the aggregate principal amount of the respective Series 2013 Bonds outstanding at any time plus 37 days' interest thereon, calculated at the rate of 12% per annum (the "Maximum Rate"). Each Letter of Credit will be issued pursuant to a Reimbursement Agreement dated as of July 1, 2013 (each a "Reimbursement Agreement" and, together, the "Reimbursement Agreements"), among the Alliance, on its own behalf and as Obligated Group agent on behalf of each of the other Obligated Issuers, and the Bank and any syndicate lenders. The obligations on the part of the Alliance to reimburse the Bank for draws made under each respective Letter of Credit, and to pay to the Bank all other amounts due under the Reimbursement Agreement, will be evidenced by Obligations (as defined in the Master Indenture) issued and secured under the Master Indenture.

Each Letter of Credit will expire on July 30, 2018, unless otherwise terminated or extended. Each Letter of Credit shall expire earlier than such expiration date upon the first to occur of (a) the Business Day following a Conversion Date; (b) the date of receipt by the Bank of notice from the Bond Trustee that a Substitute Letter of Credit, as described below, has been issued in substitution for the Letter of Credit; (c) the date on which the Bank honors the final drawing or drawings available; and (d) the date on which the Bond Trustee certifies that no Series 2013 Bonds of the Series are outstanding. At the request of the Alliance, and with the consent of the Bank and any syndicate lenders, the term of the respective Letter of Credit may be extended by one year. Such consent shall be at

the sole discretion of the Bank and any syndicate lenders, subject to earlier termination or extension at the option of the Bank. Pursuant to the Bond Indentures and subject to certain conditions described herein, prior to the expiration of a Letter of Credit or any other Letter of Credit, the Alliance may deliver to the Bond Trustee a substitute Letter of Credit. Each Letter of Credit and any substitute Letter of Credit are herein referred to as a "Letter of Credit;" the Bank and the issuer of any other Letter of Credit are herein referred to as a "Letter of Credit Provider."

In the case of a drawing to pay the principal or the purchase price of the Series 2013 Bonds of a Series, the stated amount of the Letter of Credit will be reduced by the principal amount of such drawing plus a corresponding amount of the interest portion of the Letter of Credit. In the case of a drawing to pay principal of the Series 2013 Bonds of a Series, the stated amount of the Letter of Credit will be reduced to the extent of any such drawing thereunder. Reductions in the Letter of Credit resulting from a drawing to pay the purchase price of Series 2013 Bonds of a Series shall be reinstated upon receipt by the Bond Trustee of remarketing proceeds or other funds sufficient to reimburse the Bank for such drawing. Drawings to pay interest on the Series 2013 Bonds on an Interest Payment Date shall be automatically reinstated in an amount equal to the amount of such drawing following the honoring of such drawing.

Trustee Draws on Letters of Credit

The Bond Indentures provide that, while any Letter of Credit is in effect, the Bond Trustee shall draw moneys under such Letter of Credit in the following circumstances:

(i) on or before 4:00 p.m., New York City time, on the Business Day prior to any date any payment referred to in this paragraph is required to be made under the Bond Indenture, the Bond Trustee shall, without making any prior demand or claim upon the Alliance, make a drawing under and in accordance with the Letter of Credit so as to receive moneys thereunder on the next Business Day in an amount which will be sufficient for the payment in full of (i) accrued interest on the Series 2013 Bonds on any Interest Payment Date, (ii) the principal of and accrued interest on the Series 2013 Bonds upon the Stated Maturity of the Series 2013 Bonds, and (iii) the principal of and accrued interest on the Series 2013 Bonds upon the redemption of the Series 2013 Bonds.

(ii) on or before 11:30 a.m., New York City time, on the Business Day any payment referred to in this paragraph is required to be made under the Bond Indenture, the Bond Trustee shall, without making any prior demand or claim upon the Alliance, make a drawing under and in accordance with the Letter of Credit so as to receive moneys thereunder on such Business Day in an amount which will be sufficient, together with any proceeds of the remarketing of the Series 2013 Bonds by the Remarketing Agent then in the Bond Purchase Fund and available for application to the Series 2013 Bonds, for the payment in full of the purchase price (including, if applicable, accrued interest due in connection with a purchase on a Mandatory Tender Date or an Optional Tender Date, as the case may be) of all Series 2013 Bonds to be purchased under the terms of the Bond Indenture.

(iii) on or before 4:00 p.m., New York City time, on the Business Day prior to the payment date of the Series 2013 Bonds upon acceleration of the Series 2013 Bonds after an event of default under the Bond Indenture, the Bond Trustee shall, without making any prior demand or claim upon the Alliance, make a drawing under and in accordance with the Letter of Credit so as to receive moneys thereunder in an amount which will be sufficient for the payment in full of the principal of and interest due on the Series 2013 Bonds on such payment date.

The Alliance has agreed pursuant to the Reimbursement Agreements to reimburse the Bank for amounts paid under and otherwise owing with respect to the Letters of Credit.

Extensions of Letter of Credit and Substitute Letter of Credit

Pursuant to the Loan Agreement for each Series of Series 2013 Bonds, the Alliance is required to maintain with the Bond Trustee during the Weekly Rate Periods a Letter of Credit in an amount at least equal to the aggregate principal amount of Series 2013 Bonds then Outstanding plus 37 days' interest thereon. Prior to the expiration of a

Letter of Credit, the Alliance shall deliver to the Bond Trustee a Substitute Letter of Credit or cause an extension of such Letter of Credit. The extension of a Letter of Credit may be effected by the Bank's allowance of the Letter of Credit to renew automatically, delivery of an amendment to the Letter of Credit or by the delivery of a new Letter of Credit in the same form as the expiring Letter of Credit with an extended expiration date. The Alliance also may deliver a Substitute Letter of Credit to the Bond Trustee at any time prior to the Conversion Date in the manner described below.

The Series 2013 Bonds shall be subject to mandatory tender for purchase on any Substitution Tender Date. A Substitute Letter of Credit must be an irrevocable letter of credit, having a term of at least one year, issued by a commercial bank organized or doing business in the United States, the terms of which shall in all material respects be the same as the initial Letter of Credit. Pursuant to the Bond Indenture, the Bond Trustee shall accept a Substitute Letter of Credit and surrender the previously held Letter of Credit if the Bond Trustee receives (a) the Substitute Letter of Credit, (b) an Opinion of Counsel to the effect that the Substitute Letter of Credit has been duly authorized, executed and delivered by the issuer thereof and is a valid and binding obligation of the issuer thereof and (c) in the case of the Series 2013A Bonds, an Opinion of Bond Counsel that the delivery of such Substitute Letter of Credit will not adversely affect the exclusion from gross income of interest on such Series 2013A Bonds for federal income tax purposes. Upon the date the Bond Trustee is permitted to draw under such Substitute Letter of Credit, the Bond Trustee shall promptly surrender the previously held Letter of Credit to the issuer thereof for cancellation. At least 40 days prior to the effective date of such substitution, the Alliance is required to give the Bond Trustee notice of such proposed substitution, and at least 30 days prior to the effective date of such substitution the Bond Trustee will mail notice of such proposed substitution to the holders of all Series 2013 Bonds, advising them of the identity of the Bank giving the Substitute Letter of Credit.

THE BANK

For certain information on U.S. Bank National Association, the provider of the Letters of Credit, see Appendix F. Such information has been provided by the Bank and has not been reviewed by the Issuer or the Alliance.

INTEREST RATE SWAPS

The Alliance has various interest rate swaps and related derivatives currently in place, as described in Appendix A. Some of the existing arrangements have been entered into with affiliates of the Underwriter. The Alliance may in the future enter into swap agreements with respect to some or all of its obligations issued under the Master Indenture. See "MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE − Interest Rate Swaps and Derivatives" in Appendix A.

CERTAIN RISK FACTORS

The purchase of the Series 2013 Bonds involves certain risks, a number of which are discussed throughout this Official Statement. Each prospective purchaser of the Series 2013 Bonds should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision. Certain specific risks are described below.

General

The ability of the Obligated Issuers to make payments on the Series 2013 Bonds is dependent upon the ability of the Obligated Issuers to generate revenue sufficient to cover collective operating expenses and debt service on the Series 2013 Bonds and other indebtedness of the Obligated Issuers. Health care providers, especially hospitals, face increasing economic pressures from both governmental health care programs and private purchasers of health care such as insurance companies and health maintenance organizations (collectively, "third-party payors"). The dependence of hospitals on governmental programs requires hospitals to accept both limitations on payments and regulations and other restrictions and requirements triggered by participation in such programs. Many governmental and private third-party payors have required healthcare providers to accept "capitated" or other fixed payments, which have the effect of shifting significant economic risk to healthcare providers.

Health care, especially at the hospital level, is a highly regulated industry with complicated and frequently changing regulations arising both from payment programs and governmental police power generally. Health care providers are increasingly subject to audits, investigations and litigation that may threaten access to governmental reimbursement programs, require substantial payments, generate adverse publicity, create significant legal and other transaction costs and result in significant civil and criminal penalties. See below "Health Care Revenues." In addition, because the Alliance and a number of its affiliates are tax-exempt charitable organizations under the Internal Revenue Code ("Exempt Organizations"), they are subject to increasing regulation and restrictions that may have adverse effects on their economic performance or threaten their tax-exempt status and the economic benefits derived from it. In particular, such regulations and restrictions may require the facilities of the Alliance or such affiliates to provide health care services for which they do not receive payment. In addition, Congress is likely to consider imposing additional regulations and restrictions on Exempt Organizations.

Future economic and other conditions, including inflation, demand for health care services, the ability of the Alliance and other members of the Obligated Group to provide the services required or requested by patients, physicians' confidence in the Alliance, economic developments in the applicable service areas, employee relations and unionization, competition, the level of rates or charges, increased costs, availability of professional liability insurance, casualty losses, third-party reimbursement and changes in governmental regulation may adversely affect revenues and, consequently, the ability of the Alliance and other members of the Obligated Group to generate revenues sufficient for the payment of the principal of and interest on the Series 2013 Obligations.

Certain more specific factors that could affect the Series 2013 Bonds and the future financial condition of the Alliance and any future members of the Obligated Group are described below. This discussion of risk factors is not intended to be exhaustive.

Discretion of the Board and Management

The Master Indenture does not significantly restrict the ability of the Alliance to enter into transactions that could materially affect the business, organizational structure and control of the Alliance and any future members of the Obligated Group. Such transactions could include, for example, such things as divestitures of Affiliates, substantial new joint ventures, and mergers, consolidations or other forms of affiliations in which control of the Alliance and any future members of the Obligated Group could be materially changed. As a substantial health system, the Alliance regularly considers and analyzes opportunities for such undertakings. The ability of the Alliance to generate revenues sufficient to pay debt service on the Series 2013 Obligations is dependent in large measure on the decisions of the Board of Directors and management of the Alliance with respect to such opportunities.

Voting Control Under Master Indenture

Certain amendments and waivers to the provisions of the Master Indenture may be made with the consent of the owners of 75% of the aggregate principal amount of the Master Obligations then outstanding. Certain other amendments may be made with the consent of the owners of two-thirds (2/3) in aggregate principal amount of Master Obligations related to bonds that are not the beneficiaries of certain municipal bond insurance policies and the consent of the provider of certain municipal bond insurance policies. Such amendments may adversely affect the security of the holders of the Series 2013 Bonds.

For a discussion of what actions may be taken with the consent or direction of a majority percent or more of the holders of outstanding Master Obligations under the Master Indenture, see the discussion under "SUMMARY OF THE FINANCING DOCUMENTS" in Appendix C.

Matters Relating to Enforceability of the Master Indenture

The practical realization of any rights upon any default under the Loan Agreements or under the Master Indenture may depend upon the exercise of various remedies specified in such instruments, as restricted by federal and state laws. The federal bankruptcy laws may adversely affect the ability of the Bond Trustees, the Master Trustee and the owners of the Series 2013 Bonds to enforce their claims granted by the Bond Indentures, the Loan

Agreements or the Master Indenture. The obligation of the Alliance on the Series 2013 Obligations and other Master Obligations will be limited to the same extent as the obligations of debtors typically are affected by bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium or other similar laws affecting the enforcement of creditors' rights and by the availability of equitable remedies.

The remedies available to the Bond Trustees, the Master Trustee, the Issuer or the owners of the Series 2013 Bonds upon an event of default under the Master Indenture, the Bond Indentures, the Loan Agreements or the Series 2013 Obligations are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including, specifically, Title 11 of the United States Code (the "Bankruptcy Code"), the remedies provided in the Master Indenture, the Bond Indentures, the Loan Agreements and the Series 2013 Obligations and other Master Obligations may not be readily available or may be limited.

There is no clear precedent in the law as to whether transfers from an Affiliate in order to pay debt service on the Master Obligations issued for the benefit of another Affiliate may be voided by a trustee in bankruptcy in the event of a bankruptcy of the transferring Affiliate or by third-party creditors in an action brought pursuant to state fraudulent conveyances statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under state fraudulent conveyances statutes, 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 state fraudulent conveyances statutes, or the guarantor is undercapitalized.

Limited Value at Foreclosure

The Mortgaged Property was constructed for the provision of hospital care. The number of entities that could be expected to purchase or lease the Mortgaged Property are limited, and thus, the ability of the Master Trustee to realize funds from the sale or rental of the Mortgaged Property upon an event of default may be limited.

Bond Ratings

There is no assurance that the ratings assigned to the Series 2013 Bonds 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 2013 Bonds. See "RATINGS."

Market for the Series 2013 Bonds

The relative buying and selling interest of market participants in securities such as the Series 2013 Bonds, and in the market for such securities as a whole, will vary over time, and such variations may be affected by, among other things, news relating to the Alliance and the other Obligated Issuers, the attractiveness of alternative investments, the perceived risk of owning the security (whether related to credit, liquidity or any other risk), the tax treatment accorded the instruments, the accounting treatment accorded such securities, reactions to regulatory actions or press reports, financial reporting cycles and marketing sentiment generally. Shifts of demand in response to any one or simultaneous particular events cannot be predicted and may be short-lived or exist for longer periods. See below "Matters Affecting Tax Exemption."

Health Care Revenues

There are a number of factors that could adversely affect both revenues and expenses of the Alliance. Some, but not all such factors, are discussed briefly below. Governmental payment provisions, regulations and other restrictions change frequently and may be altered or expanded while the Series 2013 Bonds are outstanding.

Dependence on Governmental and Other Third-Party Payors. The Alliance receives a substantial portion of its revenues from Medicare, Medicaid, including TennCare, TRICARE[2] and other third-party health care programs. See Appendix A - "SOURCES OF REVENUE."

The governmental payment programs, such as Medicare, Medicaid and TRICARE, depend on funding by federal and state governments. The increasing cost of health care services and the strain on operating budgets of governmental entities have imposed significant limitations on reimbursement for services provided to beneficiaries of these programs. These challenges are expected to continue in the future. Both governmental payment programs and private third-party payors (i.e., insurance and managed care programs) have increasingly imposed limitations on the coverage of services and payment rates for services. These limitations often require hospitals to provide certain services below cost. Many of the private programs reimburse health care providers based on a percentage of payment rates from governmental programs for similar services. Thus, reductions or limitations in reimbursement under governmental programs can also result in reductions or limitations under private programs. Receipt of revenues from these programs also subjects the Alliance to extensive regulation and risks of enforcement as described below.

TennCare. In 1994, the State of Tennessee, with the approval of the federal government, withdrew from the Medicaid program and began providing services to Medicaid eligible and uninsurable or uninsured persons through TennCare, a managed care plan administered through third party insurers, rather than the traditional Medicaid program. Similar to traditional Medicaid programs, TennCare is funded with a combination of federal and State of Tennessee funds. The program generally does not pay providers amounts that are adequate to cover the cost of care provided. The Alliance is a significant provider of health care services to TennCare enrollees and, as a result, has incurred substantial losses serving TennCare beneficiaries. Approximately 8.4% of the Alliance's gross patient service charges for the fiscal year ended June 30, 2012, was derived from patients covered by TennCare. Tennessee Governor Bill Haslam announced in March 2013 that he will not pursue expanding TennCare as allowed by the Healthcare Reform Act. However, if the State of Tennessee decides otherwise in the future to expand the program, the percentage of the Alliance's gross patient service charges derived from patients covered by TennCare may increase.

Virginia Medicaid Program. The hospitals of the Alliance located in Virginia receive a substantial portion of their revenues under the federal Medicare Program. Reimbursement under this program is controlled by extensive regulations and procedures. Under the current Medicare payment system, payment for inpatient hospital services is tied to predetermined amounts based on national averages of costs for categories of treatments and conditions known as diagnosis related groups ("DRGs"). DRG reimbursement may provide a hospital less than its actual costs in providing services. The Medicare Program reimburses health care providers for outpatient hospital services through a similar prospective payment system based on ambulatory payment classifications ("APCs") of clinically-related and resource-similar items and services. Reimbursement for outpatient services under the APC system and for other services provided by the hospitals of the Alliance may not reflect the actual costs incurred in providing such services or items.

Medicare reimbursement in recent years has been subject to changes that have adversely affected hospitals and other health care providers, and the Alliance cannot predict how future limitations, cutbacks or modifications by Congress or regulatory agencies to such reimbursement may affect the financial condition of the Alliance.

Regulation. The operation of hospitals and other health care providers is extensively regulated by the federal and state governments. These regulations affect virtually every aspect of hospital operations, including (1) imposing procedures that increase costs (including complicated billing and other record-keeping procedures), (2) requiring the provision of services for free or below cost, (3) limiting the ability to make decisions based on economic best interest and (4) restricting the ability to pursue advantageous business opportunities with physicians and other health care providers.

Significant restrictions include (1) the Physician's Self-Referral ("Stark") and "Anti-Kickback" laws, and similar state laws, which severely restrict financial relationships with and referrals by physicians and other entities; (2) the Emergency Medical Treatment and Active Labor Act ("EMTALA"), imposing operating requirements upon

[2] TRICARE is the successor to CHAMPUS and provides health benefits for military personnel and retirees and their dependents.

physicians, hospitals and other facilities that provide emergency medical services; (3) the federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and the Health Information Technology for Economic and Clinical Health Act ("HITECH"), enacted as part of the American Recovery and Reinvestment Act of 2009, with both affecting the privacy and security of personal health information; (4) the federal False Claims Act, similar state false claim laws and other laws and regulations related to the billing for, coverage of and receipt of payment for services; (5) state corporate practice of medicine and fee splitting laws ; (6) licensure, certificate of need and accreditation requirements; and (7) numerous federal conditions of participation requirements for the Medicare and Medicaid programs. Compliance with HIPAA, HITECH and related regulations has imposed substantial financial burdens on the Alliance and related entities in such areas as electronic billing and other electronic transactions and in implementing procedures and altering facilities to promote privacy of patient records.

Federal and state governments have a range of criminal, civil and administrative sanctions available to penalize and remediate violations of existing laws and regulations, including criminal fines, civil monetary penalties, repayment of erroneously paid claims, prison terms and exclusion from the Medicare, Medicaid, TennCare and/or other governmental payment programs. Because of the complexity of the regulations and the increased enforcement, there are numerous circumstances where alleged violations may trigger investigations, audits and inquiries that could result in expensive and prolonged enforcement actions against the Alliance. Enforcement actions may be initiated and prosecuted by one or more government entities and/or private individuals, and in some circumstances more than one of the available penalties may be imposed for each violation. Exclusion from participation in Medicare, Medicaid, TennCare or other governmental health care programs likely would result in a loss of substantial revenues.

National Healthcare Reform

Comprehensive health care reform legislation was enacted by the federal government in March 2010 through the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the "Healthcare Reform Act"). The Healthcare Reform Act fundamentally changes the health care system and the manner in which services are provided and paid for generally, including substantial increases in health care insurance for persons not currently covered, new requirements on employers who provide health benefits to their employees, reimbursement reductions and methodology changes, and the imposition of further restrictions and requirements adversely affecting tax-exempt hospitals such as the Alliance and its related entities.

Implementation of the Healthcare Reform Act is uncertain as to timing and scope and is likely to have a variety of effects on both the operations and financial performance of hospitals. In particular, extension of health insurance to those not currently insured and the costs associated therewith may result in (1) inadequate reimbursement to cover costs under such new coverage, (2) offsetting reductions in reimbursements for the provision of services under Medicare, Medicaid and other federally funded programs and (3) increased costs of compliance generally. In addition, the Healthcare Reform Act is likely to have significant indirect effects on the Alliance and related hospitals as a result of the Healthcare Reform Act's effects on other healthcare industry participants, including pharmaceutical and medical device companies, health insurers, and others with which the Alliance and related hospitals do business.

The Healthcare Reform Act imposes substantial and costly additional requirements on nonprofit hospitals. Failure of any hospital with 501(c)(3) status to comply with such requirements may result in significant penalties including, but not limited to, the loss of tax-exempt status. See below "Matters Affecting Tax Exemption − Tax Exemption for Non-profit Corporations."

There have been, and will likely continue to be, legislative efforts in Congress to delay, repeal, amend or defund the Healthcare Reform Act or otherwise block its implementation; President Obama has announced delays to implementing the employer mandate and certain other provisions of the Act; and the Healthcare Reform Act is subject to lawsuits challenging its constitutionality and may be subject to additional lawsuits. Further, there are no implementing regulations or detailed interpretive guidance for many of the law's provisions. Thus it is impossible to predict the extent to which the Healthcare Reform Act will be implemented or the effects it will have to the extent it is implemented.

Competition

The Alliance faces competition not only from other area hospitals (see in Appendix A -"SERVICE AREA, MARKET SHARE AND COMPETITION"), but also from other forms of health care providers, including health maintenance organizations, preferred provider organizations, specialty hospitals, home health agencies, surgical centers, rehabilitation and therapy centers, physician group practices and other alternative delivery systems and non-hospital providers of medical services. Increasing costs of health care services are likely to stimulate additional forms of competition. Many new forms of health care providers may not be subject to the restrictions imposed on the Alliance by its participation in governmental health care programs and as part of a tax-exempt organization. The application of federal and state antitrust laws to health care is still evolving, and enforcement and other developments in this area could adversely affect the Alliance's competitive position.

Other Economic Developments

Other economic developments that could adversely affect operations at the Alliance include (1) unexpected increases in costs of labor and equipment (including new technologies) that cannot be recovered through charges; (2) increased costs of maintaining malpractice and general liability insurance; and (3) availability of, or the cost of, required specialty employees, including nurses and other health care professionals.

Matters Affecting Tax Exemption

Tax Exemption for Non-profit Corporations. Loss of tax-exempt status by the Alliance or related entities could result in loss of tax exemption for interest on the Series 2013A Bonds and of other tax-exempt debt issued for the benefit of the Alliance, and defaults in covenants regarding the Series 2013A Bonds and other tax-exempt debt would likely be triggered. Such an event would have material adverse consequences on the financial condition of the Alliance. See "TAX MATTERS."

The maintenance by the Alliance of its tax-exempt status and that of its related entities depends, in part, upon its maintenance of status as an organization described in Section 501(c)(3) of the Code (an "Exempt Organization"). The maintenance of such status is contingent upon compliance with provisions of the Code and related regulations and administrative interpretations regarding the organization and operation of tax-exempt entities, including its operation for charitable and educational purposes and its avoidance of transactions that may cause its assets to inure to the benefit of private individuals.

The Internal Revenue Service (the "IRS") has announced that it intends to closely scrutinize transactions between Exempt Organizations and for-profit entities and has issued audit guidelines for tax-exempt hospitals. In March 1998, the IRS issued a revenue ruling that places restrictions upon the participation of Exempt Organizations (including hospitals) in joint venture arrangements with for-profit entities. Although specific activities of hospitals, such as medical office building leases and compensation arrangements and other contracts with physicians, have been the subject of interpretations by the IRS in the form of Private Letter Rulings, many activities have not been addressed in any official opinion, interpretation or policy of the IRS. Because the Alliance conducts large-scale and diverse operations involving private parties, there can be no assurances that certain of its transactions would not be challenged by the IRS.

The IRS has taken the position that hospitals that violate the federal Anti-kickback Law may also be subject to revocation of their tax-exempt status. As a result, tax-exempt hospitals, such as those of the Alliance, which have and will continue to have, extensive transactions with physicians are subject to an increased degree of scrutiny and perhaps enforcement by the IRS.

Furthermore, the Healthcare Reform Act imposed additional operational requirements on tax-exempt hospitals under new Internal Revenue Code Section 501(r) ("Section 501(r)"). Each tax-exempt hospital must (1) conduct a community health needs assessment ("CHNA") every three years; (2) have a written financial assistance policy that meets several specific requirements; (3) limit amounts charged for emergency or other medically necessary care provided to individuals eligible for financial assistance; and (4) refrain from engaging in "extraordinary" collection actions before the hospital has made reasonable efforts to determine whether an

individual is eligible for financial assistance. Compliance with the CHNA requirement in particular is expected to impose substantial burdens on tax-exempt hospitals.

The penalty for failure to comply with Section 501(r) is loss of tax-exempt status at the entity level, if the organization operates one hospital, or loss of exemption at the facility level, if the organization operates more than one hospital. In addition, failure to satisfy the CHNA requirement also will result in the imposition of a $50,000 penalty excise tax on each noncompliant hospital. The Alliance believes that it is currently in compliance with Section 501(r).

Periodically, Congress considers options and recommendations in the area of taxation of unrelated business income of Exempt Organizations. The scope and effect of legislation, if any, that may be adopted at the federal and state levels with respect to unrelated business income cannot be predicted at this time. However, any such legislation could have the effect of subjecting a portion of the income of the Alliance to federal or state income taxes.

In addition to the foregoing proposals with respect to income by Exempt Organizations, various state and local governmental bodies have challenged the tax-exempt status of such institutions and have sought to remove the exemption of property from real estate taxes of part or all of the property of various nonprofit institutions on the grounds that a portion of such property was not being used to further the charitable purposes of the institutions or that the institutions did not provide sufficient care to indigent persons so as to warrant exemption from taxation as a charitable institution. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of Exempt Organizations. There can be no assurance that future changes in the laws and regulations of federal, state or local governments, or the interpretation of such laws by courts or other governmental entities, will not materially adversely affect the operations and financial condition of the Alliance by requiring any of its entities to pay income or local property taxes.

Tax-Exempt Status of the Series 2013A Bonds. Any failure by the Alliance or related entities to remain qualified as tax-exempt under Section 501(c)(3) of the Code could affect the amount of funds that would be available to pay debt service on the Series 2013 Bonds. If the Alliance or the Issuer fails to comply continuously with certain covenants contained in the 2013A Bond Indenture and the 2013A Loan Agreement after delivery of the Series 2013A Bonds, interest on the Series 2013A Bonds could become taxable from the date of delivery of the Series 2013A Bonds regardless of the date on which the event causing such taxability occurs. See "TAX MATTERS."

In recent years, the IRS has undertaken an extensive audit program that involves review of both the general tax-exempt status of non-profit hospitals and the tax-exempt status of bonds issued for their benefit.

Legislative Proposals. Current and future legislative proposals, if enacted into law, could cause interest on the Series 2013A Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent owners thereof from realizing the full current benefit of the tax-exempt status of such interest.

Other Risk Factors Generally Affecting Health Care Facilities

In the future, the following factors, among others, may adversely affect the operations of the Alliance to an extent that cannot be determined at this time:

1. Health care systems are major employers, combining a complex mix of professional, quasi-professional, technical, clerical, housekeeping, maintenance, dietary and other types of workers in a single operation. As with all large employers, the Alliance bears a wide variety of risks in connection with its employees. These risks include strikes and other related work actions, contract disputes, discrimination claims, personal tort actions, work-related injuries, exposure to hazardous materials, interpersonal torts (such as between employees, between physicians or management and employees, or between employees and patients), and other risks that may flow from the relationships between employer and employee or between physicians, patients and employees. Many

of these risks are not covered by insurance, and certain of them cannot be anticipated or prevented in advance. The Alliance is subject to all of the risks listed above. Such risks, alone or in combination, could have material adverse consequences to the financial condition or operations of the Alliance.

2. Competition from other health care systems and other competitive facilities now or hereafter located in the respective service areas of the Alliance's facilities may adversely affect revenues. Development of health maintenance and other alternative health delivery programs could result in decreased usage of inpatient hospital facilities and other facilities operated by the Alliance.

3. Cost and availability of any insurance, such as malpractice, fire, automobile, and general comprehensive liability, that hospitals and other health care facilities of similar size and type as the facilities generally carry may adversely affect revenues, as would any losses that exceed amounts covered.

4. The occurrences of natural disasters may damage some or all of the facilities, interrupt utility service to some or all of the facilities, significantly increase the demand on some or all of the facilities or otherwise impair the operation of some or all of the facilities or the generation of revenues from some or all of the facilities.

5. Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety and outpatient health care delivery may reduce utilization and revenues of the facilities. Technological advances in recent years have accelerated the trend toward the use by hospitals of sophisticated and costly equipment and services for diagnosis and treatment. The acquisition and operation of certain equipment or services may continue to be a significant factor in hospital utilization, but the ability of the Alliance 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.

6. Reduced demand for the services of the Alliance that might result from decreases in population in the services areas of facilities operated by the Alliance.

7. Increased unemployment or other adverse economic conditions in the service areas of the Alliance that would increase the proportion of patients who are unable to pay fully for the cost of their care.

8. Any increase in the quantity or cost of indigent care provided that is mandated by law or required due to increase needs of the community in order to maintain the charitable status of the Alliance.

9. Regulatory actions that might limit the ability of the Alliance to undertake capital improvements to their respective facilities or to develop new institutional health services.

LITIGATION

There is no action, suit, or proceeding pending or, to the knowledge of the Issuer, threatened restraining or enjoining the execution or delivery of the Series 2013 Bonds, or in any way contesting or affecting the validity of the Series 2013 Bonds, the Bond Indentures, the Master Indenture, or any proceedings of the Issuer or the Alliance, as applicable, taken with respect thereto. No securities of the Issuer have been in default as to principal or interest payments or in any other material respect, and no agreements or legal proceedings of the Issuer relating to its securities have been declared invalid or unenforceable since the formation of the Issuer. The Issuer will provide a certificate to this effect at the time of delivery of the Series 2013 Bonds.

There is no action, suit, or proceeding pending or threatened restraining or enjoining the execution or delivery of the Series 2013 Obligations, or in any way contesting or affecting the validity of the Series 2013 Obligations, the Master Indenture, the Loan Agreements or any proceedings of the Alliance taken with respect thereto. No securities of the Alliance have been in default as to principal or interest payments or in any other material respect, and no agreements or legal proceedings of the Alliance relating to its securities have been declared invalid or unenforceable since the original formation of the corporation now called Mountain States Health Alliance. The Alliance will provide a certificate to this effect at the time of delivery of the Series 2013 Bonds.

For other litigation matters involving the Alliance, see "HISTORY AND OVERVIEW - Insurance; Litigation" in Appendix A hereto.

LEGAL MATTERS

Legal matters relating to the authorization and issuance of the Series 2013 Bonds are subject to the approving opinion of Bass, Berry & Sims PLC of Nashville and Knoxville, Tennessee, as Bond Counsel, which will be delivered with the Series 2013 Bonds. Certain legal matters relating to the Series 2013 Bonds will also be passed upon by Samuel B. Miller, Esq., Johnson City, Tennessee, as counsel to the Issuer; and by Anderson & Fugate, Johnson City, Tennessee, as counsel to the Alliance. Certain legal matters will be passed upon by Thompson Coburn LLP, St. Louis, Missouri, as counsel to the Bank. Certain legal matters will be passed upon by Hunton & Williams LLP, as counsel to the Underwriter.

TAX MATTERS

Tennessee State Tax Exemption

Under existing law, the Series 2013 Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Series 2013 Bonds during the period the Series 2013 Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership doing business in the State, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Series 2013 Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State.

Series 2013A Bonds

General. Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Series 2013A Bonds. Bond Counsel is of the opinion that, under existing law, relying on certain statements by the Issuer and the Alliance and assuming compliance by the Issuer and the Alliance with certain covenants, interest on the Series 2013A Bonds is:

- excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986,
- not a preference item for a bondholder under the federal alternative minimum tax;
- included in the adjusted current earnings of certain corporations for purposes of the federal corporate alternative minimum tax.

The Internal Revenue Code of 1986, as amended (the "Code") imposes requirements on the Series 2013A Bonds that the Issuer and the Alliance must continue to meet after the Series 2013A Bonds are issued. These requirements generally involve the way that Series 2013A Bond proceeds must be invested and ultimately used. If the Issuer and the Alliance do not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2013A Bonds in its federal gross income on a retroactive basis to the date of issue. The Issuer and the Alliance have covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Series 2013A Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit, or
- a borrower of money to purchase or carry the Series 2013A Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Series 2013A Bonds or affect the market price of the Series 2013A Bonds.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2013A Bonds, or under state, local or foreign tax law.

Original Issue Discount. A Series 2013A Bond will have "original issue discount" if the price paid by the original purchaser of such Series 2013A Bond is less than the principal amount of such Series 2013A Bond. Bond Counsel's opinion is that any original issue discount on the Series 2013A Bond as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in the Series 2013A Bonds will be increased. If a bondholder owns one of the Series 2013A Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Bond Premium. If a bondholder purchases a Series 2013A Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Series 2013A Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Series 2013A Bond will be reduced. The holder of a Series 2013A Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Series 2013A Bond. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Series 2013A Bond with bond premium, even though the Series 2013A Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Series 2013A Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Series 2013B Bonds

Disclaimer. Any discussion of the tax issues relating to the Series 2013B Bonds in this Official Statement was written to support the promotion or marketing of the Series 2013B Bonds. Such discussion was not intended or written to be used, and it cannot be used, by any person for the purpose of avoiding any tax penalties that may be imposed on such person. Each investor should seek advice with respect to the Series 2013B Bonds based on its particular circumstances from an independent tax advisor.

General. The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 2013B Bonds. The summary is based upon the provisions of the Code, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. The summary generally addresses Series 2013B Bonds held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, those holding such bonds as hedge against currency risks or as a position in a "straddle" for tax purposes, or those whose functional currency is not the United States dollar. Potential purchasers of the Series 2013B Bonds should consult their own tax advisors in determining the federal, state or local consequences to them of the purchase, ownership and disposition of the Series 2013B Bonds.

Interest on the Series 2013B Bonds is not excluded from gross income for federal income tax purposes. Purchasers other than those who purchase Series 2013B Bonds in the initial offering at their stated principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Series 2013B Bonds. In general, interest paid on the Series 2013B Bonds, accrual of original issue discount and market discount, if any, will be treated as ordinary income to an owner of Series 2013B Bonds and, after adjustment for the foregoing, principal payments will be treated as a return of capital.

Original Issue Discount. The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Series 2013B Bonds issued with original issue discount ("Discount Taxable Bonds"). A Series 2013B Bond will be treated as having original issue discount if the excess of

its "stated redemption price at maturity" (defined below) over its issue price (defined as the initial offering price at which a substantial amount of the Series 2013B Bonds of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Series 2013B Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity.

A Discount Taxable Bond's "stated redemption price at maturity" is the total of all payments provided by the Discount Taxable Bond that are not payments of "qualified stated interest." Generally, the term "qualified stated interest" includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

In general, the amount of original issue discount includable in income by the initial holder of a Discount Taxable Bond is the sum of the "daily portions" of original issue discount with respect to such Discount Taxable Bond for each day during the taxable year in which such holder held such Discount Taxable Bond. The daily portion of original issue discount on any Discount Taxable Bond is determined by allocating to each day in any "accrual period" a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Discount Taxable Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Discount Taxable Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Taxable Bond at the beginning of any accrual period is the sum of the issue price of the Discount Taxable Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Taxable Bond that were not qualified stated interest payments. Under these rules, holders will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on the Discount Taxable Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

Market Discount. Any owner who purchases a Series 2013B Bond at a price which includes market discount in excess of a prescribed de minimis amount (*i.e.*, at a purchase price that is less than its adjusted issue price in the hands of an original owner) will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Series 2013B Bond as ordinary income to the extent of any remaining accrued market discount (under this caption) or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

An owner who acquires a Series 2013B Bond at a market discount also may be required to defer, until the maturity date of such Series 2013B Bond or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2013B Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Series

2013B Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2013B Bonds for the days during the taxable year on which the owner held the Series 2013B Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2013B Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral does not apply if the bondowner elects to include such market discount in income currently as described above.

Bond Premium. A purchaser who purchases a Series 2013B Bond at a cost greater than its then principal amount (or, in the case of Series 2013B Bond issued with original issue premium, at a price in excess of its adjusted issue price) will have amortizable bond premium. If the holder elects to amortize the premium under Section 171 of the Code (which election will apply to all bonds held by the holder on the first day of the taxable year to which the election applies, and to all bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of any Series 2013B Bonds who acquire such Series 2013B Bonds at a premium (or with acquisition premium) should consult with their own tax advisors with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state and local tax consequences of owning such Series 2013B Bonds.

Sale or Redemption of Series 2013B Bonds. A bondowner's tax basis for a Series 2013B Bond is the price such owner pays for the Series 2013B Bond plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified stated interest" payments) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 2013B Bond, measured by the difference between the amount realized and the basis of the Series 2013B Bond as so adjusted, will generally give rise to capital gain or loss if the Series 2013B Bond is held as a capital asset (except as discussed above under "Market Discount"). The legal defeasance of Series 2013B Bonds may result in a deemed sale or exchange of such Series 2013B Bonds under certain circumstances; owners of such Series 2013B Bonds should consult their tax advisors as to the federal income tax consequences of such an event.

Backup Withholding. A bondowner may, under certain circumstances, be subject to "backup withholding" (currently the rate of this withholding obligation is 28%, but the rate may change in the future) with respect to interest or original issue discount on the Series 2013B Bonds. This withholding generally applies if the owner of a Series 2013B Bond (a) fails to furnish the Registration Agent or other payor with its taxpayer identification number; (b) furnishes the Registration Agent or other payor an incorrect taxpayer identification number; (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide the Registration Agent or other payor with certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to bondowners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents. Owners of the Series 2013B Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

Backup withholding is not an additional tax. Any amount paid as backup withholding would be credited against the bondholder's U.S. federal income tax liability, provided that the requisite information is timely provided to the Internal Revenue Service. The amount of "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to payments on the Series 2013B Bonds will be reported to the bondowners and to the Internal Revenue Service.

Nonresident Borrowers. Under the Code, interest and original issue discount income with respect to Series 2013B Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons ("Nonresidents") generally will not be subject to the United States withholding tax (or backup withholding) if the Alliance (or other who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Series 2013B Bond is a Nonresident. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a

Nonresident bondowner, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

Changes In Federal And State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2013 Bonds or otherwise prevent holders of the Series 2013A Bonds from realizing the full benefit of the tax exemption of interest on the Series 2013A Bonds. Further, such proposals may impact the marketability or market value of the Series 2013 Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2013 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2013 Bonds would be impacted thereby. Purchasers of the Series 2013 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2013 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Series 2013 Bonds should consult their own tax advisors regarding the foregoing matters.

Copies of the proposed forms of Bond Counsel opinions for the Series 2013A Bonds and the Series 2013B Bonds are set forth in **Appendix D** attached hereto.

RATINGS

Fitch Ratings ("Fitch") has assigned ratings of AA-/F1+ to the Series 2013 Bonds.

Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. ("S&P") is expected to assign ratings of AA-/A1+ to the Series 2013 Bonds.

Each such rating is based on the availability of the Letters of Credit and reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating should be obtained from the applicable rating agency itself. Certain materials and information relating to the Series 2013 Bonds, the Bank and the Alliance that may not be described in this Official Statement were furnished to the rating agencies in connection with the issuance of the ratings. Generally, rating agencies base their ratings on such materials and information and on their own investigations, studies and assumptions. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant.

No information is provided regarding the ratings of other outstanding bonds issued for the benefit of the Alliance and related entities.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch" or the "Underwriter") has agreed to purchase (1) the Series 2013A Bonds at a price of $16,179,801, representing the par amount of the Series 2013A Bonds less an Underwriter's discount of $55,199 (0.34% of the principal amount thereof); and (2) the Series 2013B Bonds at a price of $99,341,088, representing the par amount of the Series 2013B Bonds less an Underwriter's

discount of $338,912 (0.34% of the principal amount thereof). Merrill Lynch is committed to take and pay for all of the Series 2013 Bonds if any are taken.

The prices at which the Series 2013 Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices. In addition, the Underwriter may allow commissions or discounts to dealers and others from the initial offering prices appearing on the cover page of this Official Statement. From time to time, the Underwriter may enter into other transactions with the Alliance, including interest rate swaps and options, for which it receives other compensation.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its affiliates may, from time to time, perform various financial advisory and investment banking services for the Alliance, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Alliance. The Underwriter and its affiliates also may communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

INDEPENDENT AUDITORS

The consolidated financial statements of the Alliance as of and for the years ended June 30, 2012 and 2011, included in Appendix B to this Official Statement, have been audited by Pershing Yoakley & Associates, P.C. See also "CONDENSED SUMMARY OF REVENUE AND EXPENSES; FINANCIAL STATEMENTS" in Appendix A.

CONTINUING DISCLOSURE AGREEMENT

The Agreement

To permit compliance by the Underwriter with the continuing disclosure requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the Alliance will execute a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") at closing pursuant to which the Alliance will agree to provide certain quarterly and annual financial information and notices regarding certain enumerated events required by the Rule. Such information will be filed through the Electronic Municipal Market Access System ("EMMA") maintained by the Municipal Securities Rulemaking Board and may be accessed through the Internet at emma.mrsb.org. The proposed form of the Continuing Disclosure Agreement is set forth in Appendix E. It requires the Alliance to provide **only limited information at specific times, and the information provided may not be all the information necessary to value the Series 2013 Bonds at any particular time.** The Alliance may from time to time disclose certain information and data in addition to that required by the Continuing Disclosure Agreement. If the Alliance chooses to provide any additional information, the Alliance shall have no obligation to continue to update such information or to include it in any future disclosure filing.

Failure by the Alliance to comply with the Continuing Disclosure Agreement is not an Event of Default under the Loan Agreements. The Continuing Disclosure Agreement provides that the only remedy for its violation is a lawsuit seeking specific performance.

Prior Undertakings

In connection with the issuance of previous bonds, the Alliance has entered into continuing disclosure undertakings similar to the Continuing Disclosure Agreement. Prior to July 1, 2009, the Alliance's filings under such undertakings were made through the then existing national recognized municipal securities information repositories. Since then filings have been made through EMMA.

The Alliance failed to make certain filings previously scheduled under previous continuing disclosure undertakings. In November, 2008, the Alliance submitted Annual Financial Information for the fiscal years ended June 30, 2000, through June 30, 2008, and Quarterly Financial Information for the quarters ended March 31, 2000, through June 30, 2008. Such filings were not timely under the Alliance's existing continuing disclosure undertakings. The Alliance has made timely filings of the Quarterly Financial Information for the quarters ended September 30, 2008, through March 31, 2013. The Alliance believes it has now made all filings required under all of its continuing disclosure undertakings.

RELATIONSHIPS OF PARTIES

As noted above, the Alliance or its affiliates have entered into interest rate swaps and other financial transactions with affiliates of the Underwriter.

From time to time, Bond Counsel and Hunton & Williams LLP have represented the Alliance in other matters, and may do so in the future. Bond Counsel also has represented the Underwriter in unrelated transactions. Anderson & Fugate, counsel to the Alliance, receives a substantial portion of its annual legal fee income from the Alliance. The Alliance typically engages in bidding to select the contractors for its capital projects. Whether or not such projects are bid, from time to time the contractor selected may be one in which members of the board of directors of the Issuer or the Alliance have an interest.

MISCELLANEOUS

This Official Statement and its distribution and use by the Underwriter have been duly authorized and approved by the Issuer and by the Alliance. This Official Statement has been executed and delivered by the Chairman of the Issuer on behalf of the Issuer and by the Senior Vice President and Chief Financial Officer of the Alliance on behalf of the Alliance.

So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

The Appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement.

THE HEALTH AND EDUCATIONAL FACILITIES BOARD OF THE CITY OF JOHNSON CITY, TENNESSEE

By _____*/s/ W. Hanes Lancaster*_____
Chairman

MOUNTAIN STATES HEALTH ALLIANCE

By _____*/s/ Marvin H. Eichorn*_____
Senior Vice President and Chief Financial Officer

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APPENDIX A

MOUNTAIN STATES HEALTH ALLIANCE

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HISTORY AND OVERVIEW

Background

Mountain States Health Alliance (the "Alliance"), a Tennessee not-for-profit corporation headquartered in Johnson City, Tennessee, was originally incorporated as Memorial Hospital on April 12, 1945. In January 1951, the corporation acquired Appalachian Hospital and Training School, an 82-bed acute care facility in Johnson City, and simultaneously opened a 120-bed acute care facility in Johnson City. By 1977, its facilities had expanded to include 369 acute care beds and a 52-bed nursing home. In September 1980, the facilities were relocated and began operating as the Johnson City Medical Center ("JCMC"). In 1983, the corporation changed its name to the Johnson City Medical Center Hospital, Inc. The corporation has been determined to be an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

In 1998, the Alliance purchased the assets and assumed certain liabilities of five hospitals from Columbia/HCA (the "1998 Acquisition") located in Johnson City, Kingsport, and Elizabethton, Tennessee. In 1999, the corporation changed its name to Mountain States Health Alliance. On May 1, 2005, the Alliance purchased the assets of Woodridge Hospital, an acute inpatient psychiatric facility in Johnson City. On November 1, 2006, the Alliance purchased an 80% membership interest in Smyth County Community Hospital, which owns a general acute care facility and a 109-bed long-term care facility in Southwest Virginia. On October 31, 2007, the Alliance purchased a 50.1% membership interest in Norton Community Hospital, which owns and operates both Norton Community Hospital and Dickenson County Community Hospital in Southwest Virginia. On January 31, 2008, the Alliance acquired the assets and liabilities of Russell County Medical Center in Lebanon, Virginia. On April 1, 2009, the Alliance acquired a 50.1% interest in Johnston Memorial Hospital, which owns a 116-bed facility in Abingdon, Virginia. Listed below are facilities currently owned or controlled by the Alliance:

Facility	Location	Licensed Beds (excludes nursery)
Johnson City Medical Center ("JCMC")*	Johnson City, TN	514
James H. & Cecile Quillen Rehabilitation Hospital ("Quillen") *	Johnson City, TN	60
Woodridge Hospital ("Woodridge")*	Johnson City, TN	84
Franklin Woods Community Hospital ("Franklin Woods")	Johnson City, TN	80
Indian Path Medical Center ("Indian Path")	Kingsport, TN	261
Sycamore Shoals Hospital ("Sycamore Shoals")	Elizabethton, TN	121
Johnson County Community Hospital ("Johnson County Community")	Mountain City, TN	2
Smyth County Community Hospital ("Smyth County Community") (1)	Marion, VA	153
Norton Community Hospital ("Norton Community") (2)	Norton, VA	129
Dickenson Community Hospital ("Dickenson Community") (2)	Clintwood, VA	25
Russell County Medical Center ("Russell")	Lebanon, VA	78
Johnston Memorial Hospital ("Johnston Memorial") (2)	Abingdon, VA	116
		1,623

*JCMC, Quillen and Woodridge are operated under a single 658-bed hospital license.
(1) 80% membership interest held by the Alliance.
(2) 50.1% membership interest held by the Alliance.

In addition to the above-described hospital facilities, the Alliance owns directly or through wholly-owned subsidiaries, medical office buildings, physician practices, undeveloped land and outpatient surgery centers. The Alliance is a majority shareholder of Integrated Solutions Health Network, LLC ("ISHN").

Operations of the Alliance

The facilities of the Alliance are naturally divided geographically into two groupings: (i) the "Tennessee Facilities," which include JCMC, Quillen, Woodridge, and Franklin Woods, all in Washington County; Indian Path, in Sullivan County; Sycamore Shoals, in Carter County; and Johnson County Community, in Johnson County; and (ii) the "Virginia Facilities," which include Smyth County Community, in Smyth County; Norton Community, in the City of Norton; Dickenson Community, in Dickenson County; Russell, in Russell County; and Johnston Memorial,

in Washington County. All of the Tennessee hospital facilities and Russell are owned by the Alliance. Smyth County Community is owned by Smyth County Community Hospital; Norton Community is owned by Norton Community Hospital; and Johnston Memorial is owned by Johnston Memorial Hospital.

Johnson City Medical Center is a 514 licensed bed, general acute care facility located on a 75-acre site on State of Franklin Road, a major regional thoroughfare in Johnson City. JCMC provides a wide array of acute care services on an inpatient and outpatient basis, including a complete range of cardiovascular, neurology, oncology, skilled nursing, and rehabilitation services. JCMC also operates a 69 licensed bed children's hospital with the region's only pediatric-specific emergency department. JCMC is designated as a Level III Perinatal Center and a Level I trauma center. JCMC earned international recognition as a Magnet Hospital by the American Nurses Credentialing Center. On or adjacent to JCMC's main campus are seven physician office buildings providing office space for approximately 75 physicians.

The James H. & Cecile C. Quillen Rehabilitation Hospital (formerly Northeast Tennessee Rehabilitation Hospital) is a 60 licensed bed rehabilitation and skilled nursing hospital in Johnson City, operated under the JCMC license. This facility provides a complete array of skilled nursing services as well as rehabilitative services for individuals with brain injury, stroke, or spinal cord injury, amputation and other orthopedic and neurological diagnosis. These rehabilitative services include respiratory, occupational, physical, and speech therapy. The facility also provides pediatric outpatient rehab services. The facility was constructed in 1991.

Woodridge Hospital is an 84 licensed bed, acute-care facility located in Johnson City, offering psychiatric and substance abuse services. This facility was purchased in May 2005 and is operated under the JCMC license.

Franklin Woods Community Hospital is an 80 licensed bed facility offering a full array of primary care and some specialty services. Franklin Woods opened in July 2010 (replacing Johnson City Specialty and North Side hospitals) and was the first "green" hospital in the state.

Indian Path Medical Center is a 261 licensed bed facility in Kingsport. This facility provides a complete range of medical/surgical, acute care, psychiatric and skilled nursing services on an inpatient basis and a full complement of outpatient services. The facility is located on an 80 acre campus that also includes nine medical office buildings. Indian Path Medical Center was constructed in 1974.

Sycamore Shoals Hospital is a 121 licensed bed general acute care hospital in Elizabethton, Tennessee (Carter County). The facility provides inpatient, geropsychiatric, and outpatient services for acute care and medical/surgical patients. Sycamore Shoals was founded in 1955 as Carter County Memorial Hospital. It was moved to a newly constructed facility in 1986. A medical office building constructed in 2010 is also located on the main campus.

Johnson County Community Hospital is a facility located in Mountain City with two licensed beds and critical access designation. Johnson County offers inpatient care, emergency care, and outpatient services.

Smyth County Community Hospital is a 153 licensed bed, Medicare Dependent, skilled and long term care hospital in Marion, Virginia, owned by Smyth County Community Hospital (the "Smyth County Corporation"), a Virginia non-stock corporation in which the Alliance controls an 80% interest. The current facility was built in 2012, and provides a full range of acute inpatient and outpatient care, including OB/GYN, general surgery, urology, ENT, orthopedics, cardiology, oncology, and skilled nursing services. The new facility meets LEED standards and is certified as a "green" facility. Nursing home services provided by Francis Marion Manor, a 109 licensed bed long term care facility, are included as part of Smyth County Community's bed complement. Smyth County Corporation is a member of the Obligated Group.

Norton Community Hospital, located in the City of Norton, Virginia, is a 129 licensed bed, acute-care facility, which has served Southwest Virginia and Southeastern Kentucky since 1949. Norton Community is owned and operated by Norton Community Hospital (the "Norton Corporation"), a Virginia non-stock corporation in which the Alliance controls a 50.1% interest. The largest healthcare facility in the coalfield region, Norton Community provides a wide array of services through highly trained physicians and support staff. Norton Community is a

member of the Virginia Hospital and Healthcare Association and is accredited by the American Osteopathic Association. Norton Community was the first AOA accredited teaching facility in the state of Virginia. The Norton Corporation is a member of the Obligated Group.

Dickenson Community Hospital, located in Clintwood, Virginia, opened in November 2003. It is a 25 licensed bed critical access hospital owned and operated by the Norton Corporation. A recent expansion included a 5,700 square foot physician office building on the hospital campus. Dickenson Community offers laboratory, imaging, inpatient acute care and a wide array of therapy services. Dickenson Community is not a member of the Obligated Group.

Russell County Medical Center is a 78-bed Medicare Dependent Hospital located in Lebanon, Virginia, which includes a 20-bed inpatient psychiatric unit. Russell offers cardiac, home health, hospice, surgical and behavioral healthcare services. Russell is wholly owned by the Alliance, which is an Obligated Issuer.

Johnston Memorial Hospital is a 116 licensed bed, general acute care hospital in Abingdon, Virginia, which can trace its history back to a 12 bed facility started in 1905. Johnston Memorial provides a wide array of healthcare services in a newly constructed facility that opened in 2011. Johnston Memorial is owned and operated by Johnston Memorial Hospital, Inc. (the "Johnston Corporation"), in which the Alliance owns a 50.1% interest. The Johnston Corporation is not a member of the Obligated Group and the Obligated Issuers are not required to pay debt service on the JMH Bonds.

Future Facilities

On March 28, 2013, the Alliance executed an agreement to acquire Unicoi County Memorial Hospital, a 48-bed acute care hospital located in Erwin, Tennessee. The hospital has approximately 250 employees and offers emergency, surgical, and home health services. Nursing home services are provided in a 46 licensed bed long term care facility. The Alliance will fund the acquisition from cash flow. After consideration of the revenues and expenses expected from operations of the facility, management of the Alliance does not expect this acquisition to have a material effect on the Alliance. The Tennessee attorney general's office has delayed its decision on whether to approve the acquisition pending, among other things, certain local approvals.

Operations of Subsidiary and Other Affiliates

The Alliance directly owns and operates the hospital facilities listed above that are located in Tennessee, and directly owns and operates Russell in Lebanon, Virginia. It has controlling membership interests in the corporations that own Smyth County Community, Norton Community, Dickinson Community and Johnston Memorial. Additionally, the Alliance owns or otherwise controls a number of for-profit and not-for-profit affiliates that provide complementary health care services and help support the health care needs of the region. The principal affiliates are Mountain States Foundation, Inc., Mountain States Health Alliance Auxiliary, Integrated Solutions Health Network ("ISHN"), and Blue Ridge Medical Management Corporation ("Blue Ridge").

ISHN is a Tennessee for-profit limited liability company established in 2009 and 99.6% owned by the Alliance. ISHN administers a provider-sponsored health care delivery network. ISHN has two lines of business: (1) Anew Care Collaborative - an accountable care organization (the "ACO") and (2) CrestPoint Health ("CrestPoint"). The ACO has created a network of participating physicians, hospitals and other health care providers, and participates, pursuant to a contract with the Centers for Medicare and Medicaid Services, in the Medicare Shared Savings Program established pursuant to Section 3022 of the Patient Protection and Affordable Care Act and its implementing regulations. The ACO may enter into shared savings or other contracts with other third party payors. CrestPoint provides third party administrator services to the Alliance for its self-insured employee health plan. In the fall of 2012, CrestPoint began offering a regionally-based Medicare advantage plan.

Blue Ridge is a Tennessee for-profit stock corporation, and the Alliance owns 100% of its stock. Blue Ridge in turn owns all of the stock or other ownership interest in the following entities (collectively, the "Blue Ridge Affiliates"): Mountain States Physician Group, Inc., Mountain States Properties, Inc., Mediserve Medical Equipment of Kingsport, Inc., HealthPlus, and Synergy Health Group LLC. While Blue Ridge is an Obligated

Issuer under the Master Indenture, none of the Blue Ridge Affiliates is an Obligated Issuer. Blue Ridge provides, directly or through the Blue Ridge Affiliates, management services for clinics in 13 counties at 97 locations (50 specialty care, 37 primary care, and 10 urgent care and occupational medicine clinics). At the 97 locations, Blue Ridge provides management services to a total of 196 practicing physicians, 78 nurse practitioners and physician assistants and five nurse anesthetists. Blue Ridge has various levels of ownership in five surgery centers and owns and/or manages a total of 29 medical office buildings, seven of which are held in condominium-ownership form.

Obligated Issuers

The Obligated Issuers under the Amended and Restated Master Trust Indenture dated as of February 1, 2000, as amended (the "Master Indenture"), with The Bank of New York Mellon Trust Company, N.A., as master trustee, are the Alliance, Smyth County Community Hospital, Norton Community Hospital and Blue Ridge Medical Management Corporation.

Inpatient Bed Complement

The following table shows the Alliance's licensed bed capacity by service line as of May 31, 2013:

Service	Licensed Beds	Distribution
Medical/Surgical	996	61%
OB/GYN	86	6
Critical Care	125	8
Neonatal	51	3
Psychiatry	136	8
Rehabilitation	51	3
Skilled Nursing / Nursing Home	178	11
Total	1,623	100%

Source: The Alliance.

Educational Programs

Pursuant to an agreement with the Division of Health Sciences at East Tennessee State University ("ETSU"), the Alliance provides JCMC as a site for clinical and other training of medical students and residents from ETSU's James H. Quillen College of Medicine ("QCM"), nursing students at the associate, baccalaureate and master's level from the School of Nursing and students from the School of Public and Allied Health. Woodridge provides sites for clinical training for QCM psychiatric residents. Approved medical residencies are offered by ETSU in Family Medicine, Internal Medicine/Psychiatry, OB/GYN, Pathology, Pediatrics, Cardiology, Infectious Disease, Pulmonary/Critical Care, Sleep and General Surgery. Approved fellowships are offered by ETSU in Gastroenterology and Medical Oncology. JCMC is also a clinical site for various health professional and allied health programs located in Tennessee, Kentucky, Virginia and North Carolina.

QCM, which is located adjacent to JCMC, has made a commitment to promote medical educational programs in Johnson City, Tennessee. With QCM's location adjacent to JCMC and the Veteran Affairs Medical Center at Mountain Home, a large portion of QCM's clinical training occurs at JCMC. An ETSU facility housing clinical training programs is located across the street from JCMC. QCM's presence promotes the presence of substantial numbers of physicians in private practice. Additionally, the concentration of medical specialists, researchers, and medical educators in Johnson City make the Alliance competitively stronger in patient care opportunities in the region and also provides a good source of nurses for Alliance facilities.

Licenses and Accreditation

The Tennessee Facilities are licensed by the State of Tennessee Department of Health and Environment; the Virginia Facilities are licensed by the Virginia Department of Health. All facilities are accredited by The Joint Commission ("TJC"). Norton and Quillen are accredited by the Commission of Accreditation of Rehabilitation

Facilities. The Alliance facilities are accredited by the College of American Pathologists. JCMC is also accredited by the American College of Surgeons Commission on Cancer and is designated as a Regional Perinatal Center by the Tennessee Department of Health and Environment.

Employees

As of April 30, 2013, the Alliance employed a staff of 9,044 persons (equal to approximately 7,478 full-time equivalent employees), including 3,634 registered/licensed practical nurses. The Alliance's employees are covered for a variety of employee benefits, including qualified pension plans, health and dental insurance, life insurance and vacation, holiday and sick time benefits. Certain employees at Norton Community and Dickenson Community are represented by a union. The Alliance has never experienced a strike or other work stoppage by its employees. The Alliance considers its employee relations to be excellent.

Pension Plans

The Alliance has qualified defined contribution pension plans covering substantially all of its employees. Contributions to the defined contribution pension plans are current. The Norton Corporation has a defined benefit plan that was amended to freeze participation and all benefit accruals effective December 31, 2006. The Norton Corporation's defined benefit plan has met the ERISA minimum funding requirements.

Insurance; Litigation

The Alliance is substantially self-insured and has established self-insurance reserves to provide for professional and general liability claims and related expenses in amounts based upon an annual actuarial valuation. The self-insurance program currently has the following limits: $10,000,000 per claim; with an annual aggregate of $15,000,000. The Alliance has never had a claim to exceed the self-insurance limits. The Alliance maintains a $25,000,000 excess/umbrella policy, which attaches over the self-insurance fund's $10,000,000 per claim, $15,000,000 annual aggregate retention.

Additionally, the Alliance is self-insured for employee health and worker's compensation claims for the Tennessee Facilities. For the Virginia Facilities, the Alliance is self-insured for employee health. The Alliance maintains a large deductible policy for worker's compensation claims with limits of $750,000 per employee per accident, $2,500,000 aggregate, $5,000,000 all covered bodily injury aggregate maximum for the policy period. The Alliance recognizes expense each year based upon actual claims paid and an estimate of claims incurred, but not yet paid. The Alliance has established a reserve for reported and unreported worker's compensation claims based upon an annual actuarial valuation.

The Alliance and related entities are defendants in litigation relating to medical malpractice, worker's compensation and other claims arising in the ordinary course of business. Based on an evaluation of pending and threatened actions, management of the Alliance does not believe that any existing litigation, individually or collectively, would materially and adversely affect the financial resources of the Alliance or the business or continuous operation of the Alliance. Furthermore, the Alliance has accrued amounts in its self-insurance reserves at levels that it believes are sufficient to provide for payments reasonably projected to be due in connection with pending and potential claims and liabilities of the Alliance.

MEDICAL SERVICES

The Alliance provides a wide range of general and specialty medical services for the residents of Northeast Tennessee and Southwest Virginia and the surrounding states of Kentucky and North Carolina. The majority of tertiary care provided by the Alliance is concentrated at Johnson City Medical Center. Some highlights of the medical services and programs offered by the Alliance are described below.

Surgical Services. The Alliance has approximately 60 operating rooms located in eight facilities. The Alliance's surgical facilities are equipped with state-of-the-art technologies to meet the health care needs of the region. The Alliance provides services in all major surgical specialties including orthopedics, vascular,

cardiothoracic, neurological, general, gynecological, laparoscopic, laser, urological, oncological, pediatric, plastic, ear, nose and throat, and dental.

Cardiovascular Services. The Alliance offers comprehensive regional cardiac services and highly advanced equipment for the detection, treatment, care and rehabilitation of those with heart problems. Advanced services include a wide range of non-invasive tests, cardiac catheterization, angioplasty and open-heart surgery. JCMC is known throughout the region for its medical expertise in cardiac care and has been recognized as the region's top hospital for cardiovascular services by US News and World Report for three consecutive years, most recently in 2012. Indian Path provides a full complement of cardiovascular services including interventional cardiology. Johnston Memorial's services include diagnostic cardiac catherization.

Pulmonary Medicine. Respiratory therapy services are provided at each of the Alliance's facilities. The Center for Pulmonary Medicine at JCMC diagnoses and manages disorders of the respiratory and the pulmonary vascular systems, including emphysema and black-lung disease. A state-of-the-art metabolic laboratory assesses heart and respiratory problems. Pulmonary outreach services are provided at JCMC. Black Lung diagnostic services are provided at Norton Community Hospital.

Comprehensive Wound Care is provided at JCMC, Norton Community, and Johnston Memorial. JCMC is the home to three hyperbaric oxygen chambers and Norton Community and Johnston Memorial each have one chamber.

Women's Services. The Alliance provides specially designed women's services equipped to meet the unique health needs of women. Locations for obstetric and newborn care include The Family Birth Centers at JCMC, Franklin Woods, Indian Path, Norton Community, and Johnston Memorial. Gynecologic care is provided at each of the preceding facilities as well as Smyth County Community and Sycamore Shoals. The complement of women's services includes: routine and high-risk obstetrical care, gynecological surgery, breast disease diagnosis and treatment, fertility services, laser and microscopic surgery, plastic surgery, wellness/fitness programs, and educational sessions covering a wide spectrum of women's concerns. The Family Birth Center at JCMC includes the region's only State-designated Perinatal Center for pregnancy and newborn medical complications and a transport team to bring critically ill infants to the Niswonger Children's Hospital at JCMC.

Children's Services. The Niswonger Children's Hospital at JCMC is the only children's hospital in northeast Tennessee. More than 20 pediatric subspecialties provide specialty care through this 69 licensed bed "hospital within a hospital" and pediatric emergency department. Niswonger has met stringent criteria to become a member of the Children's Hospital Association linking providers and staff with more than 202 of the nation's leading pediatric facilities. Also located on the campus of JCMC is the region's only *Ronald McDonald House*, with the mission of meeting the support needs of pediatric patients and family members. In addition, in October 1999, the Alliance entered into a clinical affiliation with St. Jude's Children's Research Hospital to provide pediatric cancer and other catastrophic disease treatment services. On December 7, 2012, Niswonger Children's Hospital entered into a clinical affiliation with Cincinnati Children's Hospital.

Diabetes Services. The Alliance provides diabetes management programs with specialized healthcare providers able to address the needs of the diabetic patient. The diabetes services emphasizes the importance of patient education and support with both patient and family involvement in the treatment process and provides education in all aspects of diabetes management.

Rehabilitation Services. The James H. and Cecile C. Quillen Rehabilitation Hospital provides a complete range of physical rehabilitative services for the region, including specialized rehabilitative services for individuals with brain injuries, strokes and spinal cord injuries. The Alliance also provides outpatient physical, occupational, and speech therapies at eight locations for individuals with physical disabilities.

Cancer Services. The Alliance provides comprehensive cancer treatment services throughout the system with four tertiary care facilities in Johnson City, Kingsport, Abingdon, and Marion. The Regional Cancer Center at JCMC serves as a referral center and education host for students, and is the only facility within several hours travel time with specialized infrastructure capable of supporting the treatment of complex cases such as pediatric cancers and acute leukemia. The St. Jude's Children's Research Hospital, Tri-Cities Affiliate, is located on JCMC's

campus. It is a collaborative effort between the Alliance, East Tennessee State University, and St. Jude's Children's Research Hospital in Memphis to provide pediatric oncology services in the region. Regional Cancer Centers at Indian Path, Johnston Memorial, and Smyth County Community provide surgical and chemotherapy treatments to patients from Northeast Tennessee and Southwest Virginia. Outpatient radiation services are provided at Regional Cancer Centers at Indian Path and Johnston Memorial. The program emphasizes the use of market-leading facility design, multi-specialty team-based care, highly trained and certified sub-specialty staff and an emphasis on patient-centered care.

Behavioral Health Services. Respond/Crisis Line provides information, assessment, and referral assistance to patients in need of psychiatric services. Services are provided at three locations. Woodridge provides inpatient care for children, adolescents, adults, and geriatric populations and outpatient services, including Intensive Outpatient Program for adults. Sycamore Shoals provides inpatient Geropsych services. Russell provides inpatient acute psychiatry and outpatient services for adults.

In addition to the services described above, the Alliance offers many other services throughout the region including emergency departments and urgent care centers, skilled nursing facilities, and the medical air transport service called *WINGs Air Rescue*.

In May 2013, the Alliance announced a clinical, strategic affiliation with Vanderbilt University Medical Center ("VUMC") in Nashville. The two organizations will collaborate clinically, with particular emphasis on cardiovascular and oncology services. As part of the affiliation agreement, VUMC and the Alliance will work together in the area of physician recruitment to facilitate access to specialists and subspecialists to serve the Northeast Tennessee/Southwest Virginia area and to develop consultative relationships among these specialists. VUMC and the Alliance will share best practices in the areas of evidence-based care models to enhance the care of patients. VUMC and the Alliance will collaborate on clinical trials that have the potential to benefit patients while making significant advances in medical research.

Medical Staff

As of May 31, 2013, there were 1,018 physicians and dentists on the Alliance's active, courtesy and consulting medical staffs. Of the 1,018 physicians on staff, 946 are board certified in their specialty. The average age of the medical staff is 49.95 years.

Medical staff appointment is available to licensed physicians, dentists, podiatrists and certain other professionals who are licensed to practice in the State of Tennessee or Virginia, as applicable, and who meet other specific requirements of the medical staff by-laws. Appointments and re-appointments are made by the Alliance Board of Directors upon the recommendations of the various medical staffs and the Alliance's administrative staff. Associate staff members are persons who have applied for active staff membership, but have been on the staff for less than two years.

The Alliance conducts a recruitment program to support the recruiting efforts of the affiliated medical staff. Recruiting assistance is provided to both private and university affiliated physicians as requested, and includes contracting and interaction with recruiting firms, receipt and screening of candidates' curriculum vitae, candidate site visit, and relocation and initial practice management assistance to the new physicians.

GOVERNANCE AND MANAGEMENT

Board of Directors

The management of the Alliance's affairs is vested in a Board of Directors consisting of not less than 9 and not more than 14 members, including the President/CEO, who serves as an ex-officio member. No more than twenty-five percent of the directors of the Board of Directors may consist of physicians. Except for the ex-officio member, directors serve for staggered three-year terms. Directors may be reappointed twice for a total of nine years on the Board before rotating off for at least one year before being reappointed. Standing committees of the Board of Directors include Executive, Finance, Governance and Corporate Audit and Compliance. Special committees may

be appointed by the Chairman of the Board for specific assignments. Current officers and members of the Board of Directors and their occupations and dates of expiration of their terms are set forth below:

Name and Office Held	Business Affiliation	Term Expiration
Clem Wilkes, Jr., Chairperson	Financial Advisor, Raymond James Financial Services	2014
Joanne Gilmer, Vice Chairperson	Retired, General Shale Brick	2016
Michael Christian, Treasurer	Retired, Banker	2015
Barbara Allen, Secretary	Small Business Owner, Stowaway Storage	2015
Bob Feathers, Past-Chair	President, Workspace Interiors, Inc.	2015
Sandra Brooks, M.D.	Pathologist, Watauga Pathology Associates	2015
Jeff Farrow, M.D.	Pulmonologist, Johnson City Medical Center	2015
Tom Fowlkes	General Counsel, The United Company	2015
Linda Garceau	Dean, College of Business & Technology, East Tennessee State University	2015
David May, M.D.	Anesthesiologist, Sycamore Shoals Anesthesia Assoc.	2016
Gary Peacock	Retired, Royal Mouldings Ltd.	2014
Rick Storey	Banker, Citizens Bank	2016

Further, five community-based boards serve as advisory boards for the Alliance's Board of Directors. The community-based boards represent the communities serviced by the following facilities: (1) Sycamore Shoals, (2) Johnson County Community, (3) Russell, (4) Indian Path and (5) Franklin Woods and JCMC. Four governing boards serve the Alliance's joint-ventured facilities and include: (1) Dickenson Community, (2) Johnston Memorial, (3) Norton Community, and (4) Smyth County Community. One other governing board oversees the operations of Blue Ridge Medical Management Corporation. The bylaws of the community boards are rooted in the Alliance's bylaws and the remaining boards are distinguished through separate bylaws. The bylaws of each of the community boards provide that their boards consist of no fewer than nine and no more than 18 persons. No more than thirty-five percent of the directors of each Community Board may consist of physicians. Terms vary for the remaining boards, but are predominately staggered for three-year terms.

Management of the Corporation

The President and Chief Executive Officer, selected by the Board of Directors, manages the Alliance's administrative staff and has the authority and responsibility of system-wide direction of the Alliance's facilities, subject to policies adopted by the Board of Directors or any of its committees to which it has delegated power for such action. The principal members of the administrative staff of the Alliance are described below.

Dennis Vonderfecht (62) – President and Chief Executive Officer. Mr. Vonderfecht has served as President and CEO since January 1990. Prior to joining the Alliance, he was employed by Research Health Services System in Kansas City, Missouri, where he held the position of Regional Vice President. Mr. Vonderfecht worked for Humana, Inc. for approximately eight years in capacities such as: Administrative Specialist at Humana Hospital, Greensboro, North Carolina; Associate Administrator at Gibson General Hospital, Trenton, Tennessee; Associate Executive Director for Humana Hospital, Brandon, Florida; Associate Executive Director, Humana Hospital, Greensboro, North Carolina; Project Manager for Parkway Medical Center, Cary, North Carolina; and as Executive Director, Humana Hospital, Newnan, Georgia. Mr. Vonderfecht's undergraduate study was at Colorado State University and the University of Nebraska, where he was awarded a B.S. degree in Business Administration. He obtained two master's degrees from the University of Missouri: one in Business Administration and the other in

Hospital Administration. He also holds an honorary doctorate from Milligan College. He presently serves on the Boards of Directors of Premier, Inc., ETSU Foundation, Tennessee Hospital Association, Tennessee Business Roundtable, Tennessee Valley Corridor Inc., and the Tennessee Center for Performance Excellence. Mr. Vonderfecht currently serves as Chairman of the Board for the Tennessee Center for Performance Excellence and has previously served as Chairman of the Tennessee Hospital Association Board of Directors and Chairman of the Board of Hospital Alliance of Tennessee. Mr. Vonderfecht is a Fellow in the American College of Healthcare Executives. He has been the recipient of the Distinguished Service Award and the Meritorious Service Award from the Tennessee Hospital Association and was awarded the American College of Healthcare Executives Regent's Award. He has also been recognized with the Health Care Heroes Award, as well as the Cup of Kindness Award through the Tri-Cities Business Journal. In addition, Mr. Vonderfecht was presented with a "Leaders in Christian Service" award by Milligan College and has received recognition as an "Honorary Alumni" by East Tennessee State University. Mr. Vonderfecht has announced his intention to retire as of December 31, 2013. A search committee of the Board of Directors has been formed to find replacement candidates.

Marvin Eichorn (57) - Senior Vice President and Chief Financial Officer. Mr. Eichorn has served the Alliance since August 1998, when he joined as Senior Vice President/Regional Operations. He was named Chief Financial Officer in January 1999. As Senior Vice President/Chief Financial Officer, he is responsible for all of the financial operations and services of the Alliance as well as managed care and physician operation activities for the Alliance. Prior to joining the Alliance, he was employed by Covenant Health/Fort Sanders Health System in Knoxville, Tennessee in various positions over a 14 year period including Executive Vice President/Non-Hospital Operations and Executive Vice President/Chief Financial Officer. Mr. Eichorn is a Certified Public Accountant and is a member of various health care and finance organizations. His educational background includes a bachelor's degree in finance from the University of West Florida and a master's degree in business administration from Milligan College. In 2000, Mr. Eichorn received the Meritorious Service Award for an Executive Staff member from the Tennessee Hospital Association. He also serves on the board or key committees of various national and regional healthcare related organizations.

Candace Jennings (59) **-** Senior Vice President for Tennessee Operations. Ms. Jennings joined the Alliance in 2007 as Vice President and Chief Operating Officer for Washington County, Tennessee operations. Her current responsibilities include the strategy development and operation of the Alliance's eight Tennessee hospitals, including a critical access hospital (Johnson County Community Hospital), a children's hospital (Niswonger Children's Hospital) and a new, LEED certified hospital, Franklin Woods Community Hospital which opened in July 2010. Prior to joining Mountain States Health Alliance, she was Chief Nursing Officer for St. John's Hospital in Springfield, Illinois. As a consultant with Ernst and Young, she led organizations through transformational change specializing in organizational resizing and patient focused care. She has served as a health care leader for over 20 years in tertiary teaching hospitals in Alabama, Texas, Illinois and Tennessee. Her educational background includes bachelors and master's degrees in Nursing and a master's in Health Services Administration from the University of Alabama at Birmingham (UAB). Ms. Jennings has been a Fellow in ACHE since 2001.

Ann Fleming (65) – Senior Vice President of Regional Operations as well as the Cardiovascular, Oncology, Medicine Strategic Service Units and Outpatient Services. Since joining the Alliance in March 2007, Ms. Fleming has served as an examiner for the Tennessee Center for Performance Excellence and currently serves as a Board Member for the Senate Productivity and Quality Award and as a Board Member for the Virginia Hospital and Healthcare Association. Prior to joining the Alliance, Ms. Fleming served as the VP of Clinical Service Lines, Merrillville Hospital Administrator and as the Chief Nursing Officer at The Methodist Hospitals Inc., Gary and Merrillville, Indiana. As part of her work there, she launched the Cardiovascular, Oncology, Rehabilitation/Ortho/Neuro, Women's and Children Service Lines. Ms. Fleming also served as Rehabilitation Consultant at Porter Memorial Hospital, Valparaiso, Indiana, and served as an operating room nurse with the 475th MASH during Operation Desert Storm in Saudi Arabia and Iraq. She received a bachelor's degree in Nursing from the University of Kentucky and a master's degree in Public Administration from Kentucky State University. Ms. Fleming is a member of the American College of Health Care Executives, the Association of Nursing Executives and the Medical Group Management Association. She received the Army Commendation Medal in 1991. Ms. Fleming is a Registered Nurse and currently is licensed in Tennessee, Kentucky, Virginia and Indiana.

Morris Seligman (57) – Senior Vice President and Chief Medical Officer. Dr. Seligman joined the Alliance in January 2010, and has responsibility on a system-wide basis for Medical Staff Services, Graduate

Medical Education, Continuing Medical Education, Patient Resource Management (case management), Clinical Research, Accreditation, Infection Prevention, Patient Safety, Quality, Information Systems, Telecommunications, and Clinical Informatics. Prior to joining the Alliance, Dr. Seligman was employed by Trinity Regional Health System Quad Cities-Senior Affiliate of Iowa Health System, Illinois and Iowa, where he served as the Chief Medical Officer and Vice President for Physician Services. Dr. Seligman is a diplomat of the American Board of Quality Assurance Utilization Review Physicians, a Fellow of the American Institute of Healthcare Quality certified in Healthcare Quality Management (CHCQM), a Fellow of the American College of Physicians (FACP), a Fellow of the American College of Healthcare Executives (FACHE), and a Certified Physician Executive (CPE). Dr. Seligman also has a two year degree in Engineering Sciences. Dr. Seligman is a board certified internist by training and has practiced Internal Medicine, Emergency Medicine and Occupational Medicine. Dr. Seligman received his MD from the University of Missouri-Columbia and his BSBA/MBA from Washington University. Dr. Seligman also earned his CPA Certificate and previously worked at Arthur Andersen & Co.

SERVICE AREA, MARKET SHARE AND COMPETITION

Patient Origin

The Alliance operates hospital facilities located in the Counties of Washington, Sullivan, Carter, and Johnson in the northeastern region of Tennessee. In the southwestern region of Virginia, the Alliance operates facilities in the Counties of Smyth, Wise, Dickenson, Russell and Washington, and in the City of Norton. The core service area for the Alliance (the "Core Service Area") consists of Washington, Sullivan, Carter, Johnson, Greene, Hawkins, and Unicoi Counties in Tennessee and Smyth, Russell, Wise (including the City of Norton), Dickenson, Scott, and Washington Counties (including Bristol City) in Virginia. Approximately 93.2% of the Alliance's discharges originated from the Core Service Area for the fiscal year ended June 30, 2012. The patient origin analysis from all service areas (i.e., both the Core Service Area and the Non-Core Service Area, as defined below) as a percent of the Alliance's discharges for fiscal years 2009, 2010, 2011 and 2012 is presented in the following table:

Alliance Facilities Patient Origin
By Fiscal Year (June 30)

	2009		2010		2011		2012	
	Discharges	Percent	Discharges	Percent	Discharges	Percent	Discharges	Percent
Core Counties								
Washington, TN	16,692	26.6%	16,351	26.8%	16,920	27.4%	16,724	26.8%
Sullivan, TN	8,044	12.8	7,795	12.8	7,732	12.5	7,971	12.8
Carter, TN	6,489	10.3	6,486	10.6	6,762	10.9	6,738	10.8
Wise, VA [1]	4,601	7.3	4,414	7.2	4,224	6.8	4,286	6.9
Greene, TN	2,757	4.4	2,672	4.4	2,547	4.1	2,450	3.9
Smyth, VA	3,825	6.1	3,673	6.0	3,707	6.0	3,582	5.7
Unicoi, TN	2,157	3.4	1,904	3.1	2,094	3.4	2,092	3.4
Johnson, TN	1,927	3.1	1,972	3.2	1,914	3.1	2,052	3.3
Hawkins, TN	1,675	2.7	1,546	2.5	1,539	2.5	1,520	2.4
Russell, VA	3,435	5.5	3,378	5.5	3,134	5.1	3,183	5.1
Dickenson, VA	1,330	2.1	1,456	2.4	1,479	2.4	1,407	2.3
Scott, VA	982	1.6	925	1.5	943	1.5	963	1.6
Washington, VA [(2)]	4,574	7.3	4,248	7.0	4,595	7.4	5,109	8.2
Core Subtotal	58,488	93.2%	56,820	93.2%	57,590	93.2%	58,077	93.2%
Non-Core Subtotal	3,133	5.0%	3,030	5.0%	2,874	4.6%	3,216	5.2%
Other Areas Subtotal	1,104	1.8%	1,070	1.8%	1,360	2.2%	1,024	1.6%
Total	62,725	100.0%	60,920	100.0%	61,824	100.0%	62,317	100.0%

Source: The Alliance – Fiscal year data excludes normal newborns. Acquired facilities have been included from date of acquisition forward.
(1) Includes City of Norton, Virginia, data.
(2) Includes City of Bristol, Virginia, data.

The Alliance has a strong extended market encompassing numerous counties in northeastern Tennessee, western North Carolina, southwestern Virginia, and southeastern Kentucky (the "Non-Core Service Area" and, together with the Core Service Area, the "Service Area"), as shown in the map in "Service Areas and Facility Locations" below. As the table above shows, approximately 5.2% of discharges for the fiscal year ended June 30, 2012, were from the Non-Core Service Area, and approximately 1.6% of discharges were from beyond the Service Area. With the addition of Smyth County Community, Norton Community, Dickenson Community, Russell, and Johnston Memorial, the percentage of discharges from Virginia has increased. The Alliance is also a referral center for numerous advanced services such as high-risk obstetrics, perinatology, neonatology, cardiology, oncology and medical surgeries (including laparoscopies), and therefore serves many patients from outside the Service Area.

Service Area Facilities

The principal competitor of the Alliance in the Core Service Area is Wellmont Health System ("Wellmont"), which operates eight hospitals within the Alliance's Core Service Area: Holston Valley Medical Center, in Kingsport, Tennessee; Bristol Regional Medical Center, in Bristol, Tennessee; Hawkins County Memorial Hospital, in Rogersville, Tennessee; Lonesome Pine Hospital, in Big Stone Gap, Virginia; Mountain View Regional Medical Center, in Norton, Virginia; Hancock County Hospital, in Sneedville, Tennessee; Takoma Regional Hospital, in Greeneville, Tennessee; and Lee Regional Medical Center, in Pennington Gap, Virginia. Certain operating statistics for the facilities of the Alliance and Wellmont located within Tennessee are set forth below:

Core Service Area - Tennessee Hospitals
Facility Information and Selected Utilization Data – Fiscal 2011

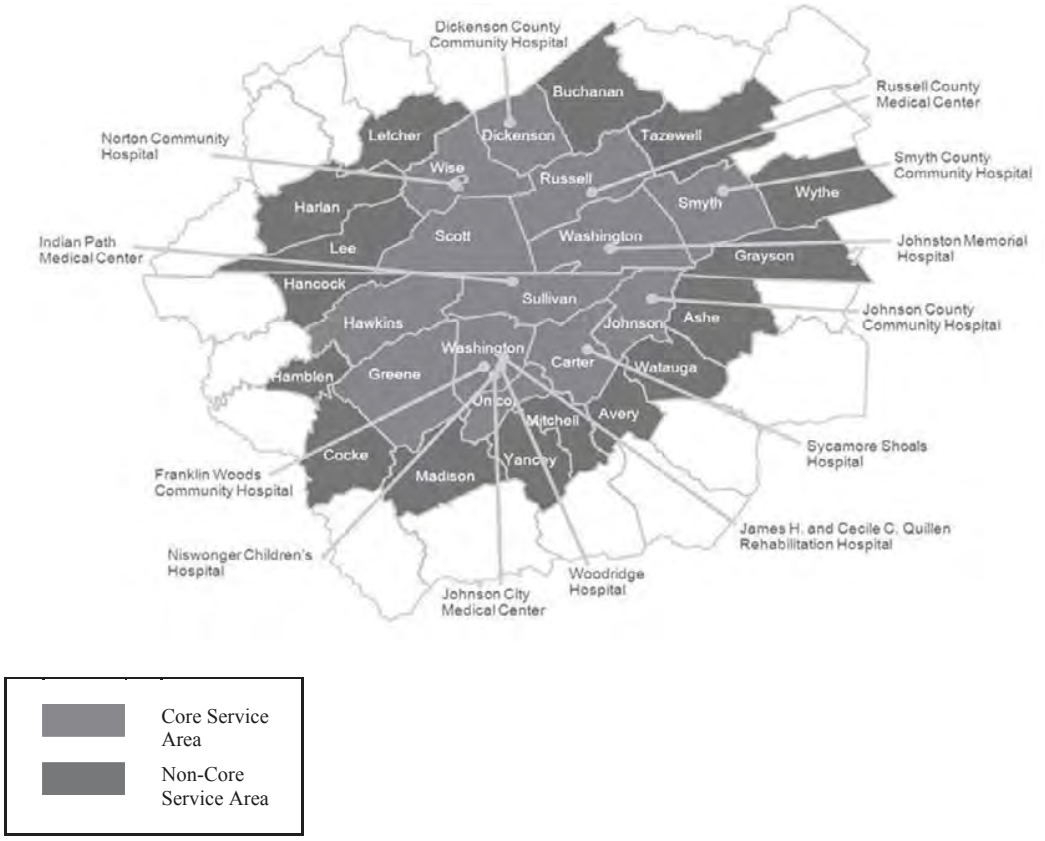
	County in Tennessee	Licensed Beds	Staffed Beds	Total Discharges	Total Patient Days	Average Daily Census
Mountain States Health Alliance						
Johnson City Medical Center	Washington	514	514	26,111	133,256	365
Quillen Rehabilitation Hospital	Washington	60	60	654	8,453	23
Woodridge Hospital	Washington	84	84	3,412	19,827	54
Franklin Woods Community Hospital	Washington	80	80	4,431	24,785	68
Indian Path Medical Center	Sullivan	261	189	6,823	29,534	81
Sycamore Shoals Hospital	Carter	121	79	3,640	15,299	42
Johnson County Community Hospital	Johnson	2	2	20	43	0
MSHA Subtotal		**1,122**	**1,008**	**45,091**	**231,197**	**633**
Wellmont Health System						
Holston Valley Medical Center	Sullivan	505	339	19,931	91,756	251
Bristol Regional Medical Center	Sullivan	312	261	15,293	66,214	181
Hawkins County Memorial Hospital	Hawkins	50	46	1,603	5,153	14
Hancock County Hospital	Hancock	10	10	245	808	2
Takoma Regional Hospital	Greene	100	100	2,494	11,508	32
Wellmont Subtotal		**977**	**756**	**39,566**	**175,439**	**480**
Other Core Service Area Facilities						
Laughlin Memorial Hospital	Greene	140	140	3,813	16,131	44
Healthsouth Rehabilitation Hospital	Sullivan	50	50	947	14,500	40
Unicoi County Memorial Hospital	Unicoi	48	15	1,214	4,568	13
Other Core Service Area Facilities		**238**	**205**	**5,974**	**35,199**	**97**
Core Service Area Total		**2,337**	**1,969**	**90,631**	**441,835**	**1,210**

Source: 2011 Tennessee Joint Annual Reports.

Service Areas and Facility Locations

The Alliance's Core and Non-Core Service Areas are depicted in the map set forth below:

Mountain States Health Alliance
Service Area



Market Share

Market share represents the proportion of service area residents discharged from each of the service area hospitals. Market share by hospital for the defined service area was calculated using data published by the Tennessee Hospital Association, the Virginia Hospital and Healthcare Association and the North Carolina Hospital Association. Hospital specific discharges are divided by service area specific discharges to estimate market share for each of the service area hospitals.

The Alliance maintains the largest market share of its core service area, capturing over 52.6% of the market for the calendar year ended 2011. Wellmont's facilities had a market share for the same period of approximately 37.0%. The following tables present calendar years 2007, 2008, 2009, 2010 and 2011, Core Service Area and total Service Area market share information for facilities currently owned or controlled by the Alliance and Wellmont.

Core Service Area Market Share Summary

System	Hospital Name	Calendar 2007 Discharges	Calendar 2007 % of Total	Calendar 2008 Discharges	Calendar 2008 % of Total	Calendar 2009 Discharges	Calendar 2009 % of Total	Calendar 2010 Discharges	Calendar 2010 % of Total	Calendar 2011 Discharges	Calendar 2011 % of Total
MSHA	Johnson City Medical Center	24,427	24.3%	25,095	24.9%	25,168	25.9%	25,048	25.8%	23,996	24.7%
	Indian Path Medical Center	5,340	5.3	5,867	5.8	5,526	5.7	6,035	6.2	5,970	6.1
	Sycamore Shoals Hospital	4,031	4.0	3,724	3.7	3,206	3.3	3,225	3.3	3,556	3.7
	Franklin Woods Community Hospital	3,106	3.1	2,655	2.6	2,384	2.5	2,683	2.8	3,920	4.0
	Johnson County Community Hospital	40	0.0	44	0.0	31	0.0	24	0.0	26	0.0
	Smyth County Community Hospital	2,139	2.1	2,113	2.1	2,164	2.2	1,958	2.0	1,664	1.7
	Norton Community Hospital	4,793	4.8	4,139	4.1	3,980	4.1	3,636	3.8	3,696	3.8
	Dickenson Community Hospital	757	0.8	366	0.4	7	0.0	2	0.0	1	0.0
	Russell County Medical Center	2,270	2.3	2,242	2.2	2,298	2.4	2,099	2.2	1,993	2.0
	Johnston Memorial Hospital	4,979	4.9	5,656	5.6	5,496	5.6	5,534	5.7	6,400	6.6
MSHA Total		51,882	51.5%	51,901	51.4%	50,260	51.7%	50,244	51.8%	51,222	52.6%
Wellmont	Wellmont Holston Valley Medical Center	16,556	16.4	16,057	15.9	16,260	16.7	16,724	17.3	16,308	16.8
	Wellmont Bristol Regional Medical Center	12,288	12.2	12,676	12.6	12,455	12.8	12,831	13.2	12,827	13.2
	Wellmont Lonesome Pine Hospital	2,745	2.7	2,656	2.6	2,181	2.2	2,005	2.1	1,785	1.8
	Wellmont Hawkins County Memorial Hospital	1,699	1.7	1,778	1.8	1,639	1.7	1,521	1.6	1,419	1.5
	Wellmont Hancock County Hospital	11	0.0	9	0.0	10	0.0	10	0.0	9	0.0
	Takoma Regional Hospital	2,227	2.2	2,320	2.3	2,093	2.2	1,827	1.9	1,939	2.0
	Lee Regional Medical Center	136	0.1	151	0.1	153	0.2	146	0.2	127	0.1
	Mountain View Regional Medical Center	1,880	1.9	2,058	2.0	1,597	1.6	1,601	1.7	1,605	1.6
Wellmont Total		37,542	37.3%	37,705	37.4%	36,388	37.4%	36,665	37.8%	36,019	37.0%
All Other		11,271	11.2%	11,272	11.2%	10,628	10.9%	10,022	10.3%	10,076	10.4%
Grand Total		100,695	100.0%	100,878	100.0%	97,276	100.0%	96,931	100.0%	97,317	100.0%

Source: Tennessee Hospital Association, the Virginia Hospital and Healthcare Association, and the North Carolina Hospital Association.
Notes:
Information based on calendar year and excludes normal newborns, psych, substance abuse, and rehab.
Acquired facilities are fully included retrospectively.
JCMC, Quillen, and Woodridge are reported together as "Johnson City Medical Center" because they operate under a single license.
Franklin Woods reflects historical values for North Side Hospital and Johnson City Specialty Hospital prior to June 2010.

Total Service Area Market Share Summary

System	Hospital Name	Calendar 2007 Discharges	Calendar 2007 % of Total	Calendar 2008 Discharges	Calendar 2008 % of Total	Calendar 2009 Discharges	Calendar 2009 % of Total	Calendar 2010 Discharges	Calendar 2010 % of Total	Calendar 2011 Discharges	Calendar 2011 % of Total
MSHA	Johnson City Medical Center	25,677	17.2%	26,404	17.6%	26,472	18.2%	26,259	18.3%	25,213	17.6%
	Indian Path Medical Center	5,547	3.7	6,091	4.1	5,711	3.9	6,242	4.4	6,162	4.3
	Sycamore Shoals Hospital	4,048	2.7	3,736	2.5	3,214	2.2	3,239	2.3	3,576	2.5
	Franklin Woods Community Hospital	3,133	2.1	2,686	1.8	2,398	1.7	2,714	1.9	3,941	2.8
	Johnson County Community Hospital	40	0.0	46	0.0	31	0.0	24	0.0	26	0.0
	Smyth County Community Hospital	2,417	1.6	2,348	1.6	2,399	1.7	2,197	1.5	1,855	1.3
	Norton Community Hospital	5,085	3.4	4,337	2.9	4,174	2.9	3,807	2.7	3,887	2.7
	Dickenson Community Hospital	765	0.5	369	0.2	7	0.0	2	0.0	1	0.0
	Russell County Medical Center	2,563	1.7	2,478	1.7	2,587	1.8	2,368	1.7	2,237	1.6
	Johnston Memorial Hospital	5,342	3.6	6,094	4.1	5,978	4.1	5,928	4.1	6,820	4.8
MSHA Total		54,617	36.5	54,589	36.4	52,971	36.5	52,780	36.8	53,718	37.6
Wellmont	Wellmont Holston Valley Medical Center	18,504	12.4	17,984	12.0	18,155	12.5	18,723	13.1	18,453	12.9
	Wellmont Bristol Regional Medical Center	13,160	8.8	13,831	9.2	13,696	9.4	14,102	9.8	14,180	9.9
	Wellmont Lonesome Pine Hospital	3,377	2.3	3,266	2.2	2,681	1.8	2,421	1.7	2,215	1.6
	Wellmont Hawkins County Memorial Hospital	1,808	1.2	1,866	1.2	1,704	1.2	1,597	1.1	1,487	1.0
	Wellmont Hancock County Hospital	375	0.3	360	0.2	303	0.2	243	0.2	202	0.1
	Takoma Regional Hospital	2,358	1.6	2,441	1.6	2,219	1.5	1,935	1.3	2,056	1.4
	Lee Regional Medical Center	2,768	1.9	2,509	1.7	2,370	1.6	2,398	1.7	2,172	1.5
	Mountain View Regional Medical Center	1,977	1.3	2,132	1.4	1,652	1.1	1,661	1.2	1,661	1.2
Wellmont Total		44,327	29.6%	44,389	29.6%	42,780	29.5%	43,080	30.0%	42,426	29.6%
All Other		50,651	33.9%	51,003	34.0%	49,314	34.0%	47,553	33.2%	46,974	32.8%
Grand Total		149,595	100.0%	149,981	100.0%	145,065	100.0%	143,413	100.0%	143,118	100.0%

Source: Tennessee Hospital Association, the Virginia Hospital and Healthcare Association, and the North Carolina Hospital Association.
Notes:
Information based on calendar year and excludes normal newborns, psych, substance abuse, and rehab.
Acquired facilities are fully included retrospectively .JCMC, Quillen, and Woodridge are reported together as "Johnson City Medical Center" because they operate under a single license.
Franklin Woods reflects historical values for North Side Hospital and Johnson City Specialty Hospital prior to June 2010.

Demographic and Socio-Economic Characteristics of the Service Area

The following table provides information on major employers in the region:

Major Employers in the PSA/SSA

Rank	Employer	Headquarters	Estimated Employees	Industry
1	K-VA-T Food Stores	Abingdon, VA	13,033	Retail Supermarkets
2	Mountain States Health Alliance	Johnson City, TN	9,130	Health Care
3	Eastman Chemical Company	Kingsport, TN	6,675	Manufacturing
4	Wellmont Health System	Kingsport, TN	4,849	Health Care
5	East Tennessee State University	Johnson City, TN	2,280	Higher Education
6	James H. Quillen VA Medical Center	Mountain Home, TN	2,000	Govt Health Care Facility
7	Citi Cards	Gray, TN	1,700	Retail/Call Center
8	Sullivan County Dept. of Education	Blountville, TN	1,646	Education
9	Advanced Call Center Technologies	Jonesborough, TN	1,358	Call Center
10	Hawkins County Schools	Rogersville, TN	1,300	Education
11	Washington County Dept. of Education	Jonesborough, TN	1,200	Education
12	A.O. Smith Water Products Company	Johnson City, TN	1,081	Manufacturing
13	Kingsport City Schools	Kingsport, TN	1,050	Education
14	Frontier Health	Gray, TN	1,007	Health Care
15	DTR Tennessee, Inc.	Midway, TN	1,000	Manufacturing

Source: The Business Journal of Tri-Cities/Virginia, Book of Lists, 2012.

SOURCES OF REVENUE

Patient service payments are made to the Alliance by commercial insurance carriers, the federal government under the Medicare program, the State of Tennessee under the TennCare program and surrounding states under their Medicaid programs. The table below shows the percentage of gross patient revenues received by the Alliance from each program and from private pay.

Gross Patient Revenues by Source of Payment (Payor Mix)

	Audited Fiscal Years Ended June 30				FY13 As of March 31
	2009	2010	2011	2012	2013
Medicare	42.0%	43.4%	43.7%	44.1%	44.3%
TennCare/Medicaid	15.0	14.2	13.7	14.1	14.1
Managed Care/ Commercial and Other	35.7	34.2	34.2	33.3	32.4
Private Pay	7.3	8.2	8.4	8.5	9.2
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: The Alliance.

Medicaid and Medicare

Approximately 44% and 14% of the gross patient service charges of the Alliance for the fiscal year ended June 30, 2012, were derived from the Medicare and TennCare/Medicaid programs, respectively. Medicare provides certain health care benefits to beneficiaries who generally are 65 years of age and older, are long term disabled, or qualify for the end stage renal disease ("ESRD") program. Medicare Part A covers, among other things, inpatient

hospital services, skilled nursing care, hospice and some home health care. Medicare Part B covers, among other things, physician services, outpatient hospital services and some supplies. TennCare/Medicaid is designed to pay providers for care given to the medically indigent and others who receive federal aid.

TennCare/Medicaid

The State of Tennessee transferred a portion of its Medicaid program to a managed care program ("TennCare") under a Section 1115 Waiver effective January 1, 1994. The long term care and ESRD Medicaid programs were not transferred to TennCare. The TennCare program also covers a number of uninsured non-Medicaid beneficiaries.

Medicare

Medicare pays acute care hospitals for most services provided to inpatients under a payment system known as the Prospective Payment System ("PPS"). Separate PPS payments are made for inpatient operating costs and inpatient capital costs.

Inpatient Operating Costs. Under PPS, acute care hospitals are reimbursed for inpatient operating costs on a per-discharge basis at fixed rates established for identified Diagnosis Related Groups ("DRGs"). DRG classification is based on the diagnosis at discharge and major procedures and other factors for each particular Medicare patient. The amount to be paid for each DRG is established prospectively by the Centers for Medicare and Medicaid Services ("CMS"), an agency of the United States Department of Health and Human Services ("HHS"), and is not related to a hospital's actual costs. For certain Medicare beneficiaries who have unusually costly hospital stays (referred to as "outliers"), CMS will provide additional payments above those specified for the DRG.

The prospective payment rate is updated annually based upon the hospital "market basket" index, which generally measures changes in the cost of providing health care services. Future adjustments are subject to change by Congress. There is no assurance that these or any future increases in the prospective payment rates will keep pace with the increases in the cost of providing hospital services.

CMS reviews and publishes changes in the DRG classification system at least annually. This process is intended to ensure that each DRG is clinically coherent and represents an acceptable range of resource consumption. There is no assurance that the Alliance will be paid amounts which will reflect adequately changes in the cost of providing health care or in the cost of health care technology being made available to patients.

Costs of Medical Education. Medicare pays for certain direct and indirect costs associated with medical education. Payment for the indirect costs of medical education will be made as an adjustment to the federal rate for capital-related costs during the transition to PPS for inpatient capital-related costs. The indirect medical education adjustment for capital-related costs is based in part on the ratio of a hospital's number of full-time equivalent ("FTE") residents to its average daily census. Medicare also adjusts the inpatient operating PPS payment for indirect costs of medical education. This adjustment is based in part on the ratio of FTE residents to beds. Payment for direct medical education is based on a per resident rate adjusted by inflation and the number of current-year reimbursable resident positions.

Disproportionate Share. Section 402 of the Medicare Prescription Drug, Improvement, and Modernization Act ("MMA") provides for payments to hospitals serving a large number of low-income patients, which qualifies them for a Medicare Disproportionate Share ("DSH") payment adjustment. Payment is based on the SSI% plus Medicaid Eligible Patient Days to Total Patient Days. There is no assurance in the future that the Alliance will be paid amounts to adequately offset the additional costs of providing services to low income patients to Acute and Rehabilitation services. A rule recently proposed by CMS indicates that the DSH will be based on 25% of the current calculation (SSI% + Medicaid Eligible Patient Days to Total) and 75% (88.8% of the uncompensated care pool x Medicaid Eligible Days + SSI Days).

Costs of Outpatient Services. Ambulatory payment classifications ("APCs") form the basis for outpatient PPS. Services in each APC are similar clinically and with respect to the resources necessary to provide the services.

Generally, the primary classification variable under the APC system is the procedure performed rather than the patient's diagnosis, as is the case with the DRG system. Each APC is assigned a payment rate based on median (or, if the Secretary of HHS so chooses, mean) hospital costs for procedures performed, weighted by procedure volume. Beneficiary coinsurance amounts are established for each APC based on 20 percent of the national median of charges for APC services. The APC payment and beneficiary's coinsurance amounts for outpatient services will be adjusted to reflect geographic wage variations and other factors determined to be necessary by the Secretary of HHS. Annual payment updates are based on the hospital market basket index. As with inpatient hospital services, there is no assurance that future increases in the prospective payment rates will reflect adequately the changes in the costs of providing outpatient services.

Costs of Inpatient Rehabilitation Facilities (IRF). Under IRF PPS, Federal rates are adjusted to reflect patient case mix, resource intensity associated with the patients clinical condition, and facility characteristics. Cases are grouped into case-mix groups (CMGs) and are further classified into four tiers driven by conditions that are secondary to the principal diagnosis. Rates are paid to reflect all costs of furnishing IRF services for routine, ancillary, and capital. There is no assurance that the Alliance will be paid amounts that will sufficiently match all costs associated with care.

Costs of Psychiatric Facilities (IPF). Under the IPF PPS, services are reimbursed under Federal Per Diem rates to include Operating and Capital costs. Payment is based on geographic factors, patient characteristics (DRG, age, length of stay and presence of specified comorbidities), facility characteristics, services received in a qualified Emergency Department and Electroconvulsive Therapy.

Costs of Skilled Nursing Facilities. Medicare reimbursements for skilled nursing facility ("SNF") stays are also based on a prospective payment system that requires "bundling" of virtually all SNF services, similar to the current practice for hospital inpatient services. A SNF therefore is responsible for providing or arranging to provide all Medicare services (subject to certain exceptions) needed by a SNF patient, and could potentially receive less than it costs the SNF to provide or arrange to provide those services. Accordingly, there can be no assurance that the aggregate amount of payments under SNF PPS will be sufficient to cover all of the Alliance's actual costs of providing SNF services to Medicare beneficiaries.

Physician Services. Physicians are reimbursed under Medicare based on their professional services according to the lesser of the actual charge or the amount determined from a resource-based relative value scale (RBRVS) fee schedule. The fee schedule is subject to update by the Secretary of HHS and Congress on an annual basis.

Electronic Health Records (EHR) Costs. The American Recovery Act of 2009 provides for incentive payments for Medicare and Medicaid eligible professionals and hospitals to purchase and implement meaningful use certified EHR technology. Payments provide an incentive for the "meaningful use" of certified EHR technology and to achieve health care and efficiency goals. The incentive payment will be paid out over a period of five years, which offsets the costs of purchase and implementation of the products. There is no indication that future rule-making will extend payments beyond the five years.

Audits, Exclusions, Fines and Enforcement Action. Hospitals participating in Medicare are subject to audits and retroactive audit adjustments by a Medicare Audit Contractor under the Medicare program. From an audit, a Medicare Audit Contractor may conclude, for example, that a patient has been discharged under an incorrect DRG, that services may not have been provided under the direct supervision of a physician (to the extent so required), that a patient should not have been characterized as an inpatient, that certain services provided prior to an admission as an inpatient should not have been billed as outpatient services or that certain required procedures or processes were not satisfied. As a consequence, payments may be retroactively disallowed. Under certain circumstances, payments made may be determined to have been made as a consequence of improper claims subject to the federal False Claims Act or other federal statutes, subjecting the hospital to civil or criminal sanctions. Generally, the Alliance maintains limited reserves for anticipated or proposed audit adjustments which are likely to be contested. Nevertheless, such adjustments may exceed such reserves and may be substantial. Medicare regulations also provide for withholding Medicare payment in certain circumstances, and such withholdings could have a substantial adverse effect on the financial condition of the Alliance.

Management of the Alliance is not aware of any situation in which reserves are inadequate or a material amount of Medicare payments is being withheld. The Alliance utilizes internal and external resources to review and audit practice compliance with policies, procedures, applicable laws and regulations. Whenever such reviews identify practice deviation from policies, procedures, applicable rules and regulations, management is obligated to refund any overpayments as part of the Alliance's continuous improvement processes. Currently, management is unaware of any deviations that may have a material adverse effect on the results of the operations or financial condition of the Alliance.

Commercial Managed Care and Other

The Alliance contracts with certain private third party payors. Contractual agreements with these payors include reimbursement arrangements such as discounted charges, per diem amounts and capitated payments. The Alliance actively manages these contracts and negotiates terms that are in the best interest of the Alliance and its patients. While not participating in all commercial contracts, the Alliance participates in the vast majority of contracts covering the population of its primary service area.

Additionally, the Alliance treats patients with no insurance coverage. Those meeting certain income requirements are treated at no cost to the patient. Those not qualifying for this classification are classified as "self-pay" and reimburse the Alliance privately for the services rendered.

HISTORICAL UTILIZATION INFORMATION

The table below provides historic system-wide patient utilization data for the Alliance for the fiscal years ended June 30, 2009 through June 30, 2012 and the nine months ended March 31, 2013. The number reflects the inclusion of the following facilities as of the following dates: Russell – January 31, 2008, and Johnston Memorial – April 1, 2009.

					As of March 31,	
	2009	**2010**	**2011**	**2012**	**2012**	**2013**
Occupancy Rate (licensed)	45%	46%	47%	48%	49%	50%
Patient Days	283,555	291,986	288,167	292,910	221,237	211,695
Admissions	57,127	60,102	61,035	61,154	46,165	44,080
Average Daily Census	777	800	789	800	804	773
Avg Length of Stay (days)	5.0	4.9	4.7	4.8	4.8	4.8
Outpatient Visits	1,511,699	1,604,036	1,546,325	1,590,307	1,227,951	1,243,180
ER Visits	219,983	250,942	242,677	246,821	183,660	189,064
Surgical Cases	38,812	39,313	38,521	36,971	28,109	27,309
Births	4,371	4,684	4,511	4,505	3,367	3,347
Newborn Days	8,569	9,112	9,287	9,116	6,910	6,561
Licensed Beds	1,841	1,789	1,749	1,623	1,623	1,623

Source: The Alliance.

CONDENSED SUMMARY OF REVENUE AND EXPENSES; FINANCIAL STATEMENTS

The following Condensed Summary of Revenue and Expenses (the "Condensed Summary") for each of the five Fiscal Years ended June 30, 2008 through June 30, 2012, is derived from the Alliance's audited financial statements for those Fiscal Years. The annual financial statements were audited by Pershing Yoakley & Associates, P.C. The financial information for the nine month period ended March 31, 2013, is unaudited and reflects, in the opinion of the Alliance, all adjustments necessary to summarize fairly the results for such period on a basis consistent with that used in preparing the annual financial statements for the years ended June 30, 2008 through June 30, 2012. The financial statements include the assets and liabilities and reflect the revenue and expenses of the Alliance and all consolidated entities, including those that are not Obligated Issuers.

The Condensed Summary as well as the audited financial statements included in Appendix B and the unaudited financial statements included as Appendix C are for all entities consolidated with the Alliance for

accounting purposes (the "Consolidated Entities") and therefore reflect the assets, liabilities, revenues and expenses of entities that are not Obligated Issuers (see "THE ALLIANCE" in the front half of this Official Statement). For the fiscal year ended June 30, 2012, the Obligated Issuers accounted for approximately 91% of the total assets and 82% of the total revenue of the Consolidated Entities.

The following Condensed Summary of Consolidated Revenue and Expenses should be read in conjunction with the audited financial statements and notes contained in Appendix B hereto.

Condensed Summary of Revenue and Expenses

	Audited Fiscal Years Ended June 30 (In Thousands)					(Unaudited) Nine Months Ended March 31, 2012 (In Thousands)	(Unaudited) Nine Months Ended March 31, 2013 (In Thousands)
	2008	2009	2010	2011	Audited 2012[8]	2013	
Revenues:							
Net patient service revenue	$726,542	$822,898	$928,270	$945,875	$952,133	$713,597	$706,849
Other revenue	16,098	17,046	16,009	24,868	39,407	20,991	36,530
Total Revenue, Gains and Support	742,640	839,944	944,279	970,743	991,540	734,588	743,379
Expenses:							
Operating expenses	633,842	719,193	806,379	815,687	862,007	644,858	651,556
Depreciation and Amortization	60,048	68,523	81,559	90,058	75,305	55,858	58,210
Interest and Taxes	44,581	45,225	42,264	44,153	45,903	35,446	32,404
Total Expenses	738,471	832,941	930,202	949,898	983,215	736,162	742,170
Operating Income (loss)	4,169	7,003	14,077	20,845	8,325	(1,574)	1,209
Net non-operating gains (losses)[1]	(74,343)[2]	(89,683)[3]	30,598[4]	65,817[5]	19,651[6]	19,534[7]	44,780[8]
Excess of Revenue, Gains and Support Over Expenses and Losses	$ (70,174)	$ (82,680)	$ 44,675	$ 86,662	$ 27,976	$ 17,960	$ 45,988

Source: The Alliance.

(1) Net non-operating gains and losses include the change in fair value of derivatives and realized and unrealized gains and losses on investments.

(2) Includes $20.6 million of unrealized losses on derivatives, and $57.7 million loss on early extinguishment of debt and $33.4 million of unrealized losses on investments.

(3) Includes $42.1 million of unrealized losses on derivatives and $62.6 million of unrealized losses on investments.

(4) Includes $8.6 million of unrealized losses on derivatives, and $15.0 million of unrealized gains on investments.

(5) Includes $23.0 million of unrealized gains on derivatives and $22.2 million of unrealized gains on investments.

(6) Includes $6.2 million of unrealized losses on derivatives and $2.9 million of unrealized losses on investments.

(7) Includes $2.022 million of unrealized losses on derivatives and $2.757 million of unrealized gains on investments.

(8) Includes $11.4 million of unrealized gains on derivatives and $15.0 million of unrealized gains on investments.

(9) In Fiscal 2012, the Alliance early adopted Financial Accounting Standards Board Update 2011-07, which requires reclassification of bad debt expense from an operating expense to a deduction from patient service revenue. For 2012, bad debt of $7.057 million is classified as a deduction from net revenue and $6.174 million for 2011, for all years prior to 2011, bad debt is classified as an operating expense. In Fiscal 2012, revenue of $5.611 million related to durable medical equipment and retail pharmacy is included in other revenue and $8.205 million for 2011. Prior to 2011, this revenue was included in net patient service revenues.

TRENDS IN UNRESTRICTED LIQUIDITY AND LEVERAGE

The following table provides information on unrestricted liquidity and leverage for the fiscal years ended June 30, 2008 through June 30, 2012, and the nine months ended March 31, 2013.

	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Unaudited Nine months ended March 31, 2013
Total Unrestricted Cash ($ in Thousands)	$466,478	$515,066	$551,608	$592,537	$531,151	$575,966
Total Days' Cash on Hand	246	249	240	252	214	231
Unrestricted Net Assets ($ in Thousands)	$349,081	$272,049	$317,433	$400,395	$436,388	$480,238
Net Long Term Debt to Capitalization[1]	68.0%[2]	74.7%	71.2%	67.5%	65.4%	67.6%

(1) For purposes of calculating the ratio, Net Long-Term Debt is determined net of debt service reserve funds and moneys held in principal and interest funds.

(2) The increase in Net Long Term Debt to Capitalization in Fiscal Year 2008 was due in part to the $57.7 million loss on early extinguishment of debt. The Net Long Term Debt to Capitalization, excluding the loss on early extinguishment of debt, was 65.1%.

MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE

Overview

The Alliance has maintained a positive operating income for each of the last six fiscal years, reflecting rises in net patient service revenues that have generally kept pace with increases in expenses. However, non-operating losses from derivatives and other investments resulted in deficits of revenue, gains, and support over expenses for Fiscal 2008 and 2009. The losses from derivatives are discussed further below. The losses from other investments resulted from losses in market value reflecting primarily the general market decline in the value of securities in the Alliance's investment portfolio. Beginning in Fiscal 2007, operating income or losses for recent acquisitions is included (Fiscal 2008: Norton/Dickenson – 8 months and Russell – 5 months, Fiscal 2009: Johnston Memorial – 3 months).

Fiscal 2011

Operating Income for Fiscal 2011 was $20.845 million compared with $14.077 million for the same period in Fiscal 2010. The Operating Margin for Fiscal 2011 was 1.9%, compared with 1.5% for the same period in Fiscal 2010. Moreover, net non-operating gains of $65.817 million, reflecting primarily $20.600 million of income realized from investments, $22.168 million of unrealized income from investments, and $23.049 million in gains derived from interest rate swaps and derivatives, produced an $86.662 million excess of revenue, gains and support over expenses.

Fiscal 2012

Operating Income for Fiscal 2012 was $8.325 million compared with $20.845 million for the same period in Fiscal 2011. The Operating Margin for Fiscal 2012 was 0.8%, compared with 1.9% for the same period in Fiscal 2011. Net non-operating gains of $19.651 million, reflecting primarily $28.733 million of income realized from investments, $2.884 million of unrealized losses from investments, and $6.198 million in losses derived from interest rate swaps and derivatives, produced a $27.976 million excess of revenue, gains and support over expenses. The decrease in operating margin was due to a decline in surgical admissions and an increase in operating expenses. The increase in operating expenses was mainly due to increases in physician salaries and fees.

Nine Months Ended March 31, 2013

For the first nine months of fiscal year 2013, the Alliance had total revenue of $743.4 million, compared to $734.6 million for the first nine months of fiscal year 2012. Operating expenses for the first nine months of this fiscal year were $742.2 million, compared to $736.2 million for the first nine months of last fiscal year, resulting in an operating gain of $1.2 million, compared to a loss of $1.6 million for the same period in the prior year. Non-operating gains were $44.8 million for the first nine months of the current fiscal year, including $11.4 million of unrealized gains on derivatives, compared to non-operating gains of $19.5 million for the first nine months of fiscal year 2012, resulting in an Excess of Revenue, Gains and Support over Expenses and Losses of $46.0 million, compared to $18.0 million for the same nine month period of fiscal year 2012.

Interest Rate Swaps and Derivatives

The Alliance has utilized several forms of derivative financial instruments, including interest rate swaps, constant maturity swaps and total return swaps, in order to lower the cost of debt and reduce interest rate risk.

As of April 30, 2013 the Alliance had a total of approximately $591,500,000 (notional amount) of total return swaps, basis swaps, and constant maturity basis swaps with Bank of America, which swaps have been implemented as part of a carefully managed program. Through this program, the Alliance has realized approximately $49,500,000 of savings since 2001. In January and May of 2011, the Alliance "locked in" approximately $16,000,000 of future cash payments through April 2014 on $438,000,000 (notional amount) of the constant maturity basis swaps. In January 2011, the Alliance converted two fixed payor swaps, totaling $132,000,000 (notional amount), to basis swaps. As of April 30, 2013, the market value of all these swaps was negative $1,660,000 with no collateral currently posted to Bank of America.

The Alliance also has a $5,600,000 (notional amount) interest rate swap with First Tennessee Bank. As of April 30, 2013 the market value of this swap was negative $92,000. Additionally, the Alliance previously had $106,000,000 (notional amount) of total return and fixed payor swaps with Lehman Brothers Special Financing, Inc. ("Lehman"). As of September 30, 2012, the Alliance had posted $13,800,000 of collateral under the Lehman swap agreements. In the fall of 2008, Lehman notified the Alliance that these transactions were going to be terminated as of January 1, 2009. The termination did not occur, due to a dispute between counterparties regarding the amount of the cost of the termination. In October 2012, both parties reached an agreement to fully settle the liability in which the Alliance paid the counterparty from the funds held as collateral and the remaining collateral was returned to the Alliance.

Additional Indebtedness

Other than the surgical services improvements currently underway at JCMC, the Alliance has no significant capital expenditures planned or in process for the near future. Funding for the surgical services project is expected to come from cash flow and the proceeds of a previous bond issue. The estimated date of completion for the surgical improvements is October 28, 2013. Other capital improvements are expected to be funded from cash flow.

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APPENDIX B

AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

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MOUNTAIN STATES HEALTH ALLIANCE

Audited Consolidated Financial Statements (and Supplemental Schedules)

Years Ended June 30, 2012 and 2011

PYA
Certified Public Accountants

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MOUNTAIN STATES HEALTH ALLIANCE

Audited Consolidated Financial Statements (and Supplemental Schedules)

Years Ended June 30, 2012 and 2011

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PYA
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mountain States Health Alliance:

We have audited the accompanying consolidated balance sheets of Mountain States Health Alliance and subsidiaries (the Alliance) as of June 30, 2012 and 2011 and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Alliance's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Alliance's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mountain States Health Alliance and subsidiaries as of June 30, 2012 and 2011 and the results of their operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information as listed in the accompanying index 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Pershing Yoakley & Associates PC

Knoxville, Tennessee
October 26, 2012

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Balance Sheets
(Dollars in Thousands)

	June 30, 2012	June 30, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 65,107	$ 112,768
Current portion of investments - Note C	36,557	116,175
Patient accounts receivable, less estimated allowances for uncollectible accounts of $52,911 in 2012 and $53,366 in 2011	150,690	134,611
Other receivables, net	23,008	19,614
Inventories and prepaid expenses	28,810	28,965
TOTAL CURRENT ASSETS	304,172	412,133
INVESTMENTS, less amounts required to meet current obligations	560,697	581,376
PROPERTY, PLANT AND EQUIPMENT, net	865,456	797,418
OTHER ASSETS		
Goodwill	154,391	148,666
Net deferred financing, acquisition costs and other charges	28,187	29,844
Other assets	28,144	28,448
TOTAL OTHER ASSETS	210,722	206,958
	$ 1,941,047	$ 1,997,885

	June 30, 2012	June 30, 2011
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued interest payable	$ 18,525	$ 20,047
Current portion of long-term debt and capital lease obligations	32,477	28,162
Current portion of estimated fair value of derivatives - Note D	10,395	102,609
Accounts payable and accrued expenses	108,870	98,819
Accrued salaries, compensated absences and amounts withheld	55,589	57,800
Estimated amounts due to third-party payors, net	18,060	14,813
TOTAL CURRENT LIABILITIES	243,916	322,250
OTHER LIABILITIES		
Long-term debt and capital lease obligations, less current portion	1,048,098	1,040,923
Estimated fair value of derivatives, less current portion	8,986	8,123
Deferred revenue	3,134	19,267
Estimated professional liability self-insurance	9,344	9,692
Other long-term liabilities	16,822	14,352
TOTAL LIABILITIES	1,330,300	1,414,607
COMMITMENTS AND CONTINGENCIES - Notes D, F, G, and N		
NET ASSETS		
Unrestricted net assets		
Mountain States Health Alliance	436,388	400,395
Noncontrolling interests in subsidiaries	162,959	171,984
TOTAL UNRESTRICTED NET ASSETS	599,347	572,379
Temporarily restricted net assets		
Mountain States Health Alliance	11,223	10,715
Noncontrolling interests in subsidiaries	50	57
TOTAL TEMPORARILY RESTRICTED NET ASSETS	11,273	10,772
Permanently restricted net assets	127	127
TOTAL NET ASSETS	610,747	583,278
	$ 1,941,047	$ 1,997,885

See notes to consolidated financial statements.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Operations
(Dollars in Thousands)

	Year Ended June 30, 2012	2011
Revenue, gains and support:		
Patient service revenue, net of contractual allowances and discounts	$ 1,075,050	$ 1,062,123
Provision for bad debts	(122,917)	(116,248)
Net patient service revenue	952,133	945,875
Other operating revenue	39,407	24,868
TOTAL REVENUE, GAINS AND SUPPORT	991,540	970,743
Expenses:		
Salaries and wages	358,607	342,208
Physician salaries and wages	65,706	59,249
Contract labor	6,375	5,964
Employee benefits	69,600	67,139
Fees	97,959	85,919
Supplies	170,186	168,261
Utilities	17,289	17,300
Other	76,285	69,647
Depreciation	73,060	87,499
Amortization	2,245	2,559
Interest and taxes	45,903	44,153
TOTAL EXPENSES	983,215	949,898
OPERATING INCOME	8,325	20,845
Nonoperating gains (losses):		
Interest and dividend income	15,213	16,224
Net realized gains (losses) on the sale of securities	(2,595)	1,957
Change in net unrealized gains on securities	(2,884)	22,168
Derivative related income	7,515	5,072
Loss on early extinguishment of debt - Note F	(2,636)	-
Change in estimated fair value of derivatives	(6,198)	23,049
Other nonoperating gains (losses)	11,236	(2,653)
NET NONOPERATING GAINS	19,651	65,817
EXCESS OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	$ 27,976	$ 86,662

See notes to consolidated financial statements.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Changes in Net Assets
(Dollars in Thousands)

Year Ended June 30, 2012

	Mountain States Health Alliance	*Noncontrolling Interests*	*Total*
UNRESTRICTED NET ASSETS:			
Excess (Deficit) of Revenue, Gains and Support over Expenses and Losses	$ 31,702	$ (3,726)	$ 27,976
Pension and other defined benefit plan adjustments	(1,119)	(1,115)	(2,234)
Net assets released from restrictions used for the purchase of property, plant and equipment	1,550	-	1,550
Distributions to noncontrolling interests	-	(324)	(324)
Repurchases of noncontrolling interests	3,860	(3,860)	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	35,993	(9,025)	26,968
TEMPORARILY RESTRICTED NET ASSETS:			
Restricted grants and contributions	3,860	39	3,899
Net assets released from restrictions	(3,352)	(46)	(3,398)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	508	(7)	501
INCREASE (DECREASE) IN TOTAL NET ASSETS	36,501	(9,032)	27,469
NET ASSETS, BEGINNING OF YEAR	411,237	172,041	583,278
NET ASSETS, END OF YEAR	$ 447,738	$ 163,009	$ 610,747

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Changes in Net Assets - Continued
(Dollars in Thousands)

Year Ended June 30, 2011

	Mountain States Health Alliance	*Noncontrolling Interests*	*Total*
UNRESTRICTED NET ASSETS:			
Excess of Revenue, Gains and Support over Expenses and Losses	$ 83,269	$ 3,393	$ 86,662
Pension and other defined benefit plan adjustments	620	617	1,237
Cumulative effect of a change in accounting principle - Note B	(2,965)	-	(2,965)
Net assets released from restrictions used for the purchase of property, plant and equipment	1,946	-	1,946
Distributions to noncontrolling interests	-	(270)	(270)
Repurchases of noncontrolling interests and other	40	(115)	(75)
INCREASE IN UNRESTRICTED NET ASSETS	82,910	3,625	86,535
TEMPORARILY RESTRICTED NET ASSETS:			
Restricted grants and contributions	3,612	58	3,670
Net assets released from restrictions	(3,787)	(52)	(3,839)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(175)	6	(169)
INCREASE IN TOTAL NET ASSETS	82,735	3,631	86,366
NET ASSETS, BEGINNING OF YEAR	328,502	168,410	496,912
NET ASSETS, END OF YEAR	$ 411,237	$ 172,041	$ 583,278

See notes to consolidated financial statements.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Year Ended June 30,	
	2012	*2011*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 27,469	$ 86,366
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for depreciation and amortization	75,777	90,472
Loss on early extinguishment of debt	2,636	-
Cumulative effect of a change in accounting principle	-	2,965
Change in estimated fair value of derivatives	6,198	(23,049)
Equity in net income of joint ventures, net	(979)	(898)
Loss (gain) on disposal of assets	446	(367)
Amounts received on interest rate swap settlements	(7,515)	(5,072)
Gain on escrow restructuring - Note F	(5,337)	-
Income recognized through forward sale agreements	(864)	(864)
Gain on termination of swaption and forward sale agreements - Note D	(7,766)	-
Capital Appreciation Bond accretion and other	3,159	2,738
Restricted contributions	(3,899)	(3,670)
Pension and other defined benefit plan adjustments	2,234	(1,237)
Increase (decrease) in cash due to change in:		
Patient accounts receivable	(16,079)	(9,031)
Other receivables, net	(3,501)	(2,802)
Inventories and prepaid expenses	155	(643)
Trading securities	21,646	(123,966)
Other assets	(2,733)	(3,632)
Accrued interest payable	(1,522)	4,008
Accounts payable and accrued expenses	4,131	2,741
Accrued salaries, compensated absences and amounts withheld	(2,211)	11,361
Estimated amounts due to third-party payors, net	3,247	4,658
Other long-term liabilities	236	2,961
Estimated professional liability self-insurance	(348)	151
Total adjustments	67,111	(53,176)
NET CASH PROVIDED BY OPERATING ACTIVITIES	94,580	33,190
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(132,890)	(172,786)
Additions to goodwill	(5,725)	(279)
Net decrease in assets limited as to use	85,947	81,383
Purchases of held-to-maturity securities	(9,516)	(41,060)
Net distribution from joint ventures and unconsolidated affiliates	882	1,057
Proceeds from sale of property, plant and equipment	1,881	812
NET CASH USED IN INVESTING ACTIVITIES	(59,421)	(130,873)

	Year Ended June 30, 2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt and capital lease obligations, including deposits to escrow	**(71,997)**	(37,735)
Payment of acquisition and financing costs	**(2,742)**	(1,716)
Proceeds from issuance of long-term debt and other financing arrangements	**67,451**	5,954
Payment on termination of swaption	**(93,353)**	-
Gain on escrow restructuring	**5,337**	-
Net amounts received on interest rate swap settlements	**7,515**	5,072
Restricted contributions received	**4,969**	4,350
NET CASH USED IN FINANCING ACTIVITIES	**(82,820)**	(24,075)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(47,661)**	(121,758)
CASH AND CASH EQUIVALENTS, beginning of year	**112,768**	234,526
CASH AND CASH EQUIVALENTS, end of year	**$ 65,107**	$ 112,768
SUPPLEMENTAL INFORMATION AND NON-CASH TRANSACTIONS:		
Cash paid for interest	**$ 41,168**	$ 39,507
Cash paid for federal and state income taxes	**$ 336**	$ 739
Construction related payables in accounts payable and accrued expenses	**$ 6,821**	$ 11,384
Property acquired through capital lease arrangement	**$ 13,959**	$ 15,951
Payable on termination of forward sale agreements in accounts payable and accrued expenses	**$ 13,429**	$ -
Land held for expansion placed in use	**$ 1,610**	$ 4,904

During the year ended June 30, 2012, the Alliance refinanced previously issued debt of $174,547.

NOTE A--ORGANIZATION AND OPERATIONS

Mountain States Health Alliance (the Alliance) is a tax-exempt entity with operations primarily located in Washington, Sullivan, and Carter counties of Tennessee and Smyth, Wise, Dickenson, Russell and Washington counties of Virginia. The initial funds for the establishment of the Alliance in 1945 were provided by individuals and various institutions. Membership of the Alliance consists of individuals and institutions who have contributed at least $100 to the capital fund of the Alliance and are entitled to vote at the annual election of the Board of Directors.

The primary operations of the Alliance consist of ten acute and specialty care hospitals, as follows:

- Johnson City Medical Center (JCMC) - licensed for 658 beds
- Indian Path Medical Center (IPMC) - licensed for 261 beds
- Smyth County Community Hospital (SCCH) - licensed for 153 beds
- Norton Community Hospital (NCH) - licensed for 129 beds
- Sycamore Shoals Hospital (SSH) - licensed for 121 beds
- Johnston Memorial Hospital (JMH) - licensed for 116 beds
- Franklin Woods Community Hospital (FWCH) - licensed for 80 beds
- Russell County Medical Center (RCMC) - licensed for 78 beds
- Dickenson Community Hospital (DCH) - licensed for 25 beds
- Johnson County Community Hospital (JCCH) - licensed for 2 beds

The Alliance has a 50.1% interest in JMH. JMH is also the sole member of Abingdon Physician Partners (APP), a non-taxable corporation that owns and manages physician practices.

The Alliance has a 50.1% interest in NCH. NCH is also the sole member or shareholder of DCH and Norton Community Physician Services, LLC (NCPS), a taxable corporation that consists of physician practices and a pharmacy and; Community Home Care (CHC), a taxable corporation that provides home medical equipment.

The Alliance has an 80% interest in SCCH. SCCH is the sole shareholder of Southwest Community Health Services, Inc. (SWCH), a taxable entity that operates a pharmacy and provides other health services.

The activities and accounts of JMH, NCH and SCCH are included in the accompanying consolidated financial statements.

The Alliance is the sole shareholder of Blue Ridge Medical Management Corporation (BRMM), a for-profit entity that owns and manages physician practices and provides other healthcare services to patients in Tennessee and Virginia. BRMM also operates as a medical office real estate developer by

NOTE A--ORGANIZATION AND OPERATIONS - Continued

owning, selling and leasing real estate to physician practices and other entities. BRMM is either the sole shareholder, a significant shareholder, or member of the following organizations:

Mountain States Physician Group, Inc. (MSPG): A company that contracts with physicians to provide services to BRMM physician practices.

Mountain States Properties, Inc. (MSPI): An entity that owns and manages certain real estate (primarily medical office buildings) and provides rehabilitation and fitness services. In addition, MSPI is counter-party to an interest rate swap.

Mediserve Medical Equipment of Kingsport, Inc. (Mediserve): A company that provides durable medical equipment services.

Kingsport Ambulatory Surgery Center (KASC) (d.b.a. Kingsport Day Surgery): A joint venture operating as an outpatient surgery center which performs procedures primarily in otolaryngology, orthopedics, ophthalmology, and general surgery. BRMM has a 43% ownership of KASC and maintains control over KASC through a management agreement. The accounts and activities of KASC are included in the accompanying consolidated financial statements.

Piney Flats Urgent Care (PFUC): A for-profit entity that provides urgent care patient services. BRMM has a 75% ownership of PFUC. The accounts and activities of PFUC are included in the accompanying consolidated financial statements.

Wilson Pharmacy, Inc. (Wilson): In August 2012, BRMM acquired Wilson, a Company that owns and operates retail pharmacies. BRMM purchased 100% of the total issued and outstanding capital stock of Wilson for $8,114 and recognized goodwill of $5,725.

The Alliance is the primary beneficiary of the activities of Mountain States Foundation, Inc. (MSF), a not-for-profit foundation formed to coordinate fundraising and development activities of the Alliance. The Alliance is also the beneficiary of the Mountain States Health Alliance Auxiliary (Auxiliary), a not-for-profit organization formed to coordinate volunteer activities of the Alliance. The activities and accounts of MSF and the Auxiliary are included in the accompanying consolidated financial statements.

The Alliance is a majority shareholder of Integrated Solutions Health Network, LLC (ISHN). The primary function of ISHN is to establish, operate and administer a provider-sponsored health care delivery network. The accounts and activities of ISHN are included in the accompanying consolidated financial statements.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the Alliance and its subsidiaries after elimination of all significant intercompany accounts and transactions. The Alliance classifies those activities directly associated with its mission of providing healthcare services, as well as other activities deemed significant to its operations, as operating activities.

Noncontrolling Interests in Subsidiaries: The Alliance's accompanying consolidated financial statements include all assets, liabilities, revenues, expenses, and changes in net assets, including amounts attributable to the noncontrolling interest. Noncontrolling interests represent the portion of equity (net assets) into a subsidiary not attributable, directly or indirectly, to the Alliance. For the years ending June 30, 2012 and 2011, the Alliance attributed an Excess (Deficit) of Revenue, Gains and Support over Expenses and Losses of ($3,726) and $3,393, respectively, to the noncontrolling interests in JMH, NCH, SCCH, KASC, PFUC and ISHN based on the noncontrolling interests' respective ownership percentage.

Use of Estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents: Cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents designated as assets limited as to use or uninvested amounts included in investment portfolios are not included as cash and cash equivalents on the Consolidated Balance Sheets.

Investments: Investments as reported in the Consolidated Balance Sheets include trading securities, held-to-maturity securities and assets limited as to use (Note C). The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-320, *Investments – Debt and Equity Securities*, allows not-for-profit organizations to report in a manner similar to business entities by identifying securities as available-for-sale or held-to-maturity and to exclude the unrealized gains and losses on those securities from the Performance Indicator (as defined below). Investments which the Alliance has the positive intent and ability to hold to maturity are considered as held-to-maturity. Substantially all other investments are considered as trading securities. Management annually evaluates the held-to-maturity investment portfolio and recognizes any "other-than-temporary" losses as deductions from the Performance Indicator. Management's evaluation considers the amount of decline in fair value, as well as the time period of any such decline.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

Management does not believe any investment classified as held-to-maturity is other-than-temporarily impaired at June 30, 2012.

Within the trading securities portfolio, all debt securities and marketable equity securities with readily determinable fair values are reported at fair value based on quoted market prices. Investments without readily determinable fair values are reported at estimated fair market value pursuant to FASB ASC 825, *Financial Instruments*. Guaranteed investment contracts are reported at contract value.

Realized gains and losses on trading securities and assets limited as to use are computed using the specific identification method for cost determination. Interest and dividend income is reported net of related investment fees.

Investments in joint ventures are reported under the equity method of accounting, which approximates the Alliance's equity in the underlying net book value, unless the ownership structure requires consolidation. Other assets include investments in joint ventures of $2,153 and $2,367 at June 30, 2012 and 2011, respectively.

Inventories: Inventories, consisting primarily of medical supplies, are stated at the lower of cost or market.

Property, Plant and Equipment: Property, plant and equipment is stated on the basis of cost, or if donated, at the fair value at the date of gift. Generally, depreciation is computed by the straight-line method over the estimated useful life of the asset. Equipment held under capital lease obligations is amortized under the straight-line method over the shorter of the lease term or estimated useful life. Amortization of buildings and equipment held under capital leases is shown as a part of depreciation expense and accumulated depreciation in the accompanying consolidated financial statements. Renewals and betterments are capitalized and depreciated over their useful life, whereas costs of maintenance and repairs are expensed as incurred.

Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The amount capitalized is net of investment earnings on assets limited as to use derived from borrowings designated for capital assets.

The Alliance reviews capital assets for indications of potential impairment when there are changes in circumstances related to a specific asset. If this review indicates that the carrying value of these assets may not be recoverable, the Alliance estimates future cash flows from operations and the eventual disposition of such assets. If the sum of these undiscounted future cash flows is less than

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

the carrying amount of the asset, a write-down to estimated fair value is recorded. The Alliance did not recognize any impairment losses during 2012 and 2011.

Other assets include property held for resale and property held for expansion of $2,620 and $4,230, respectively, at June 30, 2012 and 2011. During 2012, property held for expansion totaling approximately $1,610 was transferred to property, plant and equipment in conjunction with the construction of a replacement facility for SCCH. During 2011, property held for expansion totaling approximately $4,904 was transferred to property, plant and equipment in conjunction with the construction of FWCH. Property held for resale and property held for expansion primarily represent land contributed to, or purchased by, the Alliance plus costs incurred to develop the infrastructure of such land. Management annually evaluates its investment and records non-temporary declines in value when it is determined the ultimate net realizable value is less than the recorded amount. No such declines were identified in 2012 and 2011.

Goodwill: Goodwill represents the difference between the acquisition cost of assets and the estimated fair value of net tangible and any separately identified intangible assets. Effective July 1, 2010, the Alliance adopted ASC 350, *Intangibles – Goodwill and Other*, which requires goodwill to be evaluated for impairment at least annually. Upon adoption of ASC 350, the Alliance was required to perform a transitional impairment test. As a result of this testing, management determined that as of July 1, 2010 approximately $2,965 of goodwill associated with one of its reporting units was impaired, and such impairment has been reflected as the Cumulative Effect of a Change in Accounting Principle in the 2011 Consolidated Statement of Changes in Net Assets.

In September 2011, the FASB issued Accounting Standards Update (ASU) 2011-08 which allows entities to use a qualitative approach to determine whether the fair value of a reporting unit is more likely than not impaired. The Alliance early adopted the provisions of this ASU and, based upon this qualitative analysis, management does not believe it is more likely than not that goodwill associated with any of its reporting units is impaired as of June 30, 2012. The reporting unit for evaluation of substantially all such goodwill is the Alliance's aggregate acute-care operations.

Deferred Financing, Acquisition Costs and Other Charges: Other assets, including deferred financing, acquisition costs and other charges, total $28,187 and $29,844 at June 30, 2012 and 2011, respectively. Deferred financing costs are amortized over the life of the respective bond issue principally using the average bonds outstanding method. Other intangible assets include licenses and similar assets and are being amortized over the intangible's estimated useful life under the straight-line method.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

Prior to 2009, the Alliance routinely financed interest rate swap and other derivative transaction issuance costs through modification of future settlement terms. As such, the unamortized issuance costs of these derivatives are included as deferred financing costs in the accompanying Consolidated Balance Sheets and are being amortized over the term of the respective derivative instrument. The unpaid issuance costs are included as a part of the estimated fair value of derivatives in the accompanying Consolidated Balance Sheets. Subsequent to 2009, interest rate swap and derivative transaction issuance costs were expensed as incurred.

Derivative Financial Instruments: As further described in Note D, the Alliance is a party to interest rate swap and other derivative agreements. These financial instruments are not designated as hedges and have been presented at estimated fair market value in the accompanying Consolidated Balance Sheets as either current or long-term liabilities, based upon the remaining term of the instrument. Changes in the estimated fair value of these derivatives are included in the Consolidated Statements of Operations as part of nonoperating gains (losses). Net settlements and other related income of derivatives are also reflected as a part of the Performance Indicator (described below).

These fair values are based on the estimated amount the Alliance would receive, or be required to pay, to enter into equivalent agreements at the valuation date and include an estimated credit value adjustment. The fair value of various derivatives are netted on the Consolidated Balance Sheets based on management's evaluation of the settlement provisions in the master contract. Gross positions of these derivatives are disclosed in Note D. Due to the nature of these financial instruments, such estimates of fair value are subject to significant change in the near term.

Estimated Professional Liability Self-Insurance and Other Long-Term Liabilities: Self-insurance liabilities include estimated reserves for reported and unreported professional liability claims (Note G) and are recorded at the estimated net present value of such claims. Other long-term liabilities include contributions payable and obligations under deferred compensation arrangements, a defined benefit pension plan, a post-retirement employee benefit plan as well as other liabilities which management estimates are not payable within one year.

Net Patient Service Revenue/Receivables: Net patient service revenue is reported on the accrual basis in the period in which services are provided at the estimated net realizable amounts, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Alliance's revenue recognition policies related to self-pay and other types of payors emphasize revenue recognition only when collections are reasonably assured.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

Patient accounts receivable are reported net of both an estimated allowance for uncollectible accounts and an estimated allowance for contractual adjustments. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, Medicaid, TennCare and other third-party payment programs. Current operations include a provision for bad debts in the Consolidated Statements of Operations estimated based upon the age of the patient accounts receivable, historical writeoffs and recoveries and any unusual circumstances (such as local, regional or national economic conditions) which affect the collectibility of receivables, including management's assumptions about conditions it expects to exist and courses of action it expects to take. Additions to the allowance for uncollectible accounts result from the provision for bad debts. Patient accounts written off as uncollectible are deducted from the allowance for uncollectible accounts.

For uninsured patients that do not qualify for charity care, the Alliance recognizes revenue on the basis of discounted rates under the Alliance's self-pay patient policy. Under the policy, a patient who has no insurance and is ineligible for any government assistance program has his or her bill reduced to the amount which generally would be billed to a commercially insured patient.

The Alliance's policy does not require collateral or other security for patient accounts receivable. The Alliance routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

Charity Care: The Alliance accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Alliance and various guidelines outlined by the Federal Government. These policies define charity as those services for which no payment is anticipated and, as such, charges at established rates are not included in net patient service revenue. The estimated direct and indirect cost of providing these services totaled approximately $24,709 and $18,158 in 2012 and 2011, respectively. Such costs are determined using a ratio of cost to charges analysis with indirect cost allocated under a reasonable and systematic approach.

In addition to the charity care services described above, the Alliance provides a number of other services to benefit the poor for which little or no payment is received. Medicare, Medicaid, TennCare and State indigent programs do not cover the full cost of providing care to beneficiaries of those programs. The Alliance also provides services to the community at large for which it receives little or no payment.

Excess (Deficit) of Revenue, Gains and Support Over Expenses and Losses: The Consolidated Statements of Operations and the Consolidated Statements of Changes in Net Assets includes the

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

caption *Excess (Deficit) of Revenue, Gains and Support Over Expenses and Losses* (the Performance Indicator). Changes in unrestricted net assets which are excluded from the Performance Indicator, consistent with industry practice, include contributions of long-lived assets or amounts restricted to the purchase of long-lived assets, pension and related adjustments, and distributions to, or contributions from, owners and transactions with noncontrolling interests.

Income Taxes: The Alliance is classified as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes has been made in the accompanying consolidated financial statements for the Alliance and its tax-exempt subsidiaries. Taxable entities account for income taxes in accordance with FASB ASC 740, *Income Taxes* (Note L). The Alliance has no significant uncertain tax positions at June 30, 2012 and 2011.

Temporarily and Permanently Restricted Net Assets: Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. When a donor or time restriction expires; that is, when a stipulated time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Consolidated Statements of Operations and Consolidated Statements of Changes in Net Assets as net assets released from restrictions. The Alliance's policy is to net contribution and grant revenues against related expenses and present such amounts as a part of other nonoperating gains (losses) in the Consolidated Statements of Operations. Permanently restricted net assets have been restricted by donors to be maintained by the Alliance in perpetuity.

Fair Value Measurement: The Alliance had previously adopted FASB ASC 820, *Fair Value Measurements and Disclosures,* which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurements.

Subsequent Events: The Alliance evaluated all events or transactions that occurred after June 30, 2012, through October 26, 2012, the date the consolidated financial statements were available to be issued. During this period management did not note any material recognizable subsequent events that required recognition or disclosure in the June 30, 2012 consolidated financial statements, other than as discussed in Notes D and S.

New Accounting Pronouncements: In July 2011, the FASB issued ASU 2011-07, *Healthcare Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and Allowance for Doubtful Accounts for Certain Healthcare Entities*, which requires certain healthcare entities reclassify the provision for bad debts associated with providing patient care from an operating expense to a deduction from net patient service revenue in the Consolidated

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

Statements of Operations. Additionally, ASU 2011-07 requires enhanced disclosures about an entity's policies for recognizing revenue and assessing bad debts and qualitative and quantitative information about changes in the allowance for doubtful accounts. The Alliance retroactively adopted ASU 2011-07 in fiscal year 2012. The adoption of ASU 2011-07 did not have a material impact on the 2012 or 2011 consolidated financial statements.

In August 2010, the FASB issued ASU 2010-24, *Health Care Entities – Presentation of Insurance Claims and Related Insurance Recoveries* (ASU 2010-24). The amendments in ASU 2010-24 clarify that a healthcare entity may not net insurance recoveries against related claim liabilities. In addition, the amount of the claim liability must be determined without consideration of insurance recoveries. The Alliance adopted ASU 2010-24 prospectively during 2012. The adoption of ASU 2010-24 did not have a material impact on the consolidated financial statements.

In August 2010, the FASB issued ASU 2010-23, *Health Care Entities – Measuring Charity Care for Disclosure*. ASU 2010-23 is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. ASU 2010-23 requires that cost, identified as the direct and indirect costs of providing the charity care, be used as the measurement basis for disclosure purposes. ASU 2010-23 also requires disclosure of the method used to identify or determine such costs. The Alliance adopted ASU 2010-23 in 2012. The adoption of ASU 2010-23 did not have a material impact on the consolidated financial statements.

Reclassifications: Certain 2011 amounts have been reclassified to conform with the 2012 presentation in the accompanying consolidated financial statements.

NOTE C--INVESTMENTS

Assets limited as to use are summarized by designation or restriction as follows at June 30:

	2012	*2011*
Designated or restricted:		
Under safekeeping agreements and other	$ 24,026	$ 28,349
Under guarantee agreements	-	92,720
By Board for capital improvements	4	4

NOTE C--INVESTMENTS - Continued

	2012	2011
Under bond indenture agreements:		
For debt service and interest payments	77,602	67,874
For capital acquisitions	29,578	28,835
	131,210	217,782
Less: amount required to meet current obligations	(36,557)	(116,175)
	$ 94,653	$ 101,607

Assets limited as to use consist of the following at June 30:

	2012	2011
Cash, cash equivalents and money market funds	$ 80,304	$ 115,579
U.S. Government securities	8,582	1,795
U.S. Agency securities	40,398	7,688
Municipal obligations	1,926	-
Guaranteed investment contract	-	92,720
	$ 131,210	$ 217,782

Trading securities consist of the following at June 30:

	2012	2011
Cash, cash equivalents and money market funds	$ 5,186	$ 29,159
U.S. Government securities	10,697	9,409
U.S. Agency securities	26,165	31,551
Corporate and foreign bonds	52,581	32,895
Municipal obligations	961	451
Preferred and asset backed securities	11,183	8,945
U.S. equity securities	28,344	21,774
Mutual funds	141,968	166,708
Other	34,880	32,718
	$ 311,965	$ 333,610

Held-to-maturity securities (other than assets limited as to use) are carried at amortized cost and consist of the following at June 30:

NOTE C--INVESTMENTS - Continued

	2012	2011
Cash, cash equivalents and money market funds	$ 298	$ 753
Corporate and foreign bonds	138,232	135,745
Municipal obligations	15,549	9,661
	$ 154,079	$ 146,159

Held-to-maturity securities had gross unrealized gains and losses of $11,432 and $33, respectively, at June 30, 2012 and $6,838 and $276, respectively at June 30, 2011. At June 30, 2012, the Alliance held no securities within the held-to-maturity portfolio which had been at an unrealized loss position for over one year. At June 30, 2011, the Alliance held nine securities within the held-to-maturity portfolio with a fair value and unrealized loss of $549 and $44, respectively, which had been at an unrealized loss position for over one year. At June 30, 2012, the contractual maturities of held-to-maturity securities were $11,225 due in one year or less, $67,532 due from one to five years and $75,322 due after five years. At June 30, 2011, the contractual maturities of held-to-maturity securities were $13,816 due in one year or less, $55,563 due from one to five years and $76,780 due after five years.

At June 30, 2012 and 2011, the Alliance held investments in certain limited partnerships and hedge funds of $34,880 and $32,718, respectively, that have a wide range of investment strategies with various levels of risk. These funds are included within trading securities and do not have readily determinable fair values. The funds are reported at estimated fair market value pursuant to FASB ASC 825, *Financial Instruments*.

NOTE D--DERIVATIVE TRANSACTIONS

The Alliance is a party to a number of derivative transactions. These derivatives have not been designated as hedges and are valued at estimated fair value in the accompanying Consolidated Balance Sheets. Management's primary objective in holding such derivatives is to introduce a variable rate component into its fixed rate debt structure. Under the terms of these agreements, changes in the interest rate environment could have a significant effect on the Alliance.

These derivative agreements require that the Alliance post additional collateral for the derivatives' fair market value deficits above specified levels. Such investments are included as assets limited as to use. As of June 30, 2012, management believes the Alliance was fully collateralized with respect to the derivative agreements and management does not believe such collateral is exposed to third-party credit risk.

NOTE D--DERIVATIVE TRANSACTIONS - Continued

Interest Rate Swaps: The Alliance is a party to six interest rate swap agreements with Bank of America, Merrill Lynch as the counterparty. The terms of five of these agreements were modified without settlement during 2011. No gain or loss was realized as a result of the modifications although such modifications did impact the estimated fair value of the interest rate swaps. A liability, representing the estimated net fair value of these swaps, of $8,765 and $8,123 was recognized by the Alliance as of June 30, 2012 and 2011, respectively.

The following is a summary of five of these interest rate swap agreements at June 30, 2012:

			Payments by:		
Swap	*Notional Amount*	*Term*	*Counterparty*	*Alliance*	*Estimated Fair Value*
A	$ 170,000	4/2008-4/2026	1.265% through April 2013; 1.07% through April 2014; then 71.10% of USD-ISDA Swap Rate	0.00% through April 2014, then USD-SIFMA	$ 3,500
B	95,000	4/2008-4/2026	1.265% through April 2013; 1.08% through April 2014; then 71.18% of USD-ISDA Swap Rate	0.00% through April 2014, then USD-SIFMA	1,983
C	173,030	4/2008-4/2034	1.315% through April 2013; 1.12% through April 2014; then 72.35% of USD-ISDA Swap Rate	0.00% through April 2014, then USD-SIFMA	(513)
D	82,055	12/2007-7/2033	3.493% through July 2012; then 0% USD-LIBOR-BBA through July 2012, then 67% USD-LIBOR-BBA	4.41% through July 2012; then .312% USD-SIFMA	(9,520)
E	50,000	2/2008-7/2038	67.00% of USD-LIBOR-BBA plus .145%	USD-SIFMA	(3,895)

Deferred financing and acquisition costs, net of amortization, include $6,135 and $6,480 at June 30, 2012 and 2011, respectively, related to these swaps.

In addition to the interest rate swaps described above, the Alliance and Bank of America, Merrill Lynch are also parties to a total return swap. The notional amount of the total return swap is equal to the outstanding 2001A Hospital Revenue and Improvement Bonds which was $22,300 at June 30, 2012. The estimated fair value of the total return swap was $(320) and $(340) at June 30, 2012 and 2011, respectively. The terms of the swap were modified without settlement during 2012. No gain or loss was realized as a result of the modifications although such modifications did impact the swap's estimated fair value. The payment terms, as amended consist of the following:

NOTE D--DERIVATIVE TRANSACTIONS - Continued

- Beginning July 1, 2012, the Alliance will pay a variable rate of USD-SIFMA plus basis points ranging from 65 to 400, depending on the Alliance's bond rating as set forth by Standard and Poor's Ratings Service and Moody's Investors Service. The Alliance will receive a fixed rate of 4.50% and settlements will be made semi-annually through July 1, 2015.

- A "total return provision" under which the Alliance will pay (or receive) an amount equal to the product of the outstanding 2001A Reference Bonds multiplied by the difference between the outstanding 2001A Reference Bonds and the 2001A Reference Bonds' market price at termination, as defined in the agreement.

In addition to the six interest rate swaps discussed above, the Alliance is also a party to an interest rate swap with Regions Bank (the Regions swap) and an interest rate swap with First Tennessee Bank National Association (the FTB swap). The Regions swap was entered into in July 2011 and terminates in August 2012. The FTB swap was entered into in June 2010 and terminates in July 2015. The notional amounts of the Regions swap and FTB swap were $13,727 and $5,524, respectively, at June 30, 2012. A liability, representing the estimated net fair value of these swaps, of $221 was recognized by the Alliance as of June 30, 2012. The estimated fair value of the FTB swap was not significant at June 30, 2011.

The Alliance was previously a party to a total return swap with Lehman Brothers as the counterparty. Lehman Brothers filed for bankruptcy in September 2008. The Alliance subsequently received notification from Lehman Brothers Special Financing, Inc. indicating the intent of the counterparty to terminate this agreement effective January 1, 2009. The Alliance and Lehman Brothers Special Financing, Inc. were unable to reach a settlement agreement at the time the swap was terminated.

An estimated liability related to the agreement of $10,395 and $10,565 was recognized by the Alliance at June 30, 2012 and 2011. In addition, a third party holds investments with a fair market value of approximately $13,809 and $13,381, respectively, at June 30, 2012 and 2011 as collateral. The collateral and estimated liability related to this agreement are classified as current in the accompanying Consolidated Balance Sheets.

At June 30, 2012, the parties were undergoing alternate dispute resolution, including non-binding arbitration. Subsequent to year end, the parties reached a tentative settlement agreement. In full settlement of the liability, the Alliance will pay the counterparty $7,375 from the funds held as collateral and the remaining collateral will be returned to the Alliance.

NOTE D--DERIVATIVE TRANSACTIONS - Continued

Interest Rate Swap Option: In June 2004, the Alliance entered into an agreement with Bear Stearns (acquired by JP Morgan) whereby Bear Stearns purchased from the Alliance an option to enter into an interest rate swap agreement (swaption) with the Alliance beginning July 1, 2011, which is an optional redemption date related to the Alliance's early extinguished 2000A and 2000B Bonds (Note F). The purpose of this agreement was to effectively sell the call features related to the early extinguished Series 2000A and 2000B Bonds. As consideration under this agreement, the Alliance received a total of $42,500 in upfront payments as the swaption premium. Such amounts were initially recorded as estimated fair value of derivatives in the Consolidated Balance Sheets.

During 2012, the counterparty expressed their intent to exercise the swaption on January 1, 2012 and the Alliance exercised its right to terminate the swaption at its fair market value. The swaption was terminated on October 13, 2011. To effectuate the termination, the Alliance transferred $93,353 of a Guaranteed Investment Contract (GIC), described below, to the third party as a termination payment. A gain of $3,058 was recognized on the termination, which is included within other nonoperating gains (losses) in the accompanying 2012 Consolidated Statement of Operations.

A liability of $92,044, representing the estimated fair value of the swaption at June 30, 2011, respectively, is included in estimated fair value of derivatives in the accompanying 2011 Consolidated Balance Sheet. The change in estimated fair value of derivatives in the accompanying Consolidated Statements of Operations for 2012 and 2011 includes an unrealized loss of $4,676 and $2,394, respectively, related to this derivative, prior to termination.

Forward Sale Agreements: In June 2004, the Alliance entered into two related forward sale agreements with the counterparty to the swaption agreements and the Master Trustee of the Series 2000 Bonds. The forward sale agreements originally related to the Debt Service Reserve Fund and to the Debt Service Fund, respectively, (collectively, the "Funds"), as established under provisions of the Master Trust Indenture related to the issuance of the Series 2000 Bonds. In consideration of the future earnings on the Funds, the counterparty paid the Master Trustee a total of $30,000 during 2005, to be held on behalf of the Alliance. As the original intent of these Funds was to secure debt service payments under the above referenced Bonds, the agreement requires these funds to be held under a guaranty agreement as further described below.

In June 2006, one of these agreements was amended to also relate to the Series 2000C, 2000D, 2006A and 2006B Bonds, and to remove the Series 2000A Bonds from consideration under the agreement. In connection with the issuance of the Series 2007 Bonds and the derecognition of a portion of the Series 2000A Bonds, all of the outstanding Series 2000B Bonds, and all of the outstanding 2006B Bonds (Note F), one of these agreements as it relates to the Series 2000A and 2000B Bonds was partially terminated. As such, during 2008 the Alliance reduced its liability with respect to the portion related to the Series 2000A and 2000B Bonds, and paid the counterparty

NOTE D--DERIVATIVE TRANSACTIONS - Continued

$6,186 under the terms of the agreement. The agreement was amended in fiscal year 2011 to include the Series 2010A Bonds and to remove the Series 2000B and 2006B Bonds.

Amounts were being recognized as investment income over the life of the agreements. A liability of $19,001 representing the unamortized payments from the counterparty at June 30, 2011 is included as part of deferred revenue in the accompanying 2011 Consolidated Balance Sheet.

In June 2012, the Alliance and the counterparty terminated the two forward sale agreements. To effectuate the termination, the Alliance agreed to pay $13,429 to the counterparty. At June 30, 2012, the termination payable was included in accounts payable and accrued expenses in the accompanying 2012 Consolidated Balance Sheet. The Alliance recognized a gain of $4,708 on the termination of these agreements, which is included within other nonoperating gains (losses) in the accompanying 2012 Consolidated Statement of Operations.

Pursuant to these agreements, the counterparty required that the Alliance's obligations under the swaption and forward sale agreements be collateralized under a guarantee agreement in favor of the counterparty. Due to various requirements of the Master Trust Indenture, the Alliance had previously transferred to MSF a total of $42,500 that was in turn deposited with the counterparty as collateral in a GIC. Amounts received under the forward sale agreements were also deposited into the GIC. All GIC deposits earn interest compounded at 4.14% for the first year, and at 3.5% thereafter through July 1, 2011. The GIC deposits as of June 30, 2011 totaled $92,720. The GIC was substantially utilized on October 13, 2011 to terminate the swaption discussed above and, as such, is included in the current portion of assets whose use is limited in the 2011 Consolidated Balance Sheet.

NOTE E--PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30:

	2012	*2011*
Land	$ 69,356	$ 63,749
Buildings and leasehold improvements	661,146	454,852
Property and improvements held for leasing	74,914	80,568
Equipment	571,774	532,767
Buildings and equipment held under capital lease	20,540	42,720
	1,397,730	1,174,656

NOTE E--PROPERTY, PLANT AND EQUIPMENT - Continued

	2012	2011
Less: Allowances for depreciation and amortization	(626,552)	(586,471)
	771,178	588,185
Construction in progress (Note N)	94,278	209,233
	$ 865,456	$ 797,418

Accumulated depreciation and amortization on property and improvements held for leasing purposes is $22,951 and $23,348 at June 30, 2012 and 2011, respectively. Net interest capitalized was $3,110 and $10,640 for the years ended June 30, 2012 and 2011, respectively.

During 2012, the Alliance executed an Amendment and Mutual Release Agreement with a vendor whereby the Alliance waived its right to take any action with respect to prior contracts in exchange for professional services in future periods, primarily related to accelerated deployment of information systems. The Alliance recognized approximately $3,200 in 2012 as additions to property, plant and equipment with an offsetting gain related to the agreed-upon value of such professional services. The Alliance anticipates recognition of additional amounts in future periods as such services are provided.

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

Long-term debt and capital lease obligations consist of the following at June 30:

Description	*Maturities*	*Rates*	*Outstanding Balance* 2012	2011
2011A Hospital Revenue Bonds	$65,260 uninsured term bonds, due July 1, 2033, subject to early redemption or tender	Variable, 0.19% at June 30, 2012	$ 65,260	$ -
2011B Hospital Revenue Bonds	$20,000 uninsured term bonds, due July 1, 2033, subject to early redemption or tender	Variable, 0.19% at June 30, 2012	20,000	-
2011C Hospital Revenue Bonds	$49,875 uninsured term bonds, due July 1, 2031, subject to early redemption or tender	Variable, 0.16% at June 30, 2012	49,875	-
2011D Hospital Revenue Bonds	$60,705 uninsured term bonds, due July 1, 2031, subject to early redemption or tender	Variable, 0.19% at June 30, 2012	60,705	-
2011E Taxable Bonds	$15,960 uninsured term bonds, due July 1, 2026, subject to early redemption or tender	Variable, 0.24% at June 30, 2012	15,960	-
2011 Hospital Facility Revenue Refunding and Improvement Bonds (JMH)	$24,870 uninsured term bonds, due July 1, 2033, subject to early redemption or tender	Variable, 1.2% at June 30, 2012	24,870	-
2010A Hospital Revenue Bonds, net of unamortized premium of $1,017 and $1,056 at June 30, 2012 and 2011, respectively	$32,515 uninsured serially, through 2020 $14,985 uninsured term bonds, due July 1, 2025 $19,385 uninsured term bonds, due July 1, 2030 $39,570 uninsured term bonds, due July 1, 2038 $55,480 uninsured term bonds, due July 1, 2038	3.00% to 5.00% 5.38% 5.63% 6.50% 6.00%	162,952	169,137

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

Description	*Maturities*	*Rates*	*Outstanding Balance* 2012	2011
2010B Hospital Revenue Bonds, net of unamortized premium of $669 and $711 at June 30, 2012 and 2011, respectively	$23,855 uninsured serially, through 2020 $4,355 uninsured term bonds, due July 1, 2023 $4,250 uninsured term bonds, due July 1, 2028	2.50% to 5.00% 5.00% 5.50%	33,129	36,646
2009A Hospital Revenue Bonds, net of unamortized discount of $117 and $121 at June 30, 2012 and 2011, respectively	$725 uninsured term bonds, due July 1, 2019 $1,730 uninsured term bonds, due July 1, 2029 $3,105 uninsured term bonds, due July 1, 2038	7.25% 7.50% 7.75%	5,443	5,439
2009B Hospital Revenue Bonds	$5,535 uninsured term bonds, due July 1, 2038	8.00%	5,535	5,535
2009C Hospital Revenue Bonds, net of unamortized discount of $2,334 and $2,421 at June 30, 2012 and 2011, respectively	$21,100 uninsured term bonds, due July 1, 2019 $20,000 uninsured term bonds, due July 1, 2029 $74,855 uninsured term bonds, due July 1, 2038	7.25% 7.50% 7.75%	113,621	113,534
2008A Hospital Revenue Bonds	$13,245 uninsured term bonds, due July 1, 2038, subject to early redemption or tender	Variable, 0.19% at June 30, 2012	13,245	13,245
2008B Hospital Revenue Bonds	$52,930 uninsured term bonds, due July 1, 2038, subject to early redemption or tender	Variable, 0.19% at June 30, 2012	52,930	53,855
2007B Taxable Hospital Revenue Bonds, bifurcated into sub-series B-1, B-2 and B-3 during 2011	$156,760 uninsured term bonds, due July 1, 2033, subject to early redemption or tender	Variable, 0.20% to 0.23% at June 30, 2012	156,760	307,900
2006A Hospital First Mortgage Revenue Bonds, net of unamortized premium of $141 and $147 at June 30, 2012 and 2011, respectively	$5,940 uninsured serially, through 2019 $7,375 uninsured term bonds, due July 1, 2026 $20,505 uninsured term bonds, due July 1, 2031 $135,175 uninsured term bonds, due July 1, 2036	5.00% 5.25% 5.50% 5.50%	169,136	169,782
2001A Hospital First Mortgage Revenue Bonds, re-issued in 2012	$22,300 term bonds, due July 1, 2026, subject to early redemption or tender	4.50% as re-issued	22,300	23,100
2001 Hospital Refunding and Improvement Revenue Bonds (NCH), net of unamortized discount of $34 June 30, 2011	Redeemed in 2012	N/A	-	11,876
2000A Hospital First Mortgage Revenue Refunding Bonds	$32,431 insured Capital Appreciation Bonds, interest and principal due July 1, 2026 through 2030	6.63%	32,431	30,358
2000C Hospital First Mortgage Revenue Bonds	$33,230 insured term bonds, due July 1, 2026	8.50%	33,230	34,325
2000D First Mortgage Taxable Bonds	$14,315 insured term bonds, due July 1, 2026	8.50%	14,315	14,790
1998 Hospital Refunding and Improvement Revenue Bonds (JMH)	Redeemed in 2012	N/A	-	14,115
Capitalized lease obligation	Lease paid-off in 2012	N/A	-	13,656
$7,500 promissory note	Note paid-off in 2012	N/A	-	5,473
Capitalized lease obligations secured by equipment	Various monthly payments of monthly principal and interest	Various	1,645	2,518
$1,065 note payable	Note paid-off in 2012	N/A	-	572
$6,332 promissory note	Promissory note paid-off in 2012	N/A	-	5,945
$3,955 note payable	Note paid-off in 2012	N/A	-	3,743
Notes payable under Master Financing Agreement	Notes paid-off in 2012	N/A	-	14,011
$1,885 line of credit	Line of credit paid-off in 2012	N/A	-	1,873
$1,593 note payable, secured by equipment	Various annual principal payments through July 2014	Unspecified	1,343	1,593
Capitalized lease obligation secured by medical office building (JMH)	Maturing through 2026 - Note 8	9.72%	15,498	15,952
Master installment payment agreement	Various quarterly payments through May 2014	Unspecified	4,438	112

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

Description	*Maturities*	*Rates*	*Outstanding Balance 2012*	*2011*
Master installment payment agreement, secured by equipment	Various quarterly payments through May 2014	Unspecified	3,032	-
$1,870 note payable, secured by land	Monthly principal payments of $10 through maturity in July 2015	Unspecified	1,870	-
$1,052 in promissory notes secured by assets of Emmaus Community Healthcare, LLC	Various monthly principal and interest payments through 2019	3.00% - 3.75%	1,052	-
			1,080,575	1,069,085
	Less current portion		(32,477)	(28,162)
			$ 1,048,098	$ 1,040,923

Series 2011 Bonds: In October 2011, the Alliance issued $65,260 (Series 2011A) and $20,000 (Series 2011B) variable rate tax-exempt Hospital Revenue Bonds through The Health and Educational Facilities Board of the City of Johnson City, Tennessee, $49,875 (Series 2011C) and $60,705 (Series 2011D) variable rate tax-exempt Hospital Revenue Bonds through the Industrial Development Authority of Smyth, Virginia and $15,960 (Series 2011E) variable rate Taxable Bonds (collectively, the Series 2011 Bonds). The Series 2011 Bonds bear interest at a variable rate determined by a remarketing agent based upon a weekly rate period. The proceeds from the Series 2011A and Series 2011B Bonds were used to finance certain capital acquisitions in the State of Tennessee and pay issuance costs related to these Bonds. The proceeds from the Series 2011C and 2011D Bonds were used to refinance the 2001 NCH Hospital Refunding and Improvement Revenue Bonds, finance capital acquisitions for NCH, JMH and SCCH and to pay issuance costs associated with these Bonds. The Series 2011E Bond proceeds were used to refinance certain capital acquisitions of SCCH and BRMMC and pay issuance costs. The timely payment of the Series 2011 Bonds is secured by a letter of credit which expires October 19, 2014.

In November 2011, JMH issued $24,870 (JMH Series 2011) variable rate tax-exempt Hospital Facility Revenue Refunding and Improvement Bonds through the Industrial Development Authority of Smyth County. The JMH Series 2011 Bonds bear interest at a variable rate determined by a remarketing agent based upon a weekly rate period. The proceeds from the JMH Series 2011 Bonds were used to refinance the 1998 Hospital Refunding and Improvement Revenue Bonds, refinance existing indebtedness incurred to finance capital acquisitions and to pay issuance costs associated with the Bonds.

Series 2010 Bonds: In April 2010, the Alliance issued $168,080 (Series 2010A) and $35,935 (Series 2010B) fixed rate Hospital Refunding Revenue Bonds (collectively, the Series 2010 Bonds). Proceeds of the Series 2010A and the Series 2010B Bonds were used to refinance outstanding indebtedness, specifically related to the Alliance's facilities in Tennessee and in Virginia, respectively, fund debt service reserve funds and pay costs of issuance.

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

Series 2009 Bonds: In March 2009, the Alliance issued $5,560 (Series 2009A), $5,535 (Series 2009B) and $115,955 (Series 2009C) fixed rate Hospital Revenue Bonds (collectively, the Series 2009 Bonds). The proceeds of Series 2009 Bonds were used to refinance a portion of the outstanding Series 2006C Taxable Notes, which were originally issued to finance a capital commitment to SCCH and purchase certain leased assets, finance the acquisition of a majority ownership in JMH, fund a debt service reserve fund and pay costs of issuance. The portion of the 2006C taxable notes which were not refinanced with the Series 2009 Bonds were repaid with cash on hand.

Series 2008 Bonds: In February 2008, the Alliance issued $72,770 (Series 2008A) and $54,230 (Series 2008B) variable rate Hospital Revenue Bonds (collectively, the Series 2008 Bonds). The proceeds of Series 2008 Bonds were primarily used to finance certain future capital projects for the Alliance's hospital facilities and for the repayment of previously issued 2008 Taxable Notes used for the acquisition of RCMC. The payment of principal and interest on the Series 2008 Bonds and the purchase price of any tendered bonds on each series are secured by a separate, irrevocable, transferable, direct-pay letter of credit. A portion ($59,525) of the Series 2008A Bonds were repaid from proceeds of the Series 2010 Bonds.

Series 2007 Bonds: In December 2007, the Alliance issued $104,355 (Series 2007A), $327,170 (Series 2007B taxable) and $36,575 (Series 2007C) variable rate Hospital Revenue Bonds (collectively, the Series 2007 Bonds). The proceeds of Series 2007 Bonds were primarily used to early extinguish a portion of the outstanding Series 2000A Bonds, all of the outstanding 2000B Bonds, all of the outstanding Series 1994 Bonds, and all of the outstanding Series 2006B Bonds; to finance the acquisition of a majority ownership in NCH, and to finance certain capital improvements and equipment acquisitions for the Alliance's hospital facilities. A portion of the outstanding Series 2007A ($91,685) and Series 2007C ($32,840) Bonds were repaid from proceeds of the Series 2010 Bonds.

During 2011, the remaining outstanding Series 2007A and Series 2007C Bonds were redeemed and the existing 2007B Bonds were repaid through a remarketing of Sub-Series 2007B-1, 2007B-2 and 2007B-3 (collectively, the Sub-Series 2007B Bonds), created per the mandatory tender and letter of credit substitution provisions. The payment of principal and interest on the Sub-Series 2007B Bonds and the purchase price of any tendered bonds on each series are secured by a separate, irrevocable, transferable, direct-pay letter of credit.

During 2012, the Alliance redeemed $115,135 of the Series 2007B-1 Bonds and $29,405 of the Series 2007B-3 Bonds.

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

Series 2006 Bonds: During 2006, the Alliance issued $173,030 Hospital First Mortgage Revenue Bonds (Series 2006A) and $66,500 Hospital First Mortgage Variable Rate Revenue Bonds (Series 2006B). The proceeds from the sale of the Series 2006A Bonds were used to finance certain future and prior capital projects for the Alliance's hospital facilities and to refund certain existing indebtedness, specifically the Series 2001B Bonds (discussed below) and certain existing short and intermediate term loans and leases, as well as fund a debt service reserve fund. The Series 2006B Bond proceeds were substantially used to refund the remaining outstanding principal of the Series 2001B Bonds and establish a debt service reserve fund.

Series 2001 Bonds: During 2001, the Alliance issued $26,000 Hospital First Mortgage Revenue Bonds (Series 2001A) and $60,175 Hospital First Mortgage Revenue Bonds (Series 2001B). The Series 2001A Bonds were subject to optional tender by Bond holders. The Series 2001B Bonds were refunded and redeemed in 2006. The Alliance redeemed the 2001A Bonds and released a new Series 2001A to Bank of America Merrill Lynch during 2012.

Series 2000 Bonds: The Hospital First Mortgage Revenue Refunding (Series 2000A Bonds) and First Mortgage Revenue Refunding Bonds (Series 2000B Bonds), were used to advance refund previously existing indebtedness as well as fund a required debt service reserve fund. The Hospital First Mortgage Revenue Bonds (Series 2000C Taxable Bonds) were used to refinance certain mortgage indebtedness of BRMM, and to refund other previously existing indebtedness. The proceeds from the sale of the First Mortgage Bonds (Series 2000D Taxable Bonds) were used primarily to fund working capital for the Alliance.

The Series 2000A Bonds included at issue date $14,680 of insured Capital Appreciation Bonds. Such bonds bear a 0% coupon rate and have a yield of 6.625% annually. The Alliance recognizes interest expense and increases the amount of outstanding debt each year based upon this yield. Total principal and interest due at maturity (2026 through 2030) is $93,675.

Derecognized Bonds: The advance refunding of previously issued debt requires funds to be placed in irrevocable trusts in order to satisfy remaining scheduled principal and interest payments. Management, upon advice of legal counsel, believes the amounts deposited in such irrevocable trust accounts have contractually relieved the Alliance of any future obligations with respect to this debt, and the debt and escrowed securities are not considered liabilities or assets of the Alliance. Therefore, such debt has been derecognized.

Debt outstanding and not recognized in the Consolidated Balance Sheet at June 30, 2012 due to previous advance refundings of the Series 2000A Bonds, Series 2000B Bonds, Series 1998C Bonds, and Series 1991 Bonds, totaled approximately $483,625.

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

The assets placed in the irrevocable trust accounts are also not recognized as assets of the Alliance. These assets consist primarily of various investments, as permitted by bond indentures and other documents, including United States Treasury obligations, an investment contract with MBIA Insurance Corporation (MBIA) in the original amount of $54,300, as well as the Series 2000C and 2000D Bonds which were purchased with the proceeds of the 2000A and 2000B Bonds specifically for the purpose of utilizing the Series 2000C and 2000D Bonds in the irrevocable trust. Therefore, certain of the assets held in the irrevocable trust accounts have future income streams contingent upon payments by the Alliance.

During 2012, the Alliance instructed the trustee of the 1998C Bonds to liquidate certain investments held in the related irrevocable trust account and to redeem a portion of the 1998C Bonds with the proceeds from the liquidation. The fair value of the liquidated assets exceeded the payment necessary to redeem the 1998C Bonds and the excess was paid to the Alliance. As a result of this transaction, the Alliance recognized a gain of $5,337, net of fees, which is included in other nonoperating gains (losses) in the accompanying 2012 Consolidated Statement of Operations.

Variable Rate Issuances: The variable rate of interest on the Series 2011, Series 2008 and Series 2007 Bonds is determined weekly by the Remarketing Agent, as the rate equal to the lowest rate which, in regard to general financial conditions and other special conditions bearing on the rate, would produce as nearly as possible a par bid for the Bonds in the secondary market. In no event shall the variable rate on the Bonds during any period where interest is calculated weekly exceed the lesser of 12% annually or the maximum contract rate of interest permitted by the applicable State of issue. The Alliance has the option, upon written approval of the holder of the letters of credit, the Remarketing Agent and others, to convert to a medium-term rate period or to a fixed rate.

Early Redemption: Essentially all of the Alliance's bonds are subject to redemption prior to maturity, including optional, mandatory sinking fund and extraordinary redemption, at various dates and prices as described in the respective Bond indentures and other documents.

Other Bonds, Notes Payable and Financing Arrangements: The Alliance has granted a deed of trust on JCMC and SSH to secure the payment of the outstanding Bonds. The Bonds are also secured by the Alliance's receivables, inventories and other assets as well as certain funds held under the documents pursuant to which the bonds were issued. The JMH Series 2011 Hospital Refunding and Improvement Revenue Bonds are secured by pledged revenues of JMH, as defined in the Credit Agreement.

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS - Continued

The scheduled maturities and mandatory sinking fund payments of the long-term debt and capital lease obligations (excluding interest), exclusive of net unamortized original issue discount and premium, at June 30, 2012 are as follows:

Year Ending June 30,		
2013	$	32,477
2014		33,414
2015		29,932
2016		31,315
2017		31,006
Thereafter		923,055
		1,081,199
Net discount		(624)
	$	1,080,575

The Alliance and JMH are each members of separate Obligated Groups. The bond indentures, master trust indentures, letter of credit agreements and loan agreements related to the various bond issues and notes payable contain covenants with which the respective Obligated Groups must comply. These requirements include maintenance of certain financial and liquidity ratios, deposits to trustee funds, permitted indebtedness, use of facilities and disposals of property. These covenants also require that failure to meet certain debt service coverage tests will require the deposit of all daily cash receipts of the Alliance into a trust fund. Management has represented the Alliance and JMH are in compliance with all such covenants at June 30, 2012.

In connection with the tax-exempt bonds, the Alliance is required every five years, and at maturity, to remit to the Internal Revenue Service amounts which are due related to positive arbitrage on the borrowed funds. The Alliance performs such computations when required and recognizes any liability at that time. Management does not believe there are any significant arbitrage liabilities at June 30, 2012 or 2011.

During 2012, the Alliance recognized a $2,636 loss on early extinguishment of debt representing the write off of previously deferred and unamortized financing costs generally related to the refinanced or otherwise redeemed portion of the Series 2007B Bonds, Series 1998 JMH Bonds and the Series 2001 NCH Bonds.

NOTE G--SELF-INSURANCE PROGRAMS

The Alliance is substantially self-insured for professional and general liability claims and related expenses. The Alliance maintains a $25,000 umbrella liability policy that attaches over the self-insurance limits of $10,000 per claim and a $15,000 annual aggregate retention. The Alliance's insurance program also provides professional liability coverage for certain affiliates and joint ventures.

The Alliance is also substantially self-insured for workers' compensation claims in the State of Tennessee and has established estimated liabilities for both reported and unreported claims. The Alliance maintains a stop-loss policy that attaches over the self-insurance limits of $1,000 per occurrence and $1,000 annual aggregate retention. In the State of Virginia, the Alliance is not self-insured and maintains workers' compensation insurance through commercial carriers.

At June 30, 2012, the Alliance is involved in litigation relating to medical malpractice and workers' compensation and other claims arising in the ordinary course of business. There are also known incidents occurring through June 30, 2012 that may result in the assertion of additional claims, and other unreported claims may be asserted arising from services provided in the past. Alliance management has estimated and accrued for the cost of these unreported claims based on historical data and actuarial projections. The estimated net present value of malpractice and workers' compensation claims, both reported and unreported, as of June 30, 2012 and 2011 was $12,896 and $13,531, respectively. The discount rate utilized was 5% at June 30, 2012 and 2011.

Additionally, the Alliance is self-insured for employee health claims and recognizes expense each year based upon actual claims paid and an estimate of claims incurred but not yet paid, including a catastrophic claims reserve based on historical claims in excess of $75.

NOTE H--NET PATIENT SERVICE REVENUE

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the accompanying Consolidated Statements of Operations is as follows for the years ended June 30:

	2012	*2011*
Inpatient service charges	$ 2,095,036	$ 1,983,340
Outpatient service charges	1,982,154	1,791,858
Gross patient service charges	4,077,190	3,775,198

NOTE H--NET PATIENT SERVICE REVENUE - Continued

	2012	2011
Less:		
Estimated contractual adjustments and other discounts	2,899,678	2,640,909
Charity care	102,462	72,166
Provision for bad debts	122,917	116,248
	3,125,057	2,829,323
Net patient service revenue	$ 952,133	$ 945,875

Net patient service revenue by major payor source for the years ended June 30, 2012 and 2011, net of contractual allowances and self-pay discounts (before the provision for bad debts), is as follows:

	2012	2011
Third-party payors	$ 968,101	$ 957,828
Self-pay	106,949	104,295
Patient service revenue	$ 1,075,050	$ 1,062,123

Deductibles and copayments under third-party payment programs, which are included within the third-party payor amounts above, are the patient's responsibility and the Alliance considers these amounts in its determination of the provision for bad debts based on prior collection experience. Accounts receivable are also reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Alliance analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Alliance analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary, for expected uncollectible deductibles and copayments or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients, which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Alliance records a significant provision for bad debts in the period of service 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 difference between discounted rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

NOTE H--NET PATIENT SERVICE REVENUE - Continued

The Alliance's allowance for doubtful accounts totaled $52,911 and $53,366 at June 30, 2012 and 2011, respectively. The allowance for doubtful accounts decreased from 28% of patient accounts receivable, net of contractual allowances, at June 30, 2011 to 26% of patient accounts receivable, net of contractual allowances, as of June 30, 2012. Write-offs, net of recoveries, for the years ending June 30, 2012 and 2011 were $123,373 and $108,823, respectively, and relate primarily to self-pay patients. Write-offs of third-party payor accounts were not significant in the years ending June 30, 2012 and 2011. The Alliance has not experienced significant changes in write-off trends and has not changed its charity care policy for the year ended June 30, 2012. The provision for bad debts associated with the Alliance's ancillary service lines are not significant.

NOTE I--THIRD-PARTY REIMBURSEMENT

The Alliance renders services to patients under contractual arrangements with Medicare, Medicaid, TennCare, Blue Cross and various other commercial payors. The Medicare program pays for inpatient services on a prospective basis. Payments are based upon diagnosis related group assignments, which are determined by the patient's clinical diagnosis and medical procedures utilized. The Alliance also receives additional payments from Medicare based on the provision of services to a disproportionate share of Medicaid and other low income patients. Most Medicare outpatient services are reimbursed on a prospectively determined payment methodology. The Medicare program also reimburses certain other services on the basis of reasonable cost, subject to various prescribed limitations and reductions.

Reimbursement under the State of Tennessee's Medicaid waiver program (TennCare) for inpatient and outpatient services is administered by various managed care organizations (MCOs) and is based on diagnosis related group assignments, a negotiated per diem or fee schedule basis. The Alliance also receives additional supplemental payments from the State of Tennessee. The amount recognized totaled $11,300 and $11,480 for the years ended June 30, 2012 and 2011, respectively. In addition, during 2012 the Alliance recognized $4,894 from TennCare related to the implementation and meaningful use of electronic medical records as provided by the Health Information Technology for Economics and Clinical Health (HITECH) Act. Such payments are included within other operating revenue in the accompanying 2012 Consolidated Statement of Operations and are not guaranteed in future periods.

The Virginia Medicaid program reimbursement for inpatient hospital services is based on a prospective payment system using both a per case and per diem methodology. Additional payments are made for the allowable costs of capital. Payments for outpatient services are based on Medicare cost reimbursement principles and settled through the filing of an annual Medicaid cost report.

NOTE I--THIRD-PARTY REIMBURSEMENT - Continued

Amounts earned under the contractual agreements with the Medicare and Medicaid programs are subject to review and final determination by fiscal intermediaries and other appropriate governmental authorities or their agents. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Activity with respect to audits and reviews of the governmental programs in the healthcare industry has increased and is expected to increase in the future. No additional specific reserves or allowances have been established with regard to these increased audits and reviews as management is not able to estimate such amounts. Management believes that any adjustments from these increased audits and reviews will not have a material adverse impact on the consolidated financial statements. However, due to uncertainties in the estimation, it is at least reasonably possible that management's estimate will change in 2013, although the amount of any change cannot be estimated. The impact of final settlements of cost reports or changes in estimates decreased net patient service revenue by $1,556 and $4,570 in 2012 and 2011, respectively.

Participation in the Medicare program subjects the Alliance to significant rules and regulations; failure to adhere to such could result in fines, penalties or expulsion from the program. Management believes that adequate provision has been made for any adjustments, fines or penalties which may result from final settlements or violations of other rules or regulations. Management has represented that the Alliance is in substantial compliance with these rules and regulations as of June 30, 2012.

The Alliance has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations and employer groups. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

NOTE J--EMPLOYEE BENEFIT PLANS

The Alliance sponsors a retirement plan (the Plan) which covers substantially all employees. The Plan is a defined contribution plan which consists mainly of employer-funded contributions. During 2012 and 2011, the Alliance made contributions to the Plan under a stratified system, whereby the Alliance's contribution percentage is based on each employee's years of service. Employees of certain other subsidiaries are covered by other plans, although such plans are not significant. The total expense related to defined contribution plans for the years ended June 30, 2012 and 2011 was $15,072 and $12,682, respectively.

NCH maintains a defined benefit pension plan and a post-retirement employee benefit plan. The accrued unfunded pension liability was $2,560 and $1,313, and the accrued unfunded post-retirement liability was $4,554 and $3,761 at June 30, 2012 and 2011, respectively.

NOTE J--EMPLOYEE BENEFIT PLANS - Continued

The Alliance sponsors a secured executive benefit program (SEBP) for certain key executives. Contributions to the plan by the Alliance are based on an annual amount of funding necessary to produce a target benefit for the participants at their retirement date, although the Alliance does not guarantee any level of benefit will be achieved. The Alliance contributed $1,734 and $929 to the plan during 2012 and 2011, respectively. Other assets at June 30, 2012 and 2011 include $9,675 and $7,888, respectively, related to the Alliance's portion of the benefits which are recoverable upon the death of the participant. In addition, the Alliance sponsors a Section 457(f) plan for certain key executives.

NOTE K--CONCENTRATIONS OF RISK

The Alliance has locations primarily in upper East Tennessee and Southwest Virginia which is considered a geographic concentration. The Alliance grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. Net patient service revenue from Washington County, Tennessee operations were approximately 53% and 53% of total net patient service revenue for 2012 and 2011, respectively.

The mix of receivables from patients and third-party payors based on charges at established rates is as follows as of June 30:

	2012	*2011*
Medicare	36%	40%
Tenncare/Medicaid	14%	12%
Commercial	26%	27%
Other third-party payors	13%	9%
Patients	11%	12%
	100%	100%

Approximately 96% and 96% of the consolidated total revenue, gains and support were related to the provision of healthcare services during 2012 and 2011, respectively. Admitting physicians are primarily practitioners in the regional area.

Two of the Alliance's Virginia hospitals' employees are covered under collective bargaining agreements which extend through February 2014 and January 2015, respectively.

The Alliance routinely invests in investment vehicles as listed in Note C. The Alliance's investment portfolio is managed by outside investment management companies. Investments in corporate and

NOTE K--CONCENTRATIONS OF RISK - Continued

foreign bonds, municipal obligations, money market funds, equities and other vehicles that are held by safekeeping agents are not insured or guaranteed by the U.S. government. At June 30, 2012, the Alliance also had deposits in financial institutions significantly in excess of the Federal Deposit Insurance Corporation's limits.

NOTE L--INCOME TAXES

BRMM and its subsidiaries file a consolidated federal tax return and separate state tax returns. As of June 30, 2012 and 2011, BRMM and its subsidiaries had net operating loss carryforwards for consolidated federal purposes of $38,888 and $34,822, respectively, related to operating loss carryforwards which expire through 2031. At June 30, 2012 and 2011, BRMM had state net operating loss carryforwards of $69,999 and $65,979, respectively, which expire through 2026. The net operating loss carryforwards may be offset against future taxable income to the extent permitted by the Internal Revenue Code and Tennessee Code Annotated.

At June 30, 2012 and 2011, SWCH had federal and state net operating loss carryforwards of $5,614 and $4,875, respectively, which expire through 2031. The net operating loss carryforwards may be off-set against future taxable income to the extent permitted by the Internal Revenue Code and tax codes of the Commonwealth of Virginia.

Net deferred tax assets related to these carryforwards and other deferred tax assets have been substantially offset through valuation allowances equal to these amounts. Income taxes paid relate primarily to state taxes for certain subsidiaries and federal alternative minimum tax.

NOTE M--RELATED PARTY TRANSACTIONS

The Alliance enters into transactions with entities affiliated with certain members of the Board of Directors including transactions to construct Alliance facilities and provide professional services to the Alliance. Board members refrain from discussion and abstain from voting on transactions with entities with which they are related.

NOTE N--OTHER COMMITMENTS AND CONTINGENCIES

Construction in Progress: Construction in progress at June 30, 2012 represents costs incurred related to various hospital and medical office building facility renovations and additions. The Alliance has outstanding contracts and other commitments related to the completion of these

NOTE N--OTHER COMMITMENTS AND CONTINGENCIES - Continued

projects, and the cost to complete these projects is estimated to be approximately $100,312 at June 30, 2012. The Alliance does not expect any significant costs to be incurred for infrastructure improvements to assets held for resale.

Physician Contracts: BRMM employs physicians to provide services to BRMM's physician practices through employment agreements which provide annual compensation, plus incentives based upon specified productivity levels. These contracts have various terms.

In addition, the Alliance has entered into contractual relationships with non-employed physicians to provide services in Upper East Tennessee and Southwest Virginia. These contracts guarantee certain base payments and allowable expenses and have terms of varying lengths. Amounts drawn and outstanding under each agreement are treated as a loan bearing interest at various rates and are subject to repayment over a specified period. The physician notes may also be amortized by virtue of the physician's continued practice in the specified community during the repayment period. A net receivable of $1,436 and $1,407 related to these agreements is included in the accompanying Consolidated Balance Sheets at June 30, 2012 and 2011, respectively.

Employee Scholarships: The Alliance offers scholarships to certain individuals which require that the recipients return to the Alliance to work for a specified period of time after they complete their degree. Amounts due are then forgiven over a specific period of time as provided in the individual contracts. If the recipient does not return and work the required period of time, the funds disbursed on their behalf become due immediately and interest is charged until the funds are repaid. Other receivables at June 30, 2012 and 2011 include $8,005 and $7,250, respectively, related to students in school, graduates working at the Alliance and amounts due from others who are no longer in the scholarship program, net of allowance.

Promises to Give: The Alliance has recorded certain unconditional promises to give to unrelated organizations. At June 30, 2012, $1,354 is due within one year, and an additional $100 is due within five years and is included in other long-term liabilities.

Operating Leases and Maintenance Contracts: Total lease expense for the years ended June 30, 2012 and 2011 was $8,823 and $9,362, respectively. Future minimum lease payments for each of the next five years and in the aggregate for the Alliance's noncancellable operating leases with remaining lease terms in excess of one year are as follows:

NOTE N--OTHER COMMITMENTS AND CONTINGENCIES - Continued

Year Ending June 30,		
2013	$	4,661
2014		4,476
2015		4,253
2016		3,997
2017		2,332
Thereafter		8,008
	$	27,727

Asset Retirement Obligation: The Alliance has identified asbestos in certain facilities and is required by law to dispose of it in a special manner if the facility undergoes major renovations or is demolished; otherwise, the Alliance is not required to remove the asbestos from the facility. The Alliance has complied with regulations by treating the asbestos so that it presents no known immediate or future safety concerns. An asset retirement obligation has been established to the extent that sufficient information exists upon which to estimate the liability.

Other: The Alliance is a party to various transactions and agreements in the normal course of business, which include purchase and re-purchase agreements, put arrangements and other commitments, which may bind the Alliance to undertake additional transactions or activities in the future. In addition, the Alliance has agreed to guarantee a portion of the outstanding indebtedness of a joint venture. Management estimates that the fair value of the guarantee of this debt is immaterial as of June 30, 2012.

Healthcare Industry: Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

In March 2010, Congress adopted comprehensive health care insurance legislation, *Patient Care Protection and Affordable Care Act* and *Health Care and Education Reconciliation Act*. The legislation, among other matters, is designated to expand access to coverage to substantively all citizens by 2019 through a combination of public program expansion and private industry health insurance. Changes to existing TennCare and Medicaid coverage and payments are also expected to occur as a result of this legislation. Implementing regulations are generally required for these legislative acts, which are to be adopted over a period of years and, accordingly, the specific impact of any future regulations is not determinable.

NOTE O--RENTAL INCOME UNDER OPERATING LEASES

The Alliance leases rental properties to third parties, most of whom are physician practices, for various terms, generally five years. The following is a schedule by year and in the aggregate of minimum future rental income due under noncancellable operating leases at June 30, 2012:

Year Ending June 30,		
2013	$	1,574
2014		1,454
2015		1,339
2016		762
2017		405
Thereafter		116
Total minimum future rentals	$	5,650

NOTE P--FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments has been estimated by the Alliance using available market information as of June 30, 2012 and 2011, and valuation methodologies considered appropriate. The estimates presented are not necessarily indicative of amounts the Alliance could realize in a current market exchange. The carrying value of substantially all financial instruments approximates fair value due to the nature or term of the instruments, except as described below.

Investment in Joint Ventures: It is not practical to estimate the fair market value of the investments in joint ventures.

Other Long-Term Liabilities: Estimates of reported and unreported professional liability claims, pension and post-retirement liabilities are discounted to approximate their estimated fair value. It is not practical to estimate the fair market value of other long-term liabilities due to uncertainty of when these amounts may be paid. Other long-term liabilities are not discounted.

Long-Term Debt and Capital Leases: The fair value of long-term debt is estimated based upon quotes obtained from brokers for bonds and discounted future cash flows using current market rates for other debt. For long-term debt with variable interest rates, the carrying value approximates fair value.

The Alliance's significant capital leases and vendor contracts were negotiated with various entities and are considered unique. It is not practicable to estimate the fair value of these obligations under current conditions. Other capital lease obligations are not significant.

NOTE P--FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The estimated fair value of the Alliance's financial instruments that have carrying values different from fair value is as follows at June 30:

	2012		2011	
	Carrying Value	*Estimated Fair Value*	*Carrying Value*	*Estimated Fair Value*
FINANCIAL LIABILITIES:				
Long-term debt	$ 1,080,575	$ 1,150,201	$ 1,069,085	$ 1,046,675

NOTE Q--FAIR VALUE MEASUREMENT

FASB ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- 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 included in 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. The Alliance's Level 2 investments are valued primarily using the market valuation approach.

- Level 3 - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Alliance's own assumptions.

In instances where the determination of the fair value hierarchy measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Alliance's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table sets forth, by level within the fair value hierarchy, the financial assets and liabilities recorded at fair value on a recurring basis as of June 30, 2012 and 2011:

NOTE Q--FAIR VALUE MEASUREMENT - Continued

	Total	*Level 1*	*Level 2*	*Level 3*
June 30, 2012				
Cash, cash equivalents and money market funds	$ 85,017	$ 85,017	$ -	$ -
U.S. Government securities	15,693	15,693	-	-
U.S. Agency securities	62,437	62,437	-	-
Corporate and foreign bonds	52,581	-	52,581	-
Municipal obligations	961	-	961	-
Preferred and asset backed securities	11,183	-	11,183	-
U.S. equity securities	28,344	28,344	-	-
Mutual funds	141,968	97,600	44,368	
Other	34,880	-	-	34,880
Total assets	$ 433,064	$ 289,091	$ 109,093	$ 34,880
Fair value of derivative agreements - Note D	$ (19,381)	$ -	$ -	$ (19,381)
June 30, 2011				
Cash, cash equivalents and money market funds	$ 142,031	$ 142,031	$ -	$ -
U.S. Government securities	11,204	11,204	-	-
U.S. Agency securities	34,054	34,054	-	-
Corporate and foreign bonds	32,895	-	32,895	-
Municipal obligations	451	-	451	-
Preferred and asset backed securities	8,945	-	8,945	-
U.S. equity securities	21,774	21,774	-	-
Mutual funds	166,708	73,060	93,648	-
Other	32,718	-	-	32,718
Total assets	$ 450,780	$ 282,123	$ 135,939	$ 32,718
Fair value of derivative agreements - Note D	$ (110,732)	$ -	$ -	$ (110,732)

The valuation of the Alliance's derivative agreements is determined using market valuation techniques, including discounted cash flow analysis on the expected cash flows of each agreement. This analysis reflects the contractual terms of the agreement, including the period to maturity, and uses certain observable market-based inputs. The fair values of interest rate agreements are determined by netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash receipts (or payments) are based on the expectation of future interest rates and the underlying notional amount. The Alliance also incorporates credit valuation adjustments (CVAs) to appropriately reflect both its own nonperformance or credit risk and the respective counterparty's nonperformance or credit risk in the fair value measurements. The CVA on the Alliance's interest rate swap agreements at June 30, 2012 and 2011 resulted in a decrease in the fair value of the related liability of $5,726 and $7,940, respectively.

NOTE Q--FAIR VALUE MEASUREMENT - Continued

A certain portion of the inputs used to value its interest rate swap agreements, including the forward interest rate curves and market perceptions of the Alliance's credit risk used in the CVAs, are unobservable inputs available to a market participant. As a result, the Alliance has determined that the interest rate swap valuations are classified in Level 3 of the fair value hierarchy.

The following tables provide a summary of changes in the fair value of the Alliance's Level 3 financial assets and liabilities during the fiscal years ended June 30, 2012 and 2011:

	Trading Securities	*Derivatives, Net*
July 1, 2010	$ 28,608	$ (134,300)
Total unrealized/realized gains in the Performance Indicator, net	2,847	23,049
Net investment income	1,263	519
June 30, 2011	32,718	(110,732)
Total unrealized/realized gains in the Performance Indicator, net	1,466	(6,198)
Net investment income	1,221	515
Purchases	5,107	-
Settlements	-	97,034
Distributions	(5,632)	-
June 30, 2012	$ 34,880	$ (19,381)

There were no changes in valuation techniques in 2012 or 2011. During 2011, as part of the transitional test of goodwill impairment, the Alliance recognized goodwill impairment of $2,965 based primarily on the fair value of the reporting unit, utilizing the income approach. Remaining goodwill determined not to be impaired, for this specific reporting unit, is included in the Consolidated Balance Sheets at $2,900.

NOTE R--OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

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

NOTE S--SUBSEQUENT EVENTS

In September 2012, the Alliance issued $55,000 (Series 2012A) fixed rate and $28,095 (Series 2012B) variable rate tax-exempt Hospital Revenue Bonds through The Health and Educational Facilities Board of the City of Johnson City, Tennessee, and $9,785 (Series 2012C) variable rate tax-exempt Hospital Revenue Bonds through the Industrial Development Authority of Wise, Virginia (collectively, the Series 2012 Bonds). The proceeds from the Series 2012A Bonds will be used to finance a surgery center project at JCMC and pay issuance costs related to these Bonds. The proceeds from the Series 2012B and 2012C Bonds will be used to finance or refinance capital improvements and equipment acquisitions and to pay issuance costs associated with these Bonds. The timely payment of the Series 2012B and Series 2012C Bonds is secured by irrevocable transferable direct-pay letters of credit.

In July 2012, the Trustee of the previously derecognized 1998C Bonds liquidated certain investments held in the related irrevocable trust account and redeemed a portion of the 1998C Bonds with the proceeds from the liquidation. The fair value of the liquidated assets exceeded the payment necessary to redeem the 1998C Bonds and the excess was paid to the Alliance. As a result of this transaction, the Alliance recognized a gain of $13,847, net of fees.

Subsequent to June 30, 2012, JMH exercised their purchase option related to a medical office building previously held under a capital lease. The purchase price was $17,529 which was financed through a taxable private placement bond issuance.

Supplemental Schedules

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Balance Sheet
(Dollars in Thousands)

June 30, 2012

	*Blue Ridge Medical Management **	*Other Obligated Group Members*	*Eliminations*	*Total Obligated Group*	*Other Entities*	*Mountain States Properties*	*Eliminations*	*Total*
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	$ 1,482	$ 36,881	$ -	$ 38,363	$ 22,006	$ 4,738	$ -	$ 65,107
Current portion of investments	-	22,745	-	22,745	3	13,809	-	36,557
Patient accounts receivable, less estimated allowances for uncollectible accounts	5,051	116,629	-	121,680	29,010	-	-	150,690
Other receivables, net	1,624	18,852	-	20,476	3,120	412	(1,000)	23,008
Inventories and prepaid expenses	832	20,951	-	21,783	6,924	103	-	28,810
TOTAL CURRENT ASSETS	8,989	216,058	-	225,047	61,063	19,062	(1,000)	304,172
INVESTMENTS, less amounts required to meet current obligations	19,348	395,778	-	415,126	100,811	44,760	-	560,697
EQUITY IN AFFILIATES	143,050	318,231	(157,099)	304,182	-	-	(304,182)	-
PROPERTY, PLANT AND EQUIPMENT, net	13,559	598,415	-	611,974	199,990	53,492	-	865,456
OTHER ASSETS								
Goodwill	9,007	143,276	-	152,283	2,108	-	-	154,391
Net deferred financing, acquisition costs and other charges	302	26,776	-	27,078	602	507	-	28,187
Other assets	8,887	12,145	-	21,032	4,550	2,562	-	28,144
TOTAL OTHER ASSETS	18,196	182,197	-	200,393	7,260	3,069	-	210,722
	$ 203,142	$ 1,710,679	$ (157,099)	$ 1,756,722	$ 369,124	$ 120,383	$ (305,182)	$ 1,941,047

* Management Services Organization only

See note to supplemental schedules.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Balance Sheet - Continued
(Dollars in Thousands)

June 30, 2012

	*Blue Ridge Medical Management **	*Other Obligated Group Members*	*Eliminations*	*Total Obligated Group*	*Other Entities*	*Mountain States Properties*	*Eliminations*	*Total*
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accrued interest payable	$ 46	$ 18,455	$ -	$ 18,501	$ 24	$ -	$ -	$ 18,525
Current portion of long-term debt and capital lease obligations	-	29,824	-	29,824	2,653	-	-	32,477
Current portion of estimated fair value of derivatives	-	-	-	-	-	10,395	-	10,395
Accounts payable and accrued expenses	4,191	94,352	-	98,543	9,297	1,030	-	108,870
Accrued salaries, compensated absences and amounts withheld	3,704	40,121	-	43,825	11,764	-	-	55,589
Payables to (receivables from) affiliates, net	15,321	3,118	-	18,439	8,365	(26,804)	-	-
Estimated amounts due to third-party payors, net	-	16,607	-	16,607	1,453	-	-	18,060
TOTAL CURRENT LIABILITIES	23,262	202,477	-	225,739	33,556	(15,379)	-	243,916
OTHER LIABILITIES								
Long-term debt and capital lease obligations, less current portion	13,676	994,014	-	1,007,690	41,408	-	(1,000)	1,048,098
Estimated fair value of derivatives, less current portion	-	8,534	-	8,534	133	319	-	8,986
Deferred revenue	-	2,929	-	2,929	205	-	-	3,134
Estimated professional liability self-insurance	2,268	5,975	-	8,243	1,101	-	-	9,344
Other long-term liabilities	6,837	9,839	-	16,676	146	-	-	16,822
TOTAL LIABILITIES	46,043	1,223,768	-	1,269,811	76,549	(15,060)	(1,000)	1,330,300
NET ASSETS								
Unrestricted net assets								
Mountain States Health Alliance	157,099	436,388	(157,099)	436,388	164,117	135,443	(299,560)	436,388
Noncontrolling interests in subsidiaries	-	39,123	-	39,123	117,377	-	6,459	162,959
TOTAL UNRESTRICTED NET ASSETS	157,099	475,511	(157,099)	475,511	281,494	135,443	(293,101)	599,347
Temporarily restricted net assets								
Mountain States Health Alliance	-	11,223	-	11,223	10,955	-	(10,955)	11,223
Noncontrolling interests in subsidiaries	-	50	-	50	(1)	-	1	50
TOTAL TEMPORARILY RESTRICTED NET ASSETS	-	11,273	-	11,273	10,954	-	(10,954)	11,273
Permanently restricted net assets	-	127	-	127	127		(127)	127
TOTAL NET ASSETS	157,099	486,911	(157,099)	486,911	292,575	135,443	(304,182)	610,747
	$ 203,142	$ 1,710,679	$ (157,099)	$ 1,756,722	$ 369,124	$ 120,383	$ (305,182)	$ 1,941,047

*Management Services Organization only.

See note to supplemental schedules.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Statement of Operations
(Dollars in Thousands)

Year Ended June 30, 2012

	*Blue Ridge Medical Management **	*Other Obligated Group Members*	*Eliminations*	*Total Obligated Group*	*Other Entities*	*Mountain States Properties*	*Eliminations*	*Total*
Revenue, gains and support:								
Patient service revenue, net of contractual allowances and discounts	$ 50,213	$ 824,899	$ (2,165)	$ 872,947	$ 202,108	$ -	$ (5)	$ 1,075,050
Provision for bad debts	(4,397)	(95,440)	-	(99,837)	(23,080)	-	-	(122,917)
Net patient service revenue	45,816	729,459	(2,165)	773,110	179,028	-	(5)	952,133
Other operating revenue	39,451	15,163	(29,595)	25,019	67,543	8,398	(61,553)	39,407
Equity in net gain (loss) of affiliates	3,332	(17,848)	(1,488)	(16,004)	-	-	16,004	-
TOTAL REVENUE, GAINS AND SUPPORT	88,599	726,774	(33,248)	782,125	246,571	8,398	(45,554)	991,540
Expenses:								
Salaries and wages	21,613	268,799	-	290,412	72,358	451	(4,614)	358,607
Physician salaries and wages	43,468	1,162	-	44,630	62,704	-	(41,628)	65,706
Contract labor	777	3,864	-	4,641	2,382	9	(657)	6,375
Employee benefits	7,416	51,007	(2,236)	56,187	17,510	85	(4,182)	69,600
Fees	4,025	100,938	(29,034)	75,929	25,946	517	(4,433)	97,959
Supplies	2,454	135,733	-	138,187	32,124	40	(165)	170,186
Utilities	626	12,222	-	12,848	3,476	965	-	17,289
Other	7,538	47,568	(490)	54,616	23,471	4,077	(5,879)	76,285
Depreciation	1,395	49,959	-	51,354	19,458	2,248	-	73,060
Amortization	30	2,161	-	2,191	54	-	-	2,245
Interest and taxes	(1,169)	42,976	-	41,807	3,018	1,112	(34)	45,903
TOTAL EXPENSES	88,173	716,389	(31,760)	772,802	262,501	9,504	(61,592)	983,215
OPERATING INCOME (LOSS)	426	10,385	(1,488)	9,323	(15,930)	(1,106)	16,038	8,325
Nonoperating gains (losses):								
Interest and dividend income	673	10,841	-	11,514	2,401	1,332	(34)	15,213
Net realized gains (losses) on the sale of securities	21	611	-	632	(3,227)	-	-	(2,595)
Change in net unrealized gains on securities	(455)	(3,758)	-	(4,213)	133	1,196	-	(2,884)
Derivative related income	-	6,051	-	6,051	-	1,464	-	7,515
Loss on early extinguishment of debt	-	(2,553)	-	(2,553)	(83)	-	-	(2,636)
Change in estimated fair value of derivatives	-	(6,086)	-	(6,086)	(133)	21	-	(6,198)
Other nonoperating gains (losses)	823	12,485	-	13,308	(1,977)	(95)	-	11,236
NET NONOPERATING GAINS	1,062	17,591	-	18,653	(2,886)	3,918	(34)	19,651
EXCESS (DEFICIT) OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	$ 1,488	$ 27,976	$ (1,488)	$ 27,976	$ (18,816)	$ 2,812	$ 16,004	$ 27,976

*Management Services Organization only.

See note to supplemental schedules.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Statement of Changes in Net Assets
(Dollars in Thousands)

Year Ended June 30, 2012

	Blue Ridge Medical Management *	Other Obligated Group Members: Mountain States Health Alliance	Other Obligated Group Members: Noncontrolling Interests	Eliminations	Total Obligated Group	Other Entities: Mountain States Health Alliance	Other Entities: Noncontrolling Interests	Total Other Entities	Mountain States Properties	Eliminations	Total
UNRESTRICTED NET ASSETS:											
Excess (deficit) of revenue, gains and support over expenses and losses	$ 1,488	$ 31,702	$ (3,726)	$ (1,488)	$ 27,976	$ (12,729)	$ (6,087)	$ (18,816)	$ 2,812	$ 16,004	$ 27,976
Pension and other defined benefit plan adjustments	-	(1,119)	(1,115)	-	(2,234)	(9)	(9)	(18)	-	18	(2,234)
Net assets released from restrictions used for the purchase of property, plant and equipment	-	1,550	-	-	1,550	1,550	-	1,550	-	(1,550)	1,550
Distributions to noncontrolling interests	-	-	(324)	-	(324)	-	(324)	(324)	-	324	(324)
Repurchases of noncontrolling interests	-	3,860	(3,860)	-	-	-	-	-	-	-	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	1,488	35,993	(9,025)	(1,488)	26,968	(11,188)	(6,420)	(17,608)	2,812	14,796	26,968
TEMPORARILY RESTRICTED NET ASSETS:											
Restricted grants and contributions	-	3,860	39	-	3,899	3,036	12	3,048	-	(3,048)	3,899
Net assets released from restrictions	-	(3,352)	(46)	-	(3,398)	(3,255)	(22)	(3,277)	-	3,277	(3,398)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	-	508	(7)	-	501	(219)	(10)	(229)	-	229	501
INCREASE (DECREASE) IN TOTAL NET ASSETS	1,488	36,501	(9,032)	(1,488)	27,469	(11,407)	(6,430)	(17,837)	2,812	15,025	27,469
NET ASSETS, BEGINNING OF YEAR	155,611	411,237	-	(155,611)	411,237	239,164	172,041	411,205	132,631	(371,795)	583,278
ADDITION OF OBLIGATED MEMBERS	-	-	54,025	-	54,025	(52,559)	(54,054)	(106,613)	-	52,588	-
NET ASSET TRANSFER	-	-	(5,820)	-	(5,820)	-	5,820	5,820	-	-	-
NET ASSETS, END OF YEAR	$ 157,099	$ 447,738	$ 39,173	$ (157,099)	$ 486,911	$ 175,198	$ 117,377	$ 292,575	$ 135,443	$ (304,182)	$ 610,747

*Management Services Organization only.

See note to supplemental schedules.

MOUNTAIN STATES HEALTH ALLIANCE

Note to Supplemental Schedules

Year Ended June 30, 2012

NOTE A--OBLIGATED GROUP MEMBERS

As described in Note F to the consolidated financial statements, the Alliance has granted a deed of trust on JCMC and SSH to secure the payment of the outstanding bonds. The bonds are also secured by the Alliance's receivables, inventories and other assets as well as certain funds held under the documents pursuant to which the bonds were issued. In accordance with Article Six, Section 6.6 of the Amended and Restated Master Trust Indenture between Mountain States Health Alliance and the Bank of New York Mellon Trust Company, NA as Master Trustee, those members pledged in 2011 include Johnson City Medical Center Hospital, Indian Path Medical Center, Franklin Woods Community Hospital, Sycamore Shoals Hospital, Johnson County Community Hospital, Russell County Medical Center and Blue Ridge Medical Management Corporation (parent company only), collectively defined as the Obligated Group (Obligated Group). In 2012, NCH and SCCH (hospitals only) were admitted into the Obligated Group. These entities' operations since admission (including noncontrolling interests) are included as part of the Obligated Group results for 2012 in the accompanying consolidated statements of operations and changes in net assets.

The supplemental consolidating schedules include the accounts of the members of the Obligated Group after elimination of all significant intergroup accounts and transactions. Certain other subsidiaries of the Alliance, Mountain States Properties, Inc. (MSP) and all other affiliates (Other Entities), are not pledged to secure the payment of the outstanding bonds as they are not part of the Obligated Group. These affiliates have been accounted for within the Obligated Group based upon the Alliance's original and subsequent investments, as adjusted for the Alliance's pro rata share of income or losses and any distributions, and are included as a part of equity in affiliates in the supplemental consolidating balance sheet.

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APPENDIX C

SUMMARY OF THE FINANCING DOCUMENTS

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SUMMARY OF THE FINANCING DOCUMENTS

Brief descriptions of the Master Indenture, each Bond Indenture and each Loan Agreement are included in this Appendix C to the Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Master Indenture, the Bond Indenture and the Loan Agreement are qualified in their entirety by reference to each such document, copies of which are available for review at the offices of the Mountain States Health Alliance, Legal Department, 400 North State of Franklin Road, Johnson City, Tennessee. All references to the Bonds of any Series are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto included in the Master Indenture or the Bond Indenture.

USE OF CERTAIN TERMS

The Health and Educational Facilities Board of the City of Johnson City, Tennessee (the "Issuer") is issuing its Hospital Revenue Bonds (Mountain States Health Alliance) Series 2013A (the "Series 2013A Bonds") pursuant to a Bond Trust Indenture (the "Series 2013A Bond Indenture") dated as of July 1, 2013, between the Issuer and The Bank of New York Mellon Trust Company, N.A. (the "Bond Trustee") and lending the proceeds thereof to the Mountain States Health Alliance (the "Alliance") pursuant to a Loan Agreement (the "Series 2013A Loan Agreement") dated as of July 1, 2013, between the Alliance and the Issuer. U.S. Bank National Association (the "Bank") is issuing its Letter of Credit (the "Series 2013A Original Letter of Credit") as security for the Series 2013A Bonds.

The Issuer is issuing its Taxable Hospital Refunding Revenue Bonds (Mountain States Health Alliance) Series 2013B (the "Series 2013B Bonds") pursuant to a Bond Trust Indenture (the "Series 2013B Bond Indenture") dated as of July 1, 2013, between the Issuer and the Bond Trustee and lending the proceeds thereof to the Alliance pursuant to a Loan Agreement (the "Series 2013B Loan Agreement") dated as of July 1, 2013, between the Alliance and the Issuer. The Bank is issuing its Letter of Credit (the "Series 2013B Original Letter of Credit") as security for the Series 2013B Bonds.

As used in this Appendix, the terms "Loan Agreement," "Bond Indenture," and "Original Letter of Credit" shall refer individually, not collectively, to the Series 2013A Loan Agreement, the Series 2013B Loan Agreement, the Series 2013A Bond Indenture, the Series 2013B Bond Indenture, the Series 2013A Original Letter of Credit and the Series 2013B Original Letter of Credit. For avoidance of doubt, the terms, security, funds and payments under the Series 2013A Loan Agreement, the Series 2013A Bond Indenture and the Series 2013A Original Letter of Credit relate only to the Series 2013A Bonds. Similarly, the terms, security, funds and payments under the Series 2013B Loan Agreement, the Series 2013B Bond Indenture and the Series 2013B Original Letter of Credit relate only to the Series 2013B Bonds.

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in the Master Indenture, the Bond Indenture, the Loan Agreement and this Official Statement.

"Accountant" shall mean an independent, certified public accountant, or a firm of independent, certified public accountants, selected by the Borrower.

"Act of Bankruptcy" means any of the following events:

(a) The Alliance or the Issuer shall (1) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the Alliance or the Issuer or of all or a substantial part of the property of any of them, (2) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect) or (3) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(b) A proceeding or case shall be commenced, without the application or consent of the Alliance or the Issuer, as the case may be, in any court of competent jurisdiction, seeking (1) the liquidation, reorganization, dissolution, winding-up, or the composition or adjustment of debts, of the Alliance or the Issuer, (2) the appointment of a trustee, receiver, custodian, liquidator or the like of the Alliance or the Issuer or of all or any substantial part of the assets of either the Alliance or the Issuer, or (3) similar relief in respect of the Alliance or the Issuer under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect for a period of 60 days from the commencement of such proceeding or case.

"Additional Indebtedness" means any Indebtedness (including all Obligations, other than the Initial Obligation) incurred by any Obligated Issuer, subsequent to its becoming an Obligated Issuer.

"Adjustment Date" means the first day of each Weekly Rate Period and each Medium-Term Rate Period.

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

"Authorized Denominations" means prior to the Conversion Date, $100,000 or any integral multiple of $5,000 in excess thereof, provided that, with the written consent of the Issuer, "Authorized Denominations" shall mean after the Conversion Date, $5,000 or any integral multiple thereof.

"Balloon Indebtedness" means: (a) Long-Term Indebtedness as to which, when issued, 25% or more of the debt service thereon is due in a single year, or (b) Long-Term Indebtedness as to which, when issued, 25% or more of the original principal amount thereof may, at the option of the holder or registered owner thereof, be redeemed or repurchased at one time, 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, or (c) any Guaranty of Long-Term Indebtedness that is Balloon Indebtedness.

"Bank" means U.S. Bank National Association, a national banking association, in its capacity as issuer of the Original Letter of Credit, its successors in such capacity and their assigns, until the Termination Date of the Original Letter of Credit and the payment in full to the Bank of all amounts owed to it under the Reimbursement Agreement and other related documents; provided, however, that upon the effective date of a Substitute Letter of Credit, "Bank" means the issuer of such Substitute Letter of Credit, its successors in such capacity and their assigns until the Termination Date of such Substitute Letter of Credit and the payment in full to such Bank of all amounts owed to it under the Reimbursement Agreement, if any, relating to such Substitute Letter of Credit.

"Bonds" means individually the Series 2013A Bonds and the Series 2013B Bonds.

"Bond Indenture" means individually the Series 2013A Bond Indenture and the Series 2013B Bond Indenture.

"Bond Index" means the "Bond Buyer Revenue Bond Index" as published from time to time in The Bond Buyer, or, if such index shall no longer be published, a comparable index designated by the Bond Insurer during the period that any Related Bonds are outstanding that are insured by the Bond Insurer and thereafter by the Obligated Group Agent.

"Bond Insurer" means MBIA Insurance Corporation and its successor or successors, as insurer of certain Related Bonds.

"Bond Trustee" means The Bank of New York Mellon Trust Company, N.A. or any successor trustee under the Bond Indenture.

"Bondholder", "Owner", "owner", "Holder" or "holder" or any similar term, when used with reference to any of the Bonds, means (i) in the event that the book-entry system of evidence and transfer of ownership of the Bonds is employed pursuant to the Bond Indenture, Cede & Co., as nominee for DTC, or its nominee, and (ii) in all other cases, the registered owner or owners of any Bond as shown on the registration books maintained by the Bond Trustee.

"Book Value," when used in connection with Property of any member of the Obligated Group, means the cost of such Property, net of accumulated depreciation, calculated in conformity with generally accepted accounting principles, and when used in connection with Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property of all members of the Obligated Group determined in such a manner that no portion of such value of Property of any member of the Obligated Group is included more than once.

"Borrower Bond" means any Bond registered in the name of the Alliance; provided, however, that in no event shall a Pledged Bond be deemed to be a Borrower Bond.

"Business Day" means any day other than a Saturday, Sunday or other day on which the New York Stock Exchange or banks are authorized or obligated by law or executive order to close in New York, New York, or any city in which the principal corporate trust office of the Bond Trustee is located or the office of the Bank at which demands for a draw on, or a borrowing or payment under, the Letter of Credit will be made, which for purposes of the Original Letter of Credit is St. Louis, Missouri.

"Cash to Debt Ratio" means the ratio of Unrestricted Liquid Funds to Long Term Indebtedness.

"Chattel Paper" shall have the meaning assigned that term under the Uniform Commercial Code as in effect in any relevant jurisdiction.

"Code" means the Internal Revenue Code of 1986, as amended, as it applies to the Bonds, including applicable regulations and revenue rulings thereunder. Reference herein to sections of the Code are to the sections thereof as they exist on the date of execution of the Bond Indenture, but include any successor provisions thereof.

"Collateral" means (i) all Receivables, (ii) all Inventory, (iii) all Equipment, (iv) all General Intangibles, (v) all Contracts and all Contract rights, (vi) all amounts from time to time held in any checking, savings, deposit or other account of any Obligated Issuer, (vii) all Government Approvals, provided, that any Government Approval which by its terms or by the operation of law would become void, voidable, terminable or revocable if mortgaged, pledged or signed under the Master Indenture or if a security interest therein were granted under the Master Indenture or expressly accepted and excluded from the security interest by the Master Indenture granted to the extent necessary so as to avoid such voidness, voidability, terminability or revocability, (viii) all Fixtures, including but not limited to those now or hereafter attached to, placed on or incorporated in the Land, (ix) all Revenues, (x) without limiting the generality of the foregoing, all other personal property, goods, Instruments, Chattel Paper, Documents, credits, claims, demands and assets of any Obligated Issuer, whether now existing or hereafter acquired from time to time, and (xi) any and all additions and accessions to any of the foregoing, all improvements thereto, all substitutions and replacements therefor and all products and Proceeds thereof.

"Commitment Indebtedness" means the obligation of any person to repay amounts disbursed pursuant to a Credit Facility to pay when due such person's obligations under Indebtedness incurred in accordance with the provisions of the Master Indenture.

"Completion Indebtedness" means any Long-Term Indebtedness (i) incurred by any person for the purpose of financing the completion of constructing or equipping Facilities with respect to which Long-Term Indebtedness was theretofore incurred in accordance with the provisions hereof, and (ii) with a principal amount not in excess of the amount required (a) to provide a completed and equipped Facility of substantially the type and scope contemplated at the time such prior Long-Term Indebtedness was incurred, (b) to provide for capitalized interest during the period of construction, (c) to capitalize a reserve with respect to such Completion Indebtedness and (d) to pay the costs and expenses of issuing such Completion Indebtedness.

"Construction Index" means the health care component of the implicit price deflator for the gross national product as most recently reported prior to the date in question by the United States Department of Commerce or its successor agency, or, if such index is no longer published, such other index which is certified to be comparable and appropriate by the Obligated Group Agent in an Officer's Certificate delivered to the Master Trustee.

"Contract Rights" means all rights under any Contract to make determinations, to exercise any election (including, but not limited to, election of remedies) or option or to give or receive any notice, consent, waiver or approval together with full power and authority with respect to any Contract to demand, receive, enforce, collect or receipt for any of the foregoing rights or any property the subject of any of the Contracts, to enforce or execute any checks, or other instruments or orders, to file any claims and to take any action which, in the reasonable opinion of a secured party, may be necessary or advisable in connection with any of the foregoing.

"Contracts" means all contracts to which any Obligated Issuer now is, or hereafter will be, bound, or a party, beneficiary or assignee, including, without limitation, all instruments, agreements and documents executed and delivered with respect to such contracts, and all revenues, rentals, Proceeds and other sums of money due and to become due from any of the foregoing, as the same may be modified, supplemented or amended from time to time in accordance with their terms.

"Consultant" means a person who or which is appointed by the Obligated Group Agent for the purpose of passing on questions relating to the financial affairs, management or operations of one or more members of the Obligated Group or the entire Obligated Group and, in the good faith opinion of the Obligated Group Agent, has a favorable reputation for skill and experience in performing similar services in respect of entities engaged in reasonably comparable endeavors. If any Consultant's report or opinion is required to be given with respect to matters partly within and partly without the expertise of such Consultant, such Consultant may rely upon the report or opinion of another Consultant, which other Consultant shall be reasonably satisfactory to the relying Consultant and the Obligated Group Agent.

"Conversion Date" means the Interest Payment Date on which the Bonds begin to bear interest at the Fixed Rate.

"Corporation" or "Alliance" means Mountain States Health Alliance, a Tennessee not-for-profit corporation, and its successors and assigns and any surviving, resulting or transferee corporation.

"Counsel" means an attorney, or firm thereof, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia.

"Credit Facility" means any letter of credit, line of credit, insurance policy, guaranty or other agreement constituting a credit enhancement or liquidity facility which is issued by a bank, trust company, savings and loan association or other institutional lender, insurance company or surety company for the benefit of the holder of any Indebtedness in order to provide a source of funds for, the payment of all or any portion of an Obligated Issuer's payment obligations under such Indebtedness.

"Days' Cash-on-Hand Ratio," as of the end of any Fiscal Year, means the product obtained by multiplying 365 times (i) the Unrestricted Liquid Funds of the Obligated Group as of the last day of such Fiscal Year, divided by (ii) the total operating expenses of the Obligated Group for such Fiscal Year, excluding depreciation and amortization expense and bad debt expense, as shown on the financial statements of the Obligated Group for such Fiscal Year.

"Debt Service Requirement" of any person means, for any period of time, the amounts payable or the payments required to be made by such person in respect of principal and interest on outstanding Long-Term Indebtedness during such period (calculated in such a manner that no portion of Long-Term Indebtedness is included more than once), taking into account (for purposes of calculating any projected debt service requirements) (i) that any Indebtedness represented by a Guaranty shall be deemed payable on the dates and in the amounts contemplated in the Master Indenture (concerning the assumptions to be used in including debt service requirements of the guaranteed obligations), (ii) that any payments to be made in respect of Balloon Indebtedness and Variable

Rate Indebtedness shall be calculated in accordance with the provisions of the Master Indenture, (iii) that, with respect to Indebtedness refunded or refinanced during such period, only an amount of principal and interest equal to the principal and interest not payable from the proceeds of Indebtedness shall be taken into account during such period, (iv) any amounts payable from funds available under an Escrow Deposit (other than amounts so payable solely by reason of the obligor's failure to make payments from other sources), shall be excluded from the determination of the Debt Service Requirement, and (v) that with respect to any Indebtedness which is the subject of a Hedge Agreement, any Regular Scheduled Qualified Swap Payments under such Hedge Agreement (provided, however, that if the Regular Scheduled Qualified Swap Payments are variable rate payments, interest shall be calculated as if the indebtedness was Variable Rate Indebtedness) payable or receivable with respect to such Indebtedness shall be taken into account in determining the interest payable with respect to such Indebtedness.[1*]

"Default" means any event which with the giving of notice or lapse of time, or both, would constitute an Event of Default.

"Defeasance Investments" means non-redeemable direct obligations of the United States of America or obligations for which the full faith and credit of the United States of America are pledged for the timely payment of principal and interest, including evidences of a direct ownership interest in future interest or principal payments on such obligations, which obligations are held in a custody account by a custodian pursuant to the terms of a custody agreement.

"Discounted Indebtedness" means Indebtedness sold to the original purchaser thereof (other than any underwriter or other similar intermediary) at a discount from the par amount of such Indebtedness.

"Document" shall have the meaning assigned that term under the Uniform Commercial Code as in effect in any relevant jurisdiction.

"Eligible Moneys" means (a) proceeds of Bonds not sold to the Alliance or the Issuer or an affiliate of the Alliance or the Issuer, (b) moneys irrevocably drawn under the Letter of Credit, (c) moneys deposited with the Bond Trustee by the Alliance for the benefit of the Bondholders for 123 days during which no Act of Bankruptcy has occurred as evidenced by a certificate of the Alliance or Issuer, (d) moneys with respect to which the Alliance delivers to the Bond Trustee an Opinion of Counsel with nationally recognized expertise in bankruptcy acceptable to the Bond Trustee and Moody's that such payments will not constitute a voidable transfer or preference under and pursuant to Sections 362a, 541 or 547 of the Federal Bankruptcy Code and (e) investment income on the foregoing types of money.

"Equipment" means any "equipment," as such term is defined in the Uniform Commercial Code as in effect in any relevant jurisdiction, now or hereafter owned or leased by any Obligated Issuer and, in any event, shall include, but shall not be limited to, all equipment used in connection with the facilities constructed from time to time on the Land, all machinery, tools, office equipment, furniture, furnishings, fixtures, vehicles, motor vehicles, and any manuals, instructions, blueprints, computer software and similar items which relate to the above, and any and all additions, substitutions and replacements of any of the foregoing, wherever located, together with all improvements thereon and all attachments, components, parts, equipment and accessories installed thereon or affixed thereto.

[1*] By their purchase of the Bonds, the initial holders thereof will consent to an amendment of this definition as described in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Amendment of the Master Indenture" in the front part of this Official Statement. The proposed amended definition is as follows:

[1]"Debt Service Requirement" of any Person shall mean, for any period of time, the amounts payable or the payments required to be made by such Person in respect of principal and interest on Outstanding Long-Term Indebtedness during such period (calculated in such a manner that no portion of the Long-Term Indebtedness is included more than once), taking into account (for purposes of calculating any projected debt service requirements) (i) that any Indebtedness represented by a Guaranty shall be deemed payable on the dates and in the amounts contemplated in Section 4.3 (concerning the assumptions to be used in including debt service requirements of the guaranteed obligations), (ii) that any payments to be made in respect of Balloon Indebtedness and Variable Rate Indebtedness shall be calculated in accordance with the provisions of Section 4.4, (iii) that, with respect to Indebtedness refunded or refinanced during such period, only an amount of principal and interest equal to the principal and interest not payable from the proceeds of Indebtedness shall be taken into account during such period, (iv) any amounts payable from funds available under an Escrow Deposit (other than amounts payable solely by reason of the obligor's failure to make payments from other sources), shall be excluded from the determination of the Debt Service Requirement, and (v) that with respect to any Indebtedness which is the subject of a Hedge Agreement, the rate payable under such Hedge Agreement, rather than the actual interest payable on such Indebtedness, shall be taken into account in determining the interest payable with respect to such Indebtedness.

"Escrow Deposit" means a segregated escrow fund or other similar fund, account or deposit in trust of cash in an amount (or Defeasance Investments the principal of and interest on which will be in an amount), and under terms, sufficient to pay all or a portion of the principal of, and premium, if any, and interest on, the indebtedness secured by such escrow fund or other similar fund, account or deposit as the same shall become due or payable upon redemption.

"Event of Default" shall, with respect to each Bond Indenture and each Loan Agreement, respectively, have the meanings described under this Appendix C in "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE - Events of Default" and "THE LOAN AGREEMENT- Events of Default And Remedies on Default."

"Facilities" means all land, leasehold interests and buildings and all fixtures and equipment of a person.

"Fair Value Net Worth" of a person as of any date means:

(i) the fair value or fair saleable value (as the case may be, determined in accordance, with applicable federal and state laws affecting creditors rights and governing determinations of insolvency of debtors) of such person's assets (including such person's rights to contribution and subrogation under Sections 2.3(d) and (f) of the Master Indenture or in respect of any other guarantee) as of such date, minus

(ii) the amount of all liabilities of such person (determined in accordance with such laws) as of such date, excluding (x) such person's Cross Guarantee and (y) any liabilities subordinated in right of payment to such Cross Guarantee, minus

(iii) $1.00.

"Fiscal Year" means a period of twelve consecutive months ending on June 30 or on such other date as may be specified in an Officer's Certificate of the Obligated Group Agent executed and delivered to the Master Trustee.

"Fitch" means Fitch Ratings, Inc., its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Fitch" shall be deemed to refer to any other recognized municipal securities rating agency designated by the Alliance.

"Fixed Rate Period" means the period from and including the Conversion Date to and including the date next preceding the payment in full of the Bonds.

"Fixtures" shall have the meaning assigned that term under the Uniform Commercial Code as in effect in any relevant jurisdiction and in any event shall include all goods now or hereafter attached to, placed on, or incorporated in the Land.

"General Intangibles" means "general intangibles" as such term is defined in the Uniform Commercial Code as in effect in any relevant jurisdiction, now or hereafter owned by any Obligated Group Issuer and shall include, but not be limited to, all trademarks, trademark applications, trademark registrations, trade names, fictitious business names, business names, company names, business identifiers, prints, labels, trade styles and service marks (whether or not registered), including logos and/or designs, copyrights, patents, patent applications, goodwill of any Obligated Issuer's business symbolized by any of the foregoing, trade secrets, license rights, license agreements, permits, franchises, and any rights to tax refunds to which any Obligated Issuer is now or hereafter may be entitled.

"Governing Body" means, when used with respect to any person, its board of directors, board of trustees, or other board, committee or group of individuals in which the powers of a board of directors or board of trustees is vested generally or for the specific matters under consideration.

"Government Issuer" means any federal, state or municipal corporation or political subdivision thereof or any instrumentality of any of the foregoing empowered to issue obligations on behalf thereof.

"Government Obligations" means (i) for purposes of the Master Indenture, direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America, which obligations are held in a custody account by a custodian pursuant to the terms of a the terms of a custody agreement, and (ii) for purposes of the Bond Indenture, means direct general obligations of, or obligations the prompt payment of the principal of and the interest on which are fully and unconditionally guaranteed by, the United States of America. In addition, investments having a maturity of seven days or less in a money market fund rated Aaa by Moody's, investments of which fund are exclusively in Government Obligations, shall be considered investments in Government Obligations for purposes of the Bond Indenture.

"Gross Receipts" means all Revenues, operating revenues and non-operating revenues, receipts, rentals and income of, or received by, any Obligated Issuer, under generally accepted accounting principles, and all rights to receive the same, whether in the form of accounts receivable, Receivables, accounts, Documents, Investment Property, Contract Rights, Chattel Paper, Instruments, General Intangibles or other rights and all Proceeds thereof, including insurance proceeds and condemnation awards payable or paid in respect of the Facilities, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired, and the proceeds thereof including, without limitation, revenues derived from the ownership, operation or leasing of the Facilities; provided, however, that there shall be excluded from Gross Receipts (i) all gifts, grants, bequests, donations or contributions (collectively, "gifts"), which gifts may not be pledged or applied to the payment of principal or interest on the Obligations as a result of restrictions or designations imposed by the donor or maker of the gift in question at the time of the making thereof and income therefrom if such income may not be pledged or applied to the payment of principal or interest on the Obligations as a result of a restriction or designation described in this clause (i), and (ii) any proceeds of any additional indebtedness incurred or assumed by the Obligated Issuer pursuant to the terms of the Master Indenture, to the extent required by the terms of the documentation evidencing such additional indebtedness.

"Guaranty" means any obligation of an Obligated Group member guaranteeing any obligation of any other person other than a Obligated Group member, whether or not issued under the Master Indenture as an Indenture Guaranty, which obligation would, if such other person were a member of the Obligated Group, constitute Indebtedness under the Master Indenture.

"Hedge Agreement" means (a) 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; (b) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (c) any contract to exchange cash flows or payments or series of payments; (d) any type of contract called, or designed to perform the function of, interest rate floors, collars, 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 (e) any other type of contract or arrangement that the Obligated Group Agent determines is to be used, to manage or reduce the cost of an Indebtedness, to convert any element of any 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.

"Historical Debt Service Coverage Ratio" means, for any period of time, the ratio determined by dividing Total Income Available For Debt Service for such period by the Debt Service Requirement of the Obligated Group for such period.

"Historical Maximum Annual Debt Service Coverage Ratio" means, for any period of time, the ratio determined by dividing Total Income Available for Debt Service for such period by the Maximum Annual Debt Service of the Obligated Group.

"Historical Pro Forma Debt Service Coverage Ratio" means for any period of time, the ratio determined by dividing Total Income Available for Debt Service for such period by the Maximum Annual Debt Service of the Obligated Group for all Long Term Indebtedness then outstanding and the Long-Term Indebtedness then proposed to be issued.

"Holder" means, as the context requires, the registered owner of any Note, the beneficiary of any Indenture Guaranty in whose name an Indenture Guaranty is issued or the holder or beneficiary of any other type of Obligation. In the case of an Obligation issued to a trustee or other fiduciary acting on behalf of the holders of any bonds, notes or other similar obligations which are secured by such Obligation, including any registered securities depositary then in the business of holding (for the benefit of beneficial owners whose interests may be evidenced by book-entry registration) substantial amounts of obligations of types comprising the Obligations, the term Holder shall mean the trustee or other fiduciary or, if so provided in the Related Financing Documents, the holders of the Related Bonds in proportion to their respective interests therein, including any registered securities depositary then in the business of holding (for the benefit of beneficial owners whose interests may be evidenced by book-entry registration) substantial amounts of obligations of types comprising the Obligations. For purposes of determining the Holders of the two largest principal amounts of Uninsured Obligations, any Holder of Related Bonds relating to Uninsured Obligations shall be deemed to be the owner of a proportionate amount of the Uninsured Obligations, and any such Uninsured Obligations owned by affiliated entities shall be treated as owned by one Holder.

"Immediate Notice" means notice (a) by tested telex, telecopier or telephone, or delivery by hand, (b) promptly followed by written notice by first class mail, postage prepaid, and (c) to such address or such telex, telecopier or telephone number as the person receiving such notice shall have previously furnished to the Bond Trustee in writing.

"Income Available For Debt Service" of a person means, with respect to any period of time, the excess of revenues over expenses, or, in the case of for-profit entities, net income before tax, as determined in accordance with generally accepted accounting principles, to which shall be added, in either case, (i) depreciation, (ii) amortization, (iii) interest expense on Long-Term Indebtedness, and, to the extent not already included, and (iv) to the extent not already included contributions and donations and from which shall be excluded any extraordinary items, any impairment losses, any gain or loss resulting from either the extinguishment of indebtedness or the sale, exchange or other disposition of assets not made in the ordinary course of business, provided, however, that (a) no determination of Income Available for Debt Service will take into account any gains or losses resulting from the periodic valuation of investments or Hedge Agreements that do not involve the sale, transfer or other disposition of any such investment or Hedge Agreement or the termination of any Hedge Agreement and (b) a person may include in its net income such person's share of the net income of any person controlled by such person or in whom such person has a legal interest.

"Indebtedness" of a person means (i) all Notes and Guaranties, (ii) all liabilities (exclusive of reserves such as those established for deferred taxes or litigation) recorded on the audited financial statements of such person as of the end of the most recent Fiscal Year for which financial statements reported upon by an Accountant are available, and (iii) all other obligations for borrowed money; provided that Indebtedness shall not include (1) Subordinated Indebtedness, (2) Hedge Agreements, (3) any other Indebtedness of any member of the Obligated Group to any other member of the Obligated Group, (4) rentals payable under leases which are not properly capitalized under generally accepted accounting principles or (5) any Guaranty by any member of the Obligated Group of Indebtedness of any other member of the Obligated Group.

"Indenture Guaranty" means any Guaranty issued under the Master Indenture by an Obligated Issuer.

"Instrument" shall have the meaning assigned that term under the Uniform Commercial Code as in effect in any relevant jurisdiction.

"Interest Payment Date" means (a) during Weekly Rate Periods, the first Business Day of each calendar month and any Conversion Date, Proposed Conversion Date or the maturity of the Bonds, and (b) during any Medium-Term Rate Periods and any Fixed Rate Period, each Long-Term Interest Payment Date.

"Interest Rate Swap Obligations" means obligations of any person pursuant to any arrangement with any other person whereby, directly or indirectly, such person is entitled to receive from time-to-time periodic payments calculated by applying either a floating or a fixed rate of interest on a stated principal amount in exchange for periodic payments made by such other person calculated by applying a fixed or a floating rate of interest on the same amount.

"Inventory" means all of the inventory of any Obligated Issuer of every type or description, including all inventory as such term is defined in the Uniform Commercial Code as in effect in any relevant jurisdiction, now owned or hereafter acquired and wherever located, whether raw, in process or finished, all materials usable in processing the same and all documents of title covering any inventory, including but not limited to work in process, materials used or consumed in such Obligated Issuer's business, now owned or hereafter acquired or manufactured by such Obligated Issuer and held for sale in the ordinary course of its business; all present and future substitutions therefor, parts and accessories thereof and all additions thereto; and all proceeds thereof and products of such inventory in any form whatsoever.

"Investment Property" shall have the meaning assigned that term under the Uniform Commercial Code as in effect in any relevant jurisdiction.

"Investment Securities" means, to the extent permitted by applicable law:

(i) Certificates or interest-bearing notes or obligations of the United States, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

(ii) Investments in any of the following obligations, provided such obligations are backed by the full faith and credit of the United States: (a) the Export-Import Bank of the United States, (b) the Federal Housing Administration, (c) the Government National Mortgage Association ("GNMA"), (d) the Rural Economic Community Development Administration (formerly known as the Farmers Home Administration), (e) the Federal Financing Bank, (f) the Department of Housing and Urban Development, (g) the General Services Administration, (h) the U.S. Maritime Administration or (i) the Small Business Administration.

(iii) Investments in direct obligations in any of the following agencies, which obligations are not fully guaranteed by the full faith and credit of the United States: (a) senior obligations by the Federal Home Loan Bank System, (b) senior debt obligations and participation certificates (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts) issued by the Federal Home Loan Mortgage Corporation ("FHLMC") or senior debt obligations and mortgage-backed securities (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts) of the Federal National Mortgage Association ("FNMA"), (c) obligations of the Resolution Funding Corporation ("REFCORP"), or (d) senior debt obligations of the Student Loan Marketing Association ("SLMA") (excluding securities that do not have a fixed par value or whose terms do not promise a fixed dollar amount at maturity or call date).

(iv) Investments in (a) U.S. dollar denominated deposit accounts, federal funds, bankers acceptances, and certificates of deposit of any bank whose short-term debt obligations are rated A-1+ by S&P and P-1 by Moody's and maturing no more than 360 calendar days after the date of purchase (holding company ratings are not considered as rating of the bank) or (b) certificates of deposit of any bank, which certificates are fully insured by the Federal Deposit Insurance Corporation ("FDIC").

(v) Investments in money market funds rated "AAAm" or "AAAm-G" by S&P.

(vi) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's, Inc. and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase.

(vii) Pre-refunded municipal obligations defined as follows: any bonds or other obligations rated "AAA" by S&P and "Aaa" by Moody's (based on an irrevocable escrow account or fund) of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice.

(viii) Municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of "A1/A+" or higher by both Moody's and S&P at the time of purchase.

(ix) Repurchase agreements with (a) any domestic bank, or domestic branch of a foreign bank, the long-term debt which is rated at least "A" by S&P and "A2" by Moody's; or (b) any broker-dealer with "retail customers" or a related affiliate thereof, which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and "A2" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (c) any other entity rated at least "A" by S&P and "A2" by Moody's; provided that:

(a) the repurchase agreement is collateralized with the obligations described in paragraphs (i) or (ii) above, or with obligations described in paragraph (iii)(a) and (b) above.

(b) the trustee will value the collateral securities no more than semi-annually and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two (2) business days.

(c) the market value of the collateral must be maintained at: 104% of the total principal of the repurchase agreement for obligations described in paragraphs (i) and (ii); 105% of the total principal of the repurchase agreement for obligations described in paragraph (iii)(a) and (b) above.

(d) the trustee or a third party acting solely as agent therefor or for the issuer (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books).

(e) the repurchase agreement shall state, and an opinion of counsel shall be rendered at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, and substituted collateral and all proceeds thereof.

(f) the repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Issuer or the trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the issuer or trustee.

(x) Investment agreements with (a) a domestic or foreign bank or corporation (other than a life or property casualty insurance company), the long-term debt of which, or, in the case of a guaranteed corporation, the long-term debt is rated at least "AA" by S&P and "Aa2" by Moody's at the time of purchase; or (b) a monoline municipal bond insurance company or a subsidiary thereof whose claims paying ability is rated at least "AA" by S&P and "Aa2" by Moody's at the time of purchase; provided, that in all cases, by the terms of the investment agreement:

(a) interest payments are to be made to the Bond Trustee at least one business day prior to debt service payment dates on the Bonds and in such amounts as are necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

(b) the invested funds are available for withdrawal, without penalty or premium, at any time upon not more than seven days' prior notice (which notice may be amended or withdrawn at any time prior to the specified withdrawal date); provided that the investment agreement specifically requires the Issuer or the Bond Trustee to give notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(d) a fixed guaranteed rate of interest is to be paid on invested funds and all future deposits, if any, required to be made to restore the amount of such funds to the level specified under the Bond Indenture;

(e) the term of the investment agreement does not exceed seven years;

(f) the Issuer or the Bond Trustee receives the opinion of domestic counsel that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);

(g) the Bond Indenture and investment agreement shall provide that if, during its term:

(1) the provider's rating by either S&P or Moody's falls below "AA " or "Aa3," respectively, the provider must, at the direction of the Issuer or the Bond Trustee, within 10 days of receipt of such direction, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Issuer, the Bond Trustee or a third party acting solely as agent therefor Permitted Collateral which are free and clear of any third-party liens or claims at the Collateral Levels set forth below; or (ii) repay the principal of and accrued but unpaid interest on the investment (the choice of (i) or (ii) above shall be that of the Issuer or Trustee, as appropriate); and

(2) the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" or "A3" by S&P or Moody's, as appropriate, the provider must, at the direction of the Issuer or the Bond Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Issuer or Bond Trustee;

(h) The investment agreement shall state and an opinion of counsel shall be rendered that the Bond Trustee has a perfected first priority security interest in the Permitted Collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the trustee is in possession); and

(i) the investment agreement must provide that if, during its term:

(1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Issuer or the Bond Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Bond Trustee, as appropriate;

(2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Bond Trustee, as appropriate;

(3) the provider fails to perform any of its obligations under the investment agreement (other than obligations related to payment or rating) and such breach continues for ten (10) business days or more after written notice thereof is given by the Bond Trustee to the provider, it shall be an Event of Default; or

(4) a representation or warranty made by the provider proves to have been incorrect or misleading in any material respect when made, it shall be an Event of Default.

Permitted Collateral for Investment Agreements ("Permitted Collateral"):

(A) U.S. direct Treasury obligations;

(B) Senior debt and/or mortgage-backed obligations of GNMA, FNMA or FHLMC and other government-sponsored agencies backed by the full faith and credit of the U.S. government;

(C) Collateral levels must be 104% of the total principal deposited under the investment agreement for U.S. direct Treasury obligations, GNMA obligations and full faith and credit U.S. government obligations and 105% of the total principal deposited under the investment agreement for FNMA and FHLMC;

(D) The collateral must be held by a third party, segregated and marked to market at least weekly.

"Land" means the land subject to the Master Deed of Trust.

"Letter of Credit" means the Original Letter of Credit or, upon the effective date of any Substitute Letter of Credit, such Substitute Letter of Credit.

"Letter of Credit Period" means any period that a Letter of Credit is in effect with respect to the Bonds.

"Lien" means any mortgage or pledge of, security interest in or lien or encumbrance on any Property of any member of the Obligated Group in favor of, or which secures any Indebtedness or any other obligation of any member of the Obligated Group to any person other than another member of the Obligated Group, but specifically excluding subordination arrangements among creditors.

"Loan Agreement" means individually the Series 2013A Loan Agreement and the Series 2013B Loan Agreement.

"Long-Term Indebtedness" means (i) all Indebtedness which, at the time of incurrence or issuance, has a final maturity or term greater than one year or which is renewable at the option of the obligor thereof for a term greater than one year from the date of original incurrence or issuance; and (ii) Short-Term Indebtedness which is incurred as interim financing and which is intended to be repaid out of the proceeds of other Long-Term Indebtedness, provided that any one of the applicable conditions described in the Master Indenture are met with respect to such Short-Term Indebtedness on the date of incurrence, assuming for purposes of compliance therewith that such Short-Term Indebtedness is Long Term Indebtedness characterized as Balloon Indebtedness for purposes of meeting any of the applicable conditions in the Master Indenture; provided, that, Long-Term Indebtedness shall not include (a) Non-Recourse Indebtedness or Subordinated Indebtedness; (b) current obligations payable out of current revenues, including current payments for the funding of pension plans and contributions to self insurance programs; (c) obligations under contracts for supplies, services or pensions, allocated to the current operating expenses of future years in which the supplies are to be furnished, the services rendered or the pensions paid; and (d) rentals payable under leases which are not properly capitalized under generally accepted accounting principles.

"Long-Term Interest Payment Date" means the first January 1 or July 1 next succeeding the Medium-Term Adjustment Date or Conversion Date, as the case may be, and each January 1 or July 1 thereafter until the earlier of payment of the Bonds or the date that the Weekly Rate Periods begin.

"Long-Term Rate Period" means any Medium-Term Rate Period and the Fixed Rate Period.

"Master Deed of Trust" means the Deed of Trust and Security Agreement dated as of February 1, 2000 from the Alliance to an individual, as trustee, granting a deed of trust lien on and a security interest in the Land and the other collateral described therein for the benefit of the Master Trustee, to secure the payment and performance of outstanding Obligations.

"Master Indenture" means the Amended and Master Trust Indenture dated as of February 1, 2000 between the Alliance and the Master Trustee, as it may from time to time be amended or supplemented in accordance with the terms thereof.

"Master Trustee" means The Bank of New York Mellon Trust Company, N.A., or any successor trustee under the Master Indenture.

"Maximum Annual Debt Service" of the Obligated Group means the highest annual Debt Service Requirement of the Obligated Group for the current or any succeeding Fiscal Year during the remaining term of all outstanding Obligations.

"Maximum Guaranty Liability" of a person as of any date means the greater of either (i) or (ii) below:

(i) the greater of (A) or (B) as of such date:

(A) the outstanding amount of all Obligations issued by such person or

(B) the fair market value of all property acquired, in whole or part, with the proceeds of such Obligations by such person.

(ii) The greatest of the Fair Value Net Worth of such person as of (1) the latest fiscal year-end of such person, (2) each fiscal quarter-end of such person thereafter occurring on or prior to the date of the determination of Maximum Guaranty Liability, (3) the date on which enforcement of the pertinent Cross Guarantee is sought, and (4) the date on which a case under the U.S. Bankruptcy Code is commenced with respect to any Obligated Issuer.

"Medium-Term Rate Period" means any period of time from one year to five years as determined by the Remarketing Agent pursuant to the Bond Indenture.

"Moody's" means Moody's Investors Service, Inc., its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Moody's" shall be deemed to refer to any other recognized municipal securities rating agency designated by the Alliance.

"Net Operating Revenues" of a person means, with respect to any period of time, operating revenues less estimated contractual allowances, free care, discounts and bad debt expense, all determined, except as is specifically provided in the Master Indenture, in accordance with generally accepted accounting principles.

"Net Property, Plant and Equipment" means the Value of all Property, Plant and Equipment less accumulated depreciation.

"Non-Recourse Indebtedness" means any Indebtedness secured by a Lien on Property of any Obligated Issuer, liability for which is effectively limited to the Property subject to such Lien, with no recourse, directly or indirectly, to any other Property of any Obligated Issuer.

"Note" means any note issued under the Master Indenture by an Obligated Issuer to evidence Long-Term Indebtedness or Short-Term Indebtedness incurred pursuant to the terms of the Master Indenture.

"Notice by Mail" or "notice" of any action or condition "by Mail" means a written notice meeting the requirements of the Bond Indenture mailed by first-class mail, postage prepaid, to the Holders of specified Bonds at the addresses shown in the Bond Register. If, because of the temporary or permanent suspension of mail service or for any other reason, it is impossible or impracticable to mail any such notice in the manner described, then such notification in lieu thereof as shall be made with the approval of the Bond Trustee shall constitute a sufficient notice.

"Obligated Group" means all Obligated Issuers.

"Obligated Group Agent" means the Alliance and any successor Obligated Group Agent appointed pursuant to the Master Indenture.

"Obligated Issuer" means (i) the Alliance, Blue Ridge Medical Management Corporation, Norton Community Hospital, Smyth County Community Hospital and each other person which becomes an Obligated Issuer in accordance with the provisions of the Master Indenture, whether or not such person has issued any obligations thereunder, and which has not withdrawn from the Obligated Group pursuant to the Master Indenture, and (ii) when used in respect of any particular Obligation or other Indebtedness, means the obligor thereunder.

"Obligations" means all Notes and Indenture Guaranties issued under the Master Indenture, any lease, contractual agreement to pay money or other obligations of any Obligated Group Member issued thereunder and any additional forms of Obligations created pursuant to the Master Indenture.

"Officer's Certificate" means a certificate signed, in the case of a corporation, by the Chairman, Vice Chairman, President or Chief Financial Officer or, in the case of a certificate delivered by any other person, the chief executive or chief financial officer of such person, in either case whose authority to execute such certificate shall be evidenced to the satisfaction of the Master Trustee. When an Officer's Certificate is required under the Master Indenture to set forth matters relating to one or more Obligated Issuers, such Officer's Certificate may be given in reliance upon another certificate, or other certificates, and supporting materials, if any, provided by any duly authorized officer of the applicable Obligated Issuer.

"Opinion of Bond Counsel" means an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

"Opinion of Counsel" means a written opinion of Counsel, who may (except as otherwise expressly provided in the Loan Agreement or the Bond Indenture) be counsel for the Issuer or the Alliance or both, or other Counsel acceptable to the Bond Trustee.

"Original Letter of Credit" means individually the Series 2013A Original Letter of Credit and the Series 2013B Letter of Credit.

"Paying Agent" means the bank or banks, if any, designated pursuant to a Related Bond Indenture to receive and disburse the principal of and interest on any Related Bonds or designated pursuant to the Master Indenture to receive and disburse the principal of and interest on any Obligations.

"Permitted Liens" means the Master Indenture, all Related Financing Documents and, as of any particular time:

(i) Any lien from any member of the Obligated Group to any other member of the Obligated Group;

(ii) Any judgment lien or notice of pending action against any member of the Obligated Group so long as (1) such judgment or pending action is being contested and execution thereon has been stayed or the period for responsive pleading or appeal has not lapsed, or (2) in the absence of such contest, neither the pledge and security interest of this Indenture nor any Property of any member of the Obligated Group will be materially impaired or subject to material loss or forfeiture;

(iii) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law affecting any Property, to (1) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not, in the opinion of the Obligated Group Agent, materially impair the use of such Property or materially and adversely affect the value thereof, or (2) purchase, condemn, appropriate or recapture, or designate a purchaser of, such Property; (B) any liens (or deposits to obtain the release of such liens) on any Property for taxes, assessments, levies, fees, water and sewer charges, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or

vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed; (C) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances, and irregularities in the title to any Property which do not, in the opinion of the Obligated Group Agent, materially impair the use of such Property or materially and adversely affect the value thereof; (D) rights reserved to or vested in any municipality or public authority to control or regulate any Property or to use such Property in any manner, which rights do not, in the opinion of the Obligated Group Agent, materially impair the use of such Property or materially and adversely affect the value thereof; and (E) to the extent that it affects title to any Property, the Master Indenture;

(iv) Any lease which relates to Property of the Obligated Group which is of a type that is customarily the subject of such leases, including but not limited to any leasehold interest required under any Related Financing Documents, leases with respect to office space for physicians and educational institutions, food service facilities, gift shops and radiology or other hospital-based specialty services, pharmacy and similar departments and statutory landlord's liens with respect to such leases;

(v) Any Lien securing Indebtedness provided such Lien also secures all Obligations (other than Obligations representing Subordinated Indebtedness or Non-Recourse indebtedness) on a parity basis;

(vi) Any Lien arising by reason of good faith deposits 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;

(vii) 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 government 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 similar social security plans, or to share in the privileges or benefits required for companies participating in such arrangements;

(viii) Any Lien arising by reason of an Escrow Deposit;

(ix) (A) Any Lien in favor of a trustee or the holder of a Note on the proceeds of Indebtedness or cash or investments deposited with such trustee and acquired with such proceeds prior to the application of such proceeds or cash or investments and (B) Liens in favor of a trustee, including the Master Trustee, to secure obligations to compensate, reimburse or indemnify such trustees;

(x) Any Lien 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;

(xi) Any Lien on Property received by any member of the Obligated Group through gifts, grants or bequests, such Lien being due to restrictions on such gifts, grants or bequests of property or the income thereon;

(xii) Statutory rights of the United States of America by reason of federal funds made available under 42 U.S.C. §§ 291 *et seq.* and similar rights under other federal and state statutes;

(xiii) Liens existing at the time of a Consolidation or Merger permitted under the Master Indenture, on the date of acquisition of any Property or at the time a person becomes an Obligated Issuer; provided that no such Lien (or the amount of indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any Property of any member of the Obligated Group not subject to such Lien on such date, unless such Lien as so extended, renewed or modified shall be offered as security for all Obligations hereunder;

(xiv) Any Lien described in Exhibit A to the Master Indenture, provided that no such Lien (or the amount of indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any Property of any member of the Obligated Group not subject to such Lien on such date, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien under the Master Indenture;

(xv) A security interest in any funds or accounts established pursuant to the provisions of any Related Financing Documents;

(xvi) Liens in the form of purchase money security interests in Property financed with the proceeds of Indebtedness secured thereby;

(xvii) Liens securing any Indebtedness permitted under the Master Indenture, provided that the Master Trustee shall have received an Officer's Certificate from the Obligated Group Agent to the effect that not more than 20% of the Value of all Net Property Plant and Equipment of the Obligated Group would be subject to a Lien (excluding any purchase money security interest permitted under subsection (xvi) above and the Lien created under the Master Deed of Trust for the purpose of making such calculation);

(xviii) Liens on accounts receivable arising as a result of sale of such accounts receivable with recourse, provided that such liens shall be limited to 25% of net accounts receivable outstanding; and

(xix) Options granted by any member of the Obligated Group to others to purchase real property or other assets of such member; provided, however, that the sale pursuant to such option would be permitted under the conditions described in the Master Indenture.

(xx) Liens on any Property that is not encumbered by the Master Deed of Trust so long as the aggregate amount secured by such Liens does not exceed $5,000,000.

"Pledged Bonds" means any Bonds purchased with the proceeds of a drawing under and in accordance with the provisions of the Letter of Credit until such time as such Bonds are released from the security interest created by the Reimbursement Agreement in accordance with the provisions thereof.

"Proceeds" means "proceeds" as such term is defined in the Uniform Commercial Code as in effect in any relevant jurisdiction or under other relevant law and, in any event, shall include, but shall not be limited to, (i) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to any Obligated Issuer from time to time, and claims for insurance, indemnity, warranty or guaranty effected or held for the benefit of the Corporation, with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever) made or due and payable to the any Obligated Issuer from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Government Authority (or any person acting under color of Government Authority) and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Projected Debt Service Coverage Ratio" means for any future period of time, the ratio determined by dividing projected Total Income Available for Debt Service for such period by Maximum Annual Debt Service of the Obligated Group.

"Property" means any and all rights, titles and interests in and to any and all assets of a person, including all real or personal property, all tangible or intangible property, and all cash, wherever such assets are situated.

"Property, Plant and Equipment" means all Property which is classified as property, plant and equipment under generally accepted accounting principles.

"Rate Period" or "Rate Periods" means any of (a) the Weekly Rate Periods, (b) the Medium-Term Rate Periods or (c) the Fixed Rate Period.

"Rating Agency" means, severally or collectively, if applicable (i) Standard & Poor's Ratings Group and any successor thereto, if it has assigned a rating to any Obligation issued and outstanding under the Master Indenture or any Related Bonds issued and outstanding pursuant to any Related Financing Documents, (ii) Moody's Investors Service, Inc. and any successor thereto, if it has assigned a rating to any Obligation issued and outstanding under the Master Indenture or any Related bonds issued and outstanding pursuant to any Related Financing Documents, and (iii) Fitch's IBCA Inc. and any successor thereto, if it has assigned a rating to any Obligation issued and outstanding pursuant to any Related Financing Documents. If any such Rating Agency shall no longer perform the functions of a securities rating service for whatever reason, the term "Rating Agency" shall thereafter be deemed to refer to the others, but if both of the others shall no longer perform the functions of a securities rating service for whatever reason, term "Rating Agency" shall thereafter be deemed to refer to any other nationally recognized rating service or services as shall be designated in writing by the Obligated Group Agent to the Master Trustee; provided that such designee shall not be unsatisfactory to the Master Trustee.

"Receivables" means any "Account" as such term is defined in the Uniform Commercial Code as in effect in any relevant jurisdiction and in any event shall include, but not be limited to, all of any Obligated Issuer's rights to payment for goods (including, without limitation, steam and electricity) sold or leased, or for services performed, by such Obligated Issuer, whether now in existence or arising from time to time hereafter, including, without limitation, rights evidenced by an account, note, contract, security agreement, chattel paper, or other evidence of indebtedness or security, together with (i) all security pledged, assigned, hypothecated or granted to or held by any Obligated Issuer to secure the foregoing, (ii) all of such Obligated Issuer's right, title and interest in and to any goods (including, without limitation, steam and electricity), the sale of which gave rise thereto, (iii) all guarantees, endorsements and indemnifications on, or of, any of the foregoing, (iv) all powers of attorney for the execution of any evidence of indebtedness or security or other writing in connection therewith, (v) all books, correspondence, credit files, records, ledger cards, invoices, and other papers relating thereto, including without limitation all similar information stored on a magnetic medium or other similar storage device and other papers and documents in the possession or under the control of any Obligated Issuer or any computer bureau from time to time acting for such Obligated Issuer, (vi) all evidences of the filing of financing statements and other statements and the registration of other instruments in connection therewith and amendments thereto, notices to other creditors or secured parties, and certificates from filing or other registration officers, (vii) all credit information, reports and memoranda relating thereto, and (viii) all other writings related in any way to the foregoing.

"Record Date" means (a) during Weekly Rate Periods, the Business Day preceding any Interest Payment Date, and (b) during any Medium-Term Rate Periods or Fixed Rate Periods, the first day of the month preceding any Interest Payment Date.

"Redemption Date" when used with respect to any Bond to be redeemed means the date on which it is to be redeemed pursuant hereto.

"Redemption Price" when used with respect to any Bond to be redeemed means the price at which it is to be redeemed pursuant thereto.

"Regularly Scheduled Qualified Swap Payments" means the regularly scheduled payments under the terms of an Hedge Agreement which are due or receivable absent any termination, default or dispute in connection with such Hedge Agreement.

"Reimbursement Agreement" means individually (i) the Reimbursement Agreement relating to the Series 2013A Bonds dated as of July 30 among the Obligated Group, the Bank and other Lenders Parties thereto, including any amendments or supplements thereto and (ii) the Reimbursement Agreement relating to the Series 2013B Bonds dated as of July 30 among the Obligated Group, the Bank and other Lenders Parties thereto, including any amendments or supplements thereto; and upon the effective date of any Substitute Letter of Credit, "Reimbursement Agreement" shall mean a similar agreement, if any, between the issuer of such Substitute Letter of Credit and the Alliance.

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

"Related Bond Issuer" means the Government Issuer of any issue of Related Bonds.

"Related Bond Trustee" means the trustee and its successors in the trust created under any Related Bond Indenture, and if there is no such trustee, shall mean the Related Bond Issuer.

"Related Bonds" means the revenue bonds, notes, other evidences of indebtedness or any other obligations issued by a Government Issuer, pursuant to a single Related Bond Indenture, the proceeds of which are loaned or otherwise made available to an Obligated Issuer in consideration of the execution, authentication and delivery of a Note to or for the order of such Government Issuer.

"Related Financing Documents" means:

(a) in the case of any Note, (i) all documents, including any Related Bond Indenture, pursuant to which the proceeds of the Note are made available to an Obligated Issuer, the payment obligations evidenced by the Note are created and any security for the Note (if permitted under this Indenture) is granted, and (ii) all documents creating any additional payment or other obligations on the part of an Obligated Issuer which are executed in favor of the Holder in consideration of the Note proceeds being loaned or otherwise made available to the Obligated Issuer;

(b) in the case of any Indenture Guaranty, all documents creating the indebtedness being guaranteed pursuant to the Indenture Guaranty and providing for the loan or other disposition of the proceeds of the indebtedness and all documents pursuant to which any security for the Indenture Guaranty (if permitted under the Master Indenture) is granted; and

(c) in the case of Indebtedness other than Notes and Indenture Guaranties, all documents relating thereto which are of the same nature and for the same purpose as the documents described in clauses (a) and (b) above.

"Revenues" means all revenues, income, receipts and other money received or accrued by or on behalf of any Obligated Issuer from any source whatsoever, including, without limitation, proceeds derived from (i) insurance except where otherwise provided herein, (ii) all accounts and assignable general intangibles now owned or hereafter acquired by any Obligated Issuer, and all proceeds therefrom whether cash or noncash, all as defined in Article 9 of the Uniform Commercial Code, as enacted by the State of Tennessee, (iii) the sale of goods, inventory and other tangible and intangible property, (iv) agreements respecting Medicare, Medicaid and Blue Cross or similar or successor programs, and (v) all gifts, grants, bequests, contributions and donations made to any Obligated Issuer, including the income and profits therefrom.

"S&P" means Standard & Poor's Rating Group, a division of McGraw-Hill Financial Services Company, its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, Standard & Poor's Corporation shall be deemed to refer to any other nationally recognized municipal securities rating agency designated by the Alliance.

"Series 2013A Bond Indenture" means the Bond Trust Indenture dated as of July 1, 2013, between the Issuer and the Bond Trustee, as amended and supplemented, relating to the Series 2013A Bonds.

"Series 2013B Bond Indenture" means the Bond Trust Indenture dated as of July 1, 2013, between the Issuer and the Bond Trustee, as amended and supplemented, relating to the Series 2013B Bonds.

"Series 2013A Bonds" means the Issuer's Hospital Revenue Bonds (Mountain States Health Alliance) Series 2013A Bonds.

"Series 2013B Bonds" means the Issuer's Taxable Hospital Refunding Revenue Bonds (Mountain States Health Alliance) Series 2013B Bonds.

"Series 2013A Loan Agreement" means Loan Agreement dated as of July 1, 2013, between the Issuer and the Alliance, as amended and supplemented, relating to the Series 2013A Bonds.

"Series 2013B Loan Agreement" means Loan Agreement dated as of July 1, 2013, between the Issuer and the Alliance, as amended and supplemented, relating to the Series 2013B Bonds.

"Series 2013 Obligations" means the Mountain States Health Alliance Notes being issued by the Alliance under the Master Indenture in connection with the issuance of the Bonds.

"Series 2013A Original Letter of Credit" the Letter of Credit delivered by the Bank to the Bond Trustee on the date of original issuance of the Series 2013A Bonds in accordance with the Series 2013A Loan Agreement, and all amendments, extensions, modifications and supplements thereto.

"Series 2013B Original Letter of Credit" the Letter of Credit delivered by the Bank to the Bond Trustee on the date of original issuance of the Series 2013B Bonds in accordance with the Series 2013B Loan Agreement, and all amendments, extensions, modifications and supplements thereto.

"Short-Term Indebtedness" means all Indebtedness other than Long-Term indebtedness.

"Subordinated Indebtedness" means any promissory note, guaranty, lease, contractual agreement to pay money or other obligation of any Obligated Issuer which is expressly made subordinate and junior in right of payment of principal of, redemption premium, if any, and interest on, (i) all Obligations issued pursuant to the Master Indenture, and (ii) all other obligations of the Obligated Group under the Master Indenture, on terms and conditions which substantially require that (1) no payment on account of principal of, redemption premium, if any, or interest on such Subordinated Indebtedness shall be made, nor shall any property or assets be applied to the purchase or other acquisition or retirement of such Subordinated Indebtedness, unless full payment of all amounts when due and payable upon maturity of Obligations issued under the Master Indenture have been made or duly provided for in accordance with the terms of such Obligations; (2) no payment on account of principal of, redemption premium, if any, or interest on such Subordinated Indebtedness shall be made, nor shall any property or assets be applied to the purchase or other acquisition or retirement of such Subordinated Indebtedness if, at the time of such payment or application, or immediately after giving effect thereto, (i) there shall exist a default in the payment of the principal of, redemption premium, if any, or interest on any Obligations (whether at maturity or upon mandatory redemption), or (ii) there shall have occurred an Event of Default with respect to any Obligations, as defined therein and in this Indenture, and such Event of Default shall not have been cured or waived or shall not have ceased to exist; and (3) in the event that any Subordinated Indebtedness is declared or otherwise becomes due and payable because of the occurrence of an event of default with respect thereto, (x) the Holders at such time shall be entitled to receive payment in full thereon before the holders of the Subordinated Indebtedness shall be entitled to receive any payment on account of such Subordinated Indebtedness as a result of such event of default, and (y) no holder of Subordinated Indebtedness, or a trustee acting on such holder's behalf, shall be entitled to exercise any control over proceedings to enforce the terms and conditions of the Master Indenture.

"Tax-Exempt Organization" means a person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxes under Section 501(a) of the Code, and which is not a "private foundation" within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"Termination Date" means the stated expiration date of the Letter of Credit or the immediately preceding Business Day if such date is not a Business Day but shall not include the expiration date of the Letter of Credit due to a conversion to the Fixed Rate.

"Total Income Available for Debt Service" means, as to any period, (a) the aggregate of Income Available for Debt Service of each member of the Obligated Group for such period, determined in such a manner that no portion of Income Available for Debt Service of any member of the Obligated Group is included more than once.

"Total Net Operating Revenues" means, as to any period, the aggregate of Net Operating Revenues of each member of the Obligated Group for such period, determined in such a manner that no portion of Net Operating Revenues of any member of the Obligated Group is included more than once.

"Unrestricted Liquid Funds" as of any date means the aggregate of the unrestricted and unencumbered/unpledged cash and unrestricted and unencumbered/unpledged liquid securities (valued at fair market value) of the Obligated Group as of such date (including board-designated funds) from which there shall be subtracted each of the following: (i) the value of all self-insured professional and general liability insurance obligations of the Obligated Group determined by an independent actuary as of such date, (ii) any funds held by the lender or trustee with respect to any Long Term Indebtedness (including any debt service reserve fund, any debt service or bond fund or any construction or project fund), (iii) any proceeds drawn from a line of credit, liquidity facility or other similar facility and (iv) any grantor or donor restricted funds.

"Value," when used in connection with any Property, means either (a) Book Value, or (b) at the election of the Obligated Group Agent evidenced by an Officer's Certificate delivered to the Master Trustee, the aggregate fair market value of such Property, as reflected in the most recent written report of an appraiser selected by the Obligated Group Agent and, in the case of real property, who or which is a member of the American Institute of Real Estate Appraisers (MAI), delivered to the Master Trustee (which report shall be dated not more than three years prior to the date as of which value is to be calculated) (i) increased or decreased by the cost of any Property acquired, or the fair market value of any Property disposed of, since the date of such report and (ii) increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such report to the date as of which value is to be calculated.

"Variable Rate Indebtedness" means any portion of Indebtedness the interest rate on which fluctuates subsequent to the time of incurrence.

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE

Each Obligation will be issued pursuant to the Master Indenture and will entitle each holder thereof to the protection of the covenants, restrictions and other obligations imposed upon the Corporation and each Obligated Issuer by the Master Indenture and the security provided for therein.

Accounting Principles

Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purposes of the Master Indenture or any agreement, document or certificate executed and delivered in connection with or pursuant to the Master Indenture, such determination or computation shall be done in accordance with generally accepted accounting principles in effect on (i) the date of the delivery of the Master Indenture, or (ii) at the election of the Obligated Group Agent, as specified in an Officer's Certificate delivered to the Master Trustee, the date such determination or computation is made for any purpose of the Master Indenture, such accounting principles, to the extent applicable, consistently applied; provided that intercompany balances and liabilities among the Obligated Issuers shall be disregarded and that the requirements set forth in this paragraph shall prevail, if inconsistent with generally accepted accounting principles. In the event that the fiscal year of any Obligated Issuer ends on a date other than the last day of a Fiscal Year, the character or amount of any asset or liability or item of income or expense of such Obligated Issuer for its fiscal year ending within any Fiscal Year under consideration shall be deemed to be the character or amount of the appropriate asset or liability or item of income or expense for such Fiscal Year. For purposes of calculating Total Income Available for Debt Service and Total Net Operating Revenues for any period, if any Obligated Issuer shall have become a member of the Obligated Group during such period, such calculations shall be made assuming that such Obligated Issuer became a member of the Obligated Group at the beginning of such period.

Master Indenture Obligations

Each Obligated Issuer is permitted to issue one or more series of Obligations under the Master Indenture on which all Obligated Issuers will be jointly and severally liable. The terms of each Obligation shall be set forth in a Supplemental Indenture.

The principal of, premium, if any, and interest on the Obligations shall be payable in any currency of the United States of America which is legal tender for the payment of public and private debts. Such payment shall be made at the principal corporate trust office of the Master Trustee or, if an Obligated Issuer so elects, by check, draft or wire transfer to such Holder. In the case of all payments made directly to a Holder, the Obligated Issuer shall give notice of such payment to the Master Trustee concurrently with the making thereof.

Each Obligated Issuer, jointly and severally, unconditionally guarantees to the Holders of the Obligations and to the Master Trustee the due and punctual payment of the principal of, and interest on, the Obligations and all other amounts due and payable under the Master Indenture; provided, however, that the maximum aggregate liability of each Obligated Issuer, as of any date, shall be its Maximum Guaranty Liability as of such date.

Each Obligated Issuer shall be subrogated to all rights of the Holders of the Obligations and the Master Trustee against the other Obligated Issuers in respect of any amounts paid pursuant to the Master Indenture.

If any person ceases to be an Obligated Issuer, such person shall cease to be a "Cross Guarantor" under the Master Indenture, and its Obligations as such shall be terminated and released; provided, however, that the foregoing provision is inapplicable (i) if such person ceases to be an Obligated Issuer as a result of a transaction which is prohibited by the terms of the Master Indenture or (ii) if, at the time such person would otherwise have been released under the provisions of this paragraph, there has occurred and is continuing a default in the payment of principal, or interest, on any Obligation.

If an Obligated Issuer is called upon to make a payment under its Cross Guarantee, each of the Obligated Issuers shall contribute to such paying Obligated Issuer their pro rata share, determined pursuant to the Master Indenture, of the amount of such payment.

All Obligations shall be executed for and on behalf of an Obligated Group Member by the officer as specified in the Master Indenture or such other officer designated in writing. A resolution of the Governing Body of the Obligated Group Agent shall also be joined thereto. Further, each Obligation shall be manually authenticated, in the form provided in the Master Indenture, by an authorized signer of the Master Trustee, without which authentication no Obligation shall be valid or entitled to the benefits of the Master Indenture.

The Master Trustee shall maintain at its principal corporate trust office a registration book relating to Obligations of the Obligated Group. These registration books shall contain (i) the names and addresses of Holders of Obligations, and (ii) any other information which may be necessary for the proper discharge of the Master Trustee's duties under the Master Indenture. The Supplemental Indenture, providing for the issuance thereof, shall govern the transfer or exchange of any Obligation.

If any Obligation is mutilated, lost, stolen or destroyed, the Holder thereof shall be entitled to the issuance of a substitute Obligation only as follows:

(i) In the case of a lost, stolen or destroyed Obligation, the Holder shall: provide notice of the loss to the Obligated Group Agent, or to the Master Trustee; request the issuance of a substitute Obligation before the Obligated Group Agent receives notice of the transfer of the original Obligation to a bona fide purchaser for value without notice; provide indemnity to the Master Trustee against any and all claims arising out of, or otherwise related to, the issuance of substitute Obligations; and shall surrender any Obligation which have not been lost, stolen or destroyed and provide evidence of the ownership of the affected Obligation and the loss, theft or destruction thereof;

(ii) In the case of a mutilated Obligation the Holder shall: surrender the Obligation to the Master Trustee for cancellation; and provide indemnity to the Master Trustee against any and all claims arising out of, or otherwise related to, the issuance of substitute Obligations.

Every substituted Obligation shall constitute an additional contractual obligation of the Obligated Group, whether or not the Obligation alleged to have been destroyed, lost or stolen shall be at any time enforceable by anyone, and shall be entitled to all the benefits of the Master Indenture equally and proportionately with any and all other Obligations, unless the Obligation alleged to have been destroyed, lost or stolen shall be at any time enforceable by a bona fide purchaser for value without notice.

The preceding provisions regarding substitute Obligations are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Obligations and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or later enacted to the contrary.

The Master Trustee shall establish and maintain a revenue or similar debt service fund for the purpose of accumulating and paying amounts due on outstanding Obligations (i) if the applicable Supplemental Indenture provides for the making of deposits directly with the Master Trustee in respect of an Obligation, or (ii) upon the occurrence of an Event of Default under the Master Indenture and the exercise of any remedies by the Master Trustee for the benefit of all Holders of outstanding Obligations. All money held in any fund established under the Master Indenture, in the case of (i) above, shall, upon written request and direction of the Obligated Group Agent, be invested in Investment Securities, and any money realized by the Master Trustee in the case of (ii) above, shall be invested by the Master Trustee, without need of any further authorization or direction, only in Government Obligations with maturities not in excess of ninety days, unless the Master Trustee is otherwise directed by Holder. The Master Trustee shall not be liable or responsible for any loss resulting from any such investment.

Any Obligated Issuer and the Master Trustee may enter into a Supplemental Indenture to create an Obligation issued under the Master Indenture. The Supplemental Indenture shall (i) with respect to Obligations created thereby, set forth the date thereof, and the date or dates on which principal of, premium, if any, and interest on such Obligations shall be payable, and (ii) provide for the form of such Obligations and shall contain such other terms and provisions as shall not be inconsistent with the provisions of the Master Indenture.

Simultaneously with or prior to the execution, authentication and delivery of the Obligations pursuant to the Master Indenture:

(a) All requirements and conditions to the issuance of such Obligations, if any, set forth in the Master Indenture and the Supplemental Indenture shall have been complied with and satisfied;

(b) The applicable Obligated Issuer or the Obligated Group Agent shall have delivered to the Master Trustee such opinions, certificates, proceedings, instruments and other documents as the Master Trustee or the Related Bond Issuer, if any, may reasonably request;

(c) The requirements of the Master Indenture with respect to the incurrence of Additional Indebtedness shall have been satisfied if such Obligations constitute Indebtedness;

(d) Each Supplemental Indenture shall specify the purpose or purposes for which such Obligations are being issued, which may be any purpose within the corporate power of the applicable Obligated Issuer; and

(e) The Obligated Group Agent shall have delivered to the Master Trustee an opinion of counsel, regarding the Securities Act of 1933 and the Trust Indenture Act of 1939, as required pursuant to the Master Indenture.

Security For Obligations

As security for the payment and performance of all outstanding Obligations, the Obligated Issuers shall grant the Master Trustee a security interest in (i) all money and Investment Securities which may at any time be held

by the Master Trustee in any fund or account which may be established by the Master Trustee under the Master Indenture in connection with the administration of the trusts created thereby, (ii) all Gross Receipts, (iii) all Receivables, (iv) all Inventory, (v) all Equipment, (vi) all General Intangibles, (vii) all Contracts and all Contract Rights, (viii) all amounts from time to time held in any checking, savings, deposit or other account of any Obligated Issuer, (ix) all Government Approvals, provided, that any Government Approval which by its terms or by the operation of law would become void, voidable, terminable or revocable if mortgaged, pledged or signed under the Master Indenture or if a security interest therein were granted thereunder or expressly accepted and excluded from the security interest hereby granted to the extent necessary so as to avoid such voidness, voidability, terminability or revocability, (x) all Fixtures, including but not limited to those now or hereafter attached to, placed on or incorporated in the Land, (xi) all Revenues, (xii) without limiting the generality of the foregoing, all other personal property, goods, Instruments, Investment Property, Chattel Paper, Documents, credits, claims, demands and assets of any Obligated Issuer, whether now existing or hereafter acquired from time to time, and (xiii) any and all additions and accessions to any of the foregoing, all improvements thereto, all substitutions and replacements therefor and all products and Proceeds thereof (all of the above collectively, the "Collateral"), to have and to hold in trust for the benefit of the Holders from time to time of all Obligations issued and outstanding under the Master Indenture, without preference or priority of any one Obligation over any other Obligation except as otherwise expressly provided therein. The security interest granted to the Master Trustee pursuant to the Master Indenture extends to all Collateral of the kind which is subject to such security interest which any Obligated Issuer may acquire at any time during the continuation of the Master Indenture, whether such Collateral is in transit or in such Obligated Issuer, the Issuer's or any other person's constructive, actual or exclusive occupancy or possession.

To further secure the payment of and performance under all outstanding Obligations, the Corporation has, on even date herewith, executed and delivered to the Master Trustee the Master Deed of Trust.

If (i) in any Fiscal Year beginning with the Fiscal Year ending June 30, 2006, the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group is less than 1.50 to 1, (ii) the Obligated Group is not in compliance with the liquidity covenant described under the caption "Liquidity Covenant" herein, or (iii) an Event of Default has occurred and is continuing, the Obligated Group Agent shall cause a special trust fund (the "Revenue Fund") to be created with one or more banking institutions and each Obligated Issuer shall on a daily basis deposit all of its Gross Receipts therein.

The Obligated Group Agent shall cause each banking institution with which the Revenue Fund has been established to enter into a written depository agreement, which shall be satisfactory in form and substance to the Master Trustee and shall be in substantially the form of such agreement heretofore delivered to the Master Trustee (or with such changes therein as shall have been approved by the Holders of not less than 75% in aggregate principal amount of Obligations then outstanding) pursuant to which such banking institution shall agree to hold any and all Gross Receipts from time to time on deposit with such banking institution as assets of a trust for the Holders of the Obligations and to transfer such Gross Receipts to the Master Trustee upon receipt from the Master Trustee of a notice stating that delivery of such Gross Receipts is required pursuant to the Master Indenture. Prior to its receipt of a request from the Master Trustee, any Obligated Group member may transfer or expend all or any part of its Gross Receipts free of any security interest, subject, however, to the provisions of the Master Indenture. Deposits of Gross Receipts shall be made into the Revenue Fund on a daily basis, insofar as practicable, for the benefit of the Master Trustee and the Holders of the Obligations. Upon the request of the Obligated Group Agent, the Master Trustee will provide to such agent a written certifications as to whether there is currently outstanding a request from the Master Trustee.

Each Obligated Issuer agrees that except as may be otherwise provided in the Master Indenture, it will not pledge or grant a security interest in any of the Gross Receipts.

Each Obligated Issuer agrees that, if an Event of Default shall have occurred and be continuing, it will, upon request of the Master Trustee, deliver or direct to be delivered to the Master Trustee all Gross Receipts until such Event of Default has been cured, such Gross Receipts to be applied in accordance with the Master Indenture.

The Master Trustee shall establish and maintain a revenue or similar debt service fund hereunder for the purpose of accumulating and paying amounts due on outstanding Obligations (i) if the applicable Supplemental Indenture specifically provides for the making of deposits directly with the Master Trustee in respect of an

Obligation, or (ii) upon the occurrence of an Event of Default and the exercise of any remedies by the Master Trustee for the benefit of all Holders of outstanding Obligations; provided, however, if neither (i) nor (ii) are at the time applicable but deposits to the Revenue Fund are then required under subsection (a) above, the Obligated Group Agent may deposit the Gross Receipts with one or more banking institutions (other than the Master Trustee) and such revenues shall, upon the request and direction of the Obligated Group Agent, be invested in Investment Securities. In the case of (i) above, deposits to any such fund and payments therefrom shall be made in accordance with the terms and provisions of the applicable Supplemental Indenture for the making of deposits into and payments from such fund. In the case of (ii) above, any moneys realized by the Master Trustee upon the exercise of any such remedies shall be applied in accordance with the provisions of the Master Indenture. All money held at any time in any fund in the case of (i) above, shall, upon written request and direction of the Obligated Group Agent, be invested in Investment Securities and any money realized by the Master Trustee in the case of (ii) above, shall be invested by the Master Trustee, without need of any further authorization or direction, only in Government Obligations having maturities not in excess of 90 days, unless the Master Trustee is otherwise directed by Holders in the manner provided in the Master Indenture.

Persons Becoming Obligated Issuers; Withdrawal from Obligated Group

The Master Indenture permits persons other than the Corporation to become members of the Obligated Group subject to the satisfaction of certain conditions. The conditions include the following:

First, such person shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Obligated Group Agent, containing (i) the agreement of such person to become an Obligated Issuer under the Master Indenture and thereby to become subject to compliance with all provisions of the Master Indenture pertaining to an Obligated Issuer, including the performance and observance of all covenants and obligations of an Obligated Issuer under the Master Indenture; (ii) the agreement of such person to consult with each other member of the Obligated Group prior to incurring any Obligations; and (iii) such other restrictions on the ability of such person to incur Obligations as shall be imposed by the Obligated Group. Such person shall execute and deliver to the Master Trustee such security agreements, financing statements and other documents as are necessary to grant to the Master Trustee a perfected lien in all Collateral in which such person has an interest.

Second, each instrument executed and delivered to the Master Trustee in accordance with the preceding paragraph shall be accompanied by an Officer's Certificate from the Obligated Group Agent to the effect that the Obligated Group Agent consents to such person becoming an Obligated Issuer and an opinion of Counsel to the effect that (a) the conditions contained in the Master Indenture relating to such person's membership in the Obligated Group have been satisfied; (b) under then existing law, such person becoming an Obligated Issuer will not subject any Obligation to the registration provisions of the Securities Act of 1933, as amended, or that such Obligation has been so registered if so required, or the qualification of the Master Indenture pursuant to the Trust Indenture Act of 1939, as amended, or that the Master Indenture has been so qualified if qualification is required; and (c) each such instrument has been duly authorized, executed and delivered by such person and constitutes a legal, valid and binding agreement, enforceable in accordance with its terms, except as limited by then-existing laws relating to bankruptcy and insolvency and other standards and customary legal exceptions.

If all amounts due or to become due on any outstanding Related Bond which bears interest that is not includable in gross income under the Code has not been paid to the holder thereof (or provision for such payment has not been made in such manner as to have resulted in the defeasance of the Related Financing Documents), the Master Trustee shall receive an Opinion of Bond Counsel to the effect that under then existing law such person becoming an Obligated Issuer would not adversely affect the validity of such Related Bond or cause the interest payable on such Related Bond to become includable in gross income under the Code.

As a further condition to a person becoming a member of the Obligated Group, the Master Trustee shall receive an Officer's Certificate from the Obligated Group Agent to the effect that (A) no Event of Default then exists under the Master Indenture, nor to such officer's knowledge, does 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 under the Master Indenture, and (B) either (1) if one dollar of Additional Indebtedness were incurred immediately following such person's admission, the Obligated Group would meet the test providing for the incurrence of Long-Term Indebtedness pursuant to subsection (a)(i) or (ii) under the heading "Additional Long-Term Indebtedness" (assuming, for purposes

of such certificate, that the Income Available for Debt Service and Indebtedness of such person were Income Available for Debt Service and Indebtedness of an Obligated Issuer), or (2) such person becoming a member of the Obligated Group will cure any Event of Default then in existence under the Master Indenture, or (3) by reason of such membership, the Projected Debt Service Coverage Ratio for each of the two Fiscal Years following such entry into the Obligated Group will be greater than the projected Debt Service Coverage Ratio for such Fiscal Years had such entry into the Obligated Group not occurred, and (C) immediately after such person's admission, the combined fund balance and net worth, as the case may be, of the Obligated Group is not less than 90% of such combined fund balance and net worth immediately prior to such admission, and (D) the Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group (taking into account the admission of such person) for each of the two most recent Fiscal Years for which consolidated or combined financial statements reported upon by an independent certified public Accountant are available was not less than 1.30:1.

As a further condition to a person becoming a member of the Obligated Group, the Master Trustee shall receive a Consultant's report to the effect that the Projected Debt Service Coverage Ratio of the Obligated Group (taking into account the admission of such person) for each of the two Fiscal Years following the admission of such person is not less than 1.30:1.

The Corporation shall not withdraw from the Obligated Group. No other Obligated Issuer may withdraw from the Obligated Group unless:

(i) If the Obligated Issuer is other than the Obligated Group Agent, the Obligated Group Agent consents to the withdrawal;

(ii) If all amounts due on any outstanding Related Bond which bears interest that is not includable in gross income under the Code have not been paid to the holder thereof (or provision for such payments has not been made in such manner as to have resulted in the defeasance of the Related Financing Documents), the Master Trustee shall have received an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law such person's withdrawal from the Obligated Group would not adversely affect the validity of such Related Bond or cause the interest payable on such Related Bond to become includable in gross income under the Code;

(iii) The Master Trustee shall have received an Officer's Certificate from the Obligated Group Agent to the effect that either (1) after giving effect to such withdrawal, if one dollar of Additional Indebtedness were incurred, the Obligated Group would meet the test providing for the incurrence of Long-Term Indebtedness pursuant to subsection (a)(i) or (ii) under the heading "Additional Long-Term Indebtedness," or (2) such person's withdrawal from the Obligated Group will cure any Event of Default then in existence under the Master Indenture, or (3) by reason of such withdrawal, the Projected Debt Service Coverage Ratio for each of the two Fiscal Years immediately following withdrawal of such Obligated Issuer from the Obligated Group will be greater than the Projected Debt Service Coverage Ratio for such Fiscal Years had such withdrawal not occurred;

(iv) The Master Trustee shall have received an Officer's Certificate from the Obligated Group Agent to the effect that, immediately after the withdrawal of such person from the Obligated Group, no Event of Default then exists under the Master Indenture, nor to such officer's knowledge, does 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; and

(v) The Master Trustee shall have received a Consultant's report to the effect that the Projected Debt Service Coverage Ratio of the Obligated Group (taking into account the withdrawal of such person) for each of the two Fiscal Years following the withdrawal of such person is not less than 1.3:1;

(vi) The Master Trustee shall have received an Officer's Certificate from the Obligated Group Agent to the effect that the Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group (taking into account the withdrawal of such Obligated Issuer) for each of the two most recent Fiscal Years for which consolidated or combined financial statements reported upon an independent certified public Accountant are available was not less than 1.30 to 1; and

(vii) The Obligated Group Agent shall have received an opinion of Counsel to the effect that following such person's withdrawal from the Obligated Group no member of the Obligated Group will have any liability for the payment of any indebtedness of such person.

Upon compliance with the above conditions, the Master Trustee shall execute any documents reasonably requested by the withdrawing Obligated Issuer to evidence the termination of such Issuer's obligations under the Master Indenture, under any Supplemental Indenture and under all Obligations.

Short-Term Indebtedness

Each Obligated Issuer agrees that it will not incur, nor permit any of its Restricted Affiliates to incur, any Additional Indebtedness constituting Short-Term Indebtedness unless immediately after the incurrence of such Short-Term Indebtedness:

(a) (i) the principal amount of all Short-Term Indebtedness of the Obligated Group then outstanding does not exceed 20% of the Total Net Operating Revenues for the most recent Fiscal Year for which consolidated or combined financial statements reported upon by an independent certified public Accountant are available, or

(ii) any such Short-Term Indebtedness could be incurred under the tests set forth in the Master Indenture (relating to Long-Term Indebtedness) treating such Short-Term Indebtedness as Long-Term Indebtedness, and

(b) For a period of not fewer than 15 consecutive days within each Fiscal Year, the Obligated Group shall reduce the aggregate principal amount of all outstanding Short-Term Indebtedness described in (a)(i) above to less than 5% of the Total Net Operating Revenues for the immediately preceding Fiscal Year.

Additional Long-Term Indebtedness

Each Obligated Issuer agrees that it will not incur nor permit any of its Restricted Affiliates to incur, any Additional Indebtedness constituting Long-Term Indebtedness unless such Long-Term Indebtedness consists of one or more of the following:

(a) Long-Term Indebtedness of any member of the Obligated Group, if prior to the incurrence thereof, there is delivered to the Master Trustee:

(i) an Officer's Certificate of the Obligated Group Agent demonstrating that the Historical Pro Forma Debt Service Coverage Ratio for the most recent Fiscal Year for which consolidated or combined financial statements reported upon by an independent certified public Accountant are available, was not less than 1.35; or

(ii) (A) an Officer's Certificate of the Obligated Group Agent demonstrating that the Historical Maximum Annual Debt Service Coverage Ratio for the most recent Fiscal Year for which consolidated or combined financial statements reported upon by an independent certified public Accountant are available, was not less than 1.25 and (B) a Consultant's report (or, in lieu thereof, an Officer's Certificate of the Obligated Group Agent if the Projected Debt Service Coverage Ratio described in this subsection (B) is 1.75 or greater) to the effect that the Projected Debt Service Coverage Ratio, taking the proposed Additional Indebtedness into account, (x) in the case of Additional Indebtedness (other than a Guaranty) to finance capital improvements, for each of the two Fiscal Years succeeding the date on which such capital improvements are expected to be in operation, or (y) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, for each of the two Fiscal Years succeeding the date on which the Indebtedness or Guaranty is incurred, is not less than 1.40.

The requirements of (a)(ii)(A) and (B) will be deemed satisfied if (i) a Consultant's report filed with the Master Trustee states that applicable laws or regulations have prevented or will prevent the achievement of such debt service coverage ratios, (ii) the Obligated Group has generated Total Income Available for Debt Service in an amount which, in the opinion of such Consultant, the Obligated Group could reasonably have generated given such laws and regulations during the period affected thereby.

(b) Completion Indebtedness of any member of the Obligated Group without limit if there is delivered to the Master Trustee: (i) an Officer's Certificate of the applicable member of the Obligated Group stating that at the time the original Long-Term Indebtedness for the Facilities to be completed was incurred, such Obligated Group member had reason to believe that the proceeds of such Long-Term Indebtedness, together with other moneys then expected to be available, would provide sufficient moneys for the completion of such Facilities; (ii) a statement of an Architect or an expert setting forth the amount estimated to be needed to complete the Facilities, and (iii) an Officer's Certificate of such member of the Obligated Group stating that the proceeds of such Completion Indebtedness to be applied to the completion of the Facilities, together with a reasonable estimate of investment income to be earned on such proceeds and the amount of moneys, if any, committed to such completion by such Obligated Group member or through enumerated bank loans (including letters or lines of credit) or through federal or state grants, will be in an amount not less than the amount set forth in the statement of an architect or other expert referred to in (ii).

(c) Commitment Indebtedness of any member of the Obligated Group or any Guaranty of any Commitment Indebtedness of any member of the Obligated Group without limit.

(d) Long-Term Indebtedness of any member of the Obligated Group incurred for the purpose of refunding, repurchasing or refinancing (whether in advance or otherwise) any outstanding Long-Term Indebtedness; provided, however, that additional Long-Term Indebtedness permitted under this paragraph (d) shall not result in an increase in Maximum Annual Debt Service in excess of 10%.

(e) The conversion without limit of Long-Term Indebtedness of any member of the Obligated Group that is convertible from one interest or payment made to another interest or payment (e.g., weekly to monthly or to a fixed rate) from one mode to another pursuant to the terms of the documentation authorizing such Long-Term Indebtedness.

(f) Subordinated Indebtedness without limit of any member of the Obligated Group or Non-Recourse Indebtedness without limit of any member of the Obligated Group; provided, however, that in the case of Subordinated Indebtedness, the Obligated Group Agent shall have furnished the Master Trustee with a certificate showing that prior to the issuance of such Subordinated Indebtedness, the debt to capitalization ratio of the Obligated Group does not exceed 60%.

(g) Indebtedness incurred in connection with a sale of not more than 25% of accounts receivable with recourse by any member of the Obligated Group consisting of an obligation to repurchase all or a portion of such accounts receivable upon certain conditions, provided that the principal amount of such Indebtedness permitted shall not exceed the aggregate sales price of such accounts receivable received by such Obligated Group member.

(h) Long-Term Indebtedness of any member of the Obligated Group, the principal amount of which at the time incurred, together with the aggregate principal amount of all other Long-Term Indebtedness and Short-Term Indebtedness of the Obligated Group then outstanding, does not exceed 25% of the Total Net Operating Revenues for the most recent Fiscal year for which consolidated or combined financial statements reported upon by an independent certified public Accountant are available.

(i) Long-Term Indebtedness of any member of the Obligated Group if prior to the incurrence thereof an Officer's Certificate of the Obligated Group Agent is delivered to the Master Trustee certifying that, immediately following the incurrence of such Long-Term Indebtedness, the total outstanding Long-Term Indebtedness of the Obligated Group will not exceed 66-2/3% of the sum of the principal amount of all outstanding Long-Term Indebtedness of the Obligated Group, plus the equity accounts of the Obligated Group (i.e., unrestricted fund balances, including any shareholder equity or partnership equity).

Guaranties

Each Obligated Issuer agrees that it will not enter into, or become liable in respect of, or permit any Restricted Affiliate to enter into, or become liable in respect of, any Guaranty dated after the date of the Master Indenture unless the principal amount of the indebtedness being guaranteed could then be incurred as Indebtedness described under the heading "Additional Long-Term Indebtedness," taking into account the assumptions as to calculating the aggregate annual principal and interest payments on, and the principal amount of, the indebtedness being guaranteed, contained in the immediately succeeding paragraph.

In the case of Guaranties of indebtedness that would, if such indebtedness were incurred by a member of the Obligated Group, constitute Long-Term Indebtedness, the aggregate annual principal and interest payments on, and the principal amount of, the Guaranty shall be deemed to be equal to 20% of the principal and interest payments which would be payable on the indebtedness being guaranteed as if such indebtedness were Long-Term Indebtedness of the Guarantor. If at any time the Guaranty becomes due and payable, or if any payment has been made under the Guaranty during the two immediately preceding Fiscal Years, the aggregate annual principal and interest payments on, and the principal amount of, the Guaranty shall, for purposes of this paragraph, be deemed to equal 100% of the principal and interest payable on, and the principal amount of, the indebtedness being guaranteed for the Fiscal Year for which such determination is being made.

Debt Service on Balloon Indebtedness and Variable Rate Indebtedness

For purposes of the covenants and computations required or permitted pursuant to the Master Indenture, it shall be assumed that (A) the interest rate on Variable Rate Indebtedness is equal to the higher of (a) the current rate on the Variable Rate Indebtedness or (b) that rate that is the average of the rate of interest which was in effect on the last day of each of the twelve preceding full calendar months immediately preceding the month in which such calculation is made, provided that if the Variable Rate Indebtedness has not been outstanding for at least twelve full calendar months, the assumed rate of interest for such Variable Rate Indebtedness shall be the rate of interest borne on the date such Variable Rate Indebtedness was issued and (B) the principal of Balloon Indebtedness is amortized:

(i) from the date of calculation thereof over a term equal to twenty (20) years, with level annual debt service payments at an assumed interest rate equal to the Bond Index (provided if the Balloon Indebtedness is also Variable Rate Indebtedness, the assumed interest rate may, at the option of the Obligated Group Agent, be the assumed interest rate applicable to Variable Rate Indebtedness); or

(ii) during the term to the maturity thereof by deposits made to a sinking fund therefor pursuant to the terms of such Balloon Indebtedness or in accordance with a sinking fund schedule established by resolution of the Governing Body of the applicable Obligated Issuer adopted at or subsequent to the time of incurrence of such Balloon Indebtedness, as certified in an Officer's Certificate, provided that, at the time of such calculation, all deposits required to have been made prior to such date shall have been made; or

(iii) the principal of Balloon Indebtedness is due and payable on the specified due date or due dates thereof; or

(iv) with respect to Balloon Indebtedness for which there exists a Credit Facility, the principal of such Balloon Indebtedness is due and payable in the amounts and at the times specified in the Credit Facility or related documents.

Insurance

Each Obligated Issuer will maintain, or cause to be maintained, insurance covering such risks and in such amounts as, in its reasonable judgment, is adequate to protect it and its Property and operations, including (to the extent that such Obligated Issuer is a health care institution) professional liability or medical malpractice insurance, one year's business interruption insurance (if commercially available) and extended coverage property insurance in an amount sufficient to avoid co-insurance. The Master Trustee shall be named as an additional insured on all such insurance policies. The Obligated Group Agent shall retain an Insurance Consultant who will prepare and file with

the Master Trustee a report showing the adequacy of such insurance once every two years (such report to be filed as soon as practicable but in no event later than five months after the end of the applicable second Fiscal Year). Each Obligated Issuer will follow any recommendations of the Insurance Consultant to the extent feasible in the opinion of the Obligated Group Agent.

In lieu of maintaining the insurance policies required above, the Obligated Group, or any member thereof, may self-insure any of the required coverages (or a portion thereof), provided that the Obligated Group may not self-insure any required coverage with respect to Property, Plant and Equipment and provided further that the Master Trustee receives a report (as soon as practicable but in no event later than five months after the end of each Fiscal Year) of an Insurance Consultant to the effect that such self-insurance is consistent with proper management and insurance practices. If any member of the Obligated Group elects to self-insure in lieu of maintaining medical liability and malpractice insurance, a report of an Insurance Consultant shall be filed with the Master Trustee annually stating that such Insurance Consultant has reviewed the self-insurance program and that the self-insured Obligated Group Member has available the estimated amount required for the payment of claims and associated claims expenses with respect to such Fiscal Year.

In the event of damage to or destruction of all or any part of the Facilities of the Obligated Group with a Value in excess of five percent (5%) of the Value of all Property of the Obligated Group, the affected Obligated Group member or the Obligated Group Agent shall exercise its best efforts to recover any applicable insurance. Such proceeds shall be paid to the Obligated Group Agent for the payment or reimbursement of reasonable expenses of obtaining the recovery. The Obligated Group Agent shall then give notice to the Master Trustee of such expenses and of the amount of the remaining proceeds (herein called the "Net Proceeds").

Subject to the provisions of any Related Financing Document pertaining to a Permitted Lien, the affected Obligated Group member shall apply the Net Proceeds for any lawful corporate purpose as such Obligated Group member determines, if the Obligated Group Agent shall first have delivered to the Master Trustee an Officer's Certificate stating that the Projected Debt Service Coverage Ratio for each of the next two full succeeding Fiscal Years immediately following the date of such certificate(s), taking into account such damage or destruction and the proposed use of the Net Proceeds is at least 1.10. If the Obligated Group Agent is unable to deliver the foregoing Officer's Certificate, the affected Obligated Group member shall apply the Net Proceeds or so much thereof as may be needed to the repair, replacement, restoration or reconstruction of the affected Facilities or, at the option of the applicable Obligated Group member, to any other capital project of equivalent value and utility, to the acquisition of any Property or to the repayment in whole or in part of any outstanding Obligations in such order of maturity or maturities or proportions as the Obligated Group Agent shall determine.

Any Net Proceeds remaining after compliance by the affected Obligated Group member and the Obligated Group Agent with the immediately preceding paragraph shall be transferred by the Obligated Group Agent to the Master Trustee and applied to the redemption of the outstanding Obligations that directly finance the damaged or condemned facilities and are secured thereby, second to other direct outstanding Obligations of the affected Member of the Obligated Group, and third to the redemption of other outstanding Obligations in such order of maturity or maturities or proportions as the Obligated Group Agent shall determine.

In the event of a taking by eminent domain of all or any part of the Facilities of the Obligated Group with a Value in excess of five percent (5%) of the Value of all Property of the Obligated Group, the affected Obligated Group member or the Obligated Group Agent shall exercise its best efforts to recover any applicable proceeds. Such proceeds shall be paid to the Obligated Group Agent. The Obligated Group Agent shall make appropriate deductions from such proceeds and give notice to the Master Trustee of such deductions and of the amount of the remaining proceeds (also, "Net Proceeds"). The Net Proceeds shall be applied in the same manner as insurance proceeds are applied pursuant to the two immediately preceding paragraphs.

Certain Covenants of the Obligated Issuers

Each Obligated Issuer covenants, among other things, to maintain its corporate or other separate legal existence and to be qualified to do business where such qualification is necessary, to maintain and keep its Facilities in good repair, to conduct its affairs in compliance with all applicable laws and regulations, to pay all lawful taxes and governmental charges and assessments levied or assessed upon or against it or its Property (except that each

Obligated Issuer may withhold such payments where the validity of such taxes and assessments is being contested in good faith), to comply with any covenants and provisions of any Liens upon its property or securing any of its Indebtedness, to procure and maintain all necessary licenses and permits, to maintain accreditation of its health care Facilities and its status as a provider of health care services eligible for reimbursement under government programs (provided, however, that it need not comply with the requirements pertaining to licenses, permits, accreditation and its status as a provider if and to the extent its Governing Body shall have determined in good faith, evidenced by an Officer's Certificate 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).

In addition, each Obligated Issuer covenants not to merge with or consolidate with any other person not a member of the Obligated Group or sell or convey all or substantially all of its assets to any person not a member of the Obligated Group unless: (a) the successor corporation (if other than the Obligated Issuer) shall be a person organized and existing under the laws of the United States of America or a state thereof and such person shall become an Obligated Issuer and shall expressly assume the due and punctual payment of the principal of, premium, if any, and interest on all outstanding Obligations according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Master Indenture by a Supplemental Indenture satisfactory to the Master Trustee, executed and delivered to the Master Trustee by such person; (b) if all amounts due or to become due on any outstanding Related Bonds which bear interest that is not includable in gross income under the Code have not been fully paid to the holders thereof (or provision for such payment has not been made in such manner as will result in the defeasance of the Related Financing Documents), the Master Trustee shall have received 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 the date of the delivery of any such Related Bonds, would not cause the interest payable on such Related Bonds to become includable in gross income under the Code or adversely affect the validity of such Related Bonds; and (c) there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Agent to the effect that immediately following such transaction, (A) no Event of Default then exists nor, to such officer's knowledge, does there exist any event which, with the passage of time or the giving of notice or both, would or might become an Event of Default under the Master Indenture, and (B) either (1) if one dollar of Additional Indebtedness were incurred, the Obligated Group would meet the tests providing for the incurrence of Long-Term Indebtedness described in subsection (a)(i) or (ii) under the heading Additional Long-Term Indebtedness (assuming for purposes of such Certificate that the Income Available for Debt Service and Indebtedness of such person were Income Available for Debt Service and Indebtedness of an Obligated Issuer), or (2) such transaction will cure any Event of Default then in existence under the Master Indenture, or (3) by reason of such transaction, the Projected Debt Service Coverage Ratio for each of the two Fiscal Years following such release will be greater than the Projected Debt Service Coverage Ratio for such Fiscal Years had such transaction not occurred, and (C) the combined fund balance and net worth, as the case may be, of the Obligated Group will not be less than 90% of such combined fund balance and net worth immediately prior to such transaction.

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.

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 as may be appropriate.

Permitted Encumbrances

No Obligated Issuer will create or suffer to be created or to exist (or permit any Restricted Affiliate to create or suffer to be created or to exist) any Lien upon any of their Property including, without limitation, all proceeds thereof, whether cash or non-cash, now owned or after acquired by any of them, other than Permitted Liens.

Disposition of Property

Each Obligated Issuer agrees that neither it will sell, lease or otherwise dispose of any Property, except for sales, leases or other dispositions of Property:

(a) To another member of the Obligated Group;

(b) To any person if prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate stating that, in the judgment of the officer executing such certificate, such Property has become, or within the next succeeding 24 calendar months is reasonably expected to become, inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property;

(c) To any person provided that prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Agent certifying (1) that Property transferred pursuant to this section in the then-current Fiscal Year by all Obligated Issuers does not exceed 5% of the Value of all Property of the Obligated Group for the immediately preceding Fiscal Year and (2) that Property transferred pursuant to this section in the then-current Fiscal Year and in each of the immediately preceding three Fiscal Years by all Obligated Issuers does not in the aggregate exceed 15% of the Value of all Property of the Obligated Group for the immediately preceding Fiscal Year;

(d) To any person provided that prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Agent, to the effect that immediately after the transfer in question, either (1) if one dollar of Additional Indebtedness were incurred, the Obligated Group would meet the test providing for the incurrence of Long-Term Indebtedness pursuant to subsection (a)(i) or (ii) above contained under the heading Additional Long-Term Indebtedness or (2) such disposition will increase the Projected Debt Service Coverage Ratio in the Fiscal Year immediately following such disposition over what such ratio would have been in such Fiscal Year had such disposition not occurred;

(e) As part of a merger, consolidation, sale or conveyance permitted under the heading "Certain Covenants of the Obligated Issuers";

(f) In the ordinary course of business;

(g) To any person in connection with an operating lease of Property to such person;

(h) Upon fair and reasonable terms no less favorable than would be obtained in a comparable arm's-length transaction;

(i) To any person if the transfer involves any Property received as restricted gifts, grants, bequests or other similar sums or the income thereon, to the extent that such sums may not be pledged or applied to the payment of any Debt Service Requirement or operating expenses generally as a result of restrictions or designations imposed by the donor or maker of the gift, grant, bequest or other sums in question; or

(j) To any person so long as such Property is not encumbered by the Master Deed of Trust and the amount of Property transferred pursuant to this subsection (j) in any Fiscal Year shall not exceed $5,000,000.

To the extent that any Property of the Corporation that is permitted to be sold, leased or otherwise disposed of under the foregoing is encumbered by the Master Deed of Trust or the Master Indenture, upon receipt of an Officer's Certificate directing the Master Trustee to execute a release and/or termination statement with respect to such property to be sold, the Master Trustee shall execute and deliver to the Corporation a release and/or termination statement with respect to such property; provided, however, that no real property encumbered by the Master Deed of Trust shall be sold, leased or otherwise disposed of unless (1) such sale, lease or disposition is permitted under one of the provisions above and the Value of the Property being sold, leased or otherwise disposed of does not exceed $2,500,000 or (2) such Property is sold for fair market value (as determined by an appraisal delivered to the Master Trustee), provided that if such sale is of real property having an aggregate Book Value in excess of $15,000,000, the Corporation shall deliver to the Master Trustee an Officer's Certificate of the Obligated Group Agent to the effect that immediately after the transaction in question the Obligated Group (i) will have a Days Cash on Hand Ratio equal to or greater than 50 and (ii) will be in compliance with the provisions of the Master Indenture relating to rates and charges. In the event that any Property is released from the Master Deed of Trust pursuant to clause (2) of the

immediately preceding sentence, the consideration received by the Corporation from the sale of such Property shall be applied to acquisition, construction or equipping of facilities for use by the Obligated Group or to the optional redemption or defeasance of outstanding Related Bonds, provided, however, that if outstanding Related Bonds are insured by the Bond Insurer at the time of such sale, the Bond Insurer shall be entitled to approve the application of any such consideration that is not used to redeem or defease Related Bonds and may in connection with any such approval required the Obligated Group to encumber additional real property pursuant to the Master Deed of Trust with a Value not less than the Value of the Property being released.

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

The Obligated Group Agent covenants that it will:

(a) As soon as practicable but in no event later than four months after the end of each Fiscal Year, file, or cause to be filed, with the Master Trustee and, if such persons are then providing a rating with respect to Obligations or any Related Bonds, with each Rating Agency, (i) a combined or consolidated revenue and expense statement of the Corporation, and each other Obligated Issuer, for such Fiscal Year and (ii) a combined or consolidated balance sheet of the Corporation and each other Obligated Issuer as of the end of such Fiscal Year, each accompanied by the required report of an Accountant.

(b) As soon as practicable but in no event later than four months after the end of each Fiscal Year, file with the Master Trustee, an Officer's Certificate of the Obligated Group Agent stating the Historical Debt Service Coverage Ratio and the Historical Maximum Annual Debt Service Coverage Ratio for such Fiscal year, stating that all insurance required by the Master Indenture has been obtained and is in full force and effect, and stating whether or not to the best knowledge of the signers, any Obligated Issuer 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, and an Officer's Certificate stating the Historical Debt Service Coverage Ratio and the Historical Maximum Annual Debt Service Coverage Ratio for such fiscal year, provided, if either such ratio is less than 1.75 to 1.00, such Officer's Certificate shall be accompanied by a certificate of the accountant whose report accompanies the financial statements referred to in (a) above stating such ratios.

(c) 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 group of companies of which it is a member) as the Master Trustee may from time to time reasonably request, excluding specifically donor records, patient records and personnel records and (ii) provide access to its Facilities for the purpose of inspection by the Master Trustee during regular business hours or at such other times as the Master Trustee may reasonably request.

(d) Within 10 days after its receipt thereof, file with the Master Trustee a copy of each report which any provision of the Master Indenture requires to be prepared by a Consultant or an insurance consultant.

(e) As soon as practicable, but in no event later than 45 days after the end of each fiscal quarter, file, or cause to be filed, with the Master Trustee (i) a combined or consolidated revenue and expense statement of the Corporation and each other Obligated Issuer for such quarter, and (ii) a combined consolidated balance sheet presented on the basis described in (i) above as of the end of such quarter.

(f) Cause the information described in subsections (a), (b) and (e) above, including the calculations described in subsections (b) and (e) above, in each case any holder of $1,000,000 or more in aggregate principal amount of Related Bonds who has requested such of the Corporation in writing (it being understood that such request may be a standing request).

Rates and Charges

Each Obligated Issuer covenants and agrees to operate, and to cause each of its Restricted Affiliates to operate on a revenue producing basis and to charge, and to cause each of its Restricted Affiliates to charge, such fees and rates for its Facilities and services and to exercise, and to cause each of its Restricted Affiliates to exercise, such

skill and diligence as to provide income from its Property together with other available funds sufficient to pay promptly all payments of principal and interest on its Indebtedness, all expenses of operation, maintenance and repair of its Property and all other payments required to be made by it under the Master Indenture to the extent permitted by law, and to use its best efforts to maintain in each Fiscal Year beginning with the Fiscal Year ending June 30, 2001 a ratio of Total Income Available For Debt Service to Maximum Annual Debt Service at least equal to 1.30. Each Obligated Issuer further covenants and agrees that it will from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of this Section.

If in any Fiscal Year beginning with the Fiscal Year ending June 30, 2001 the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group is less than 1.30, the Master Trustee shall require the Obligated Group, at the expense of the Obligated Group, to retain a Consultant to make recommendations with respect to the rates, fees and charges of the Obligated Group and its methods of operation and other factors affecting its financial condition in order to increase such Historical Maximum Annual Debt Service Coverage Ratio to at least 1.30.

A copy of the Consultant's report and recommendations, if any, and any written responses from management of the Corporation, shall be filed with each Obligated Issuer, the Master Trustee, each Related Bond Trustee and each Related Issuer and, upon written request to the Corporation, any holder of at least $1,000,000 in aggregate principal amount of Related Bonds. Each Obligated Issuer shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined by the Governing Body of such Obligated Issuer) and permitted by law. This Section shall not be construed to prohibit any Obligated Issuer from serving indigent patients to the extent required for such Obligated Issuer to continue its qualification as a Tax-Exempt Organization or from serving any other class or classes of patients without charge or at reduced rates so long as such service does not prevent the Obligated Group from satisfying the other requirements of this Section. So long as the Obligated Group shall retain a Consultant and shall follow such Consultant's recommendations to the extent permitted by law, this Section shall be deemed to have been complied with even if such ratio for any subsequent Fiscal Year is below 1.30:1; provided, however, that in no event shall the Historical Maximum Annual Debt Service Coverage Ratio for any year be less than 1.00:1.

Notwithstanding the provisions of the immediately preceding paragraph, if by the end of the second Fiscal Year after the Fiscal Year (beginning with the Fiscal Year ending June 30, 2001) for which the Obligated Group failed to achieve a Historical Maximum Annual Debt Service Coverage Ratio of at least 1.30:1 the Obligated Group has not achieved a Historical Maximum Annual Debt Service Coverage Ratio of at least 1.30:1, the Obligated Group shall be deemed to be in violation of the provisions of the Master Indenture.

The selection of any Consultant retained pursuant to this section and the scope of such Consultant's activities and recommendations shall be subject to the approval of the Bond Insurer and ratification by each of the Holders of the two largest principal amounts of Uninsured Obligations; provided that the ratification by such Holders shall not be unreasonably withheld.

Liquidity Covenant

The Obligated Group shall maintain Unrestricted Liquid Funds as of the last day of each Fiscal Year to produce a Days Cash on Hand Ratio equal to or greater than 75 as of the last day of each Fiscal Year.

Accreditation

The Corporation shall not fail to maintain any accreditation status currently held by the Corporation with respect to its hospital facilities unless it provides the Master Trustee with a Consultant's opinion to the effect that failure to maintain any such accreditation will not adversely affect the Corporation's hospital facilities. Notwithstanding the foregoing, this Section shall not be construed to require the Corporation to continue to operate any hospital facility or to maintain any accreditation for any hospital facility that is closed.

Hedge Agreements[2*]

The members of the Obligated Group may not enter into a Hedge Agreement without the prior written consent of the Bond Insurer (so long as any outstanding Related Bonds are insured by the Bond Insurer) unless the following conditions are met:

(a) The Hedge Agreement must be entered into as a hedge against (i) swaps currently outstanding (as in basis swaps or reverse swaps), or (ii) debt then outstanding or to be issued, or (iii) as a means of achieving forward transactions, or (iv) against assets held at the time of the execution of the Hedge Agreement;

(b) The Hedge Agreement does not contain any element of leverage or multiplier component in excess of 1.0x unless there is a matching hedge arrangement which effectively offsets the exposure from any such element or component;

(c) If an amount equal to the Maximum Adverse Termination Payment (as defined below) of all of the Hedge Agreements of the Obligated Group, then in effect and those to be executed, determined as noted in (i) and (ii) below, at the time the new Hedge Agreement is to be entered into were excluded from unrestricted cash and investments, the Days Cash on Hand Ratio would still be satisfied;

(i) The Obligated Group Agent shall calculate the Maximum Adverse Termination Amount in three steps. First, the Obligated Group Agent will determine the actual mark-to-market value of all existing Hedge Agreements of the Obligated Group using standard mark-to-market methodology. Second, the Obligated Group Agent will calculate the Adverse Termination Amount (as defined below) of the contemplated derivative based on (ii) below. Third, the Adverse Termination Amount of the contemplated Hedge Agreement will be added to the actual mark-to-market value of all existing Hedge Agreements.

(ii) The methodology for calculating the Adverse Termination Amount for the contemplated Hedge Agreement depends on the type of swap it is. If the contemplated swap is a floating-to-fixed interest rate swap, a fixed-to-floating interest rates swap, or an option to enter into or cancel either of those structures, the Obligated Group Agent will calculate the present value of a 150 basis point loss using standard mark-to-market methodology and will assume taxable and tax-exempt rates both shift 150 basis points on the day of the calculation. This will result in the Adverse Termination Amount for the new swap. If the contemplated swap is a basis swap, a fixed spread basis swap, a constant maturity swap, a spread swap, or a similar structure (with or without an option), the Obligated Group Agent will calculate a 50 basis point loss by multiplying the absolute present value of one basis point in the then current market by -50 (negative fifty), to reflect an adverse change in ratios, spreads, rates, and other market conditions. This will result in the Adverse Termination Amount for the new swap.

(d) The Obligated Group's counterparty (or its guarantor) shall be rated at least "A+" or "A1" by a Rating Agency at the time the Hedge Agreement is entered into and a Credit Support Annex shall, or is required to,

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[2*] By their purchase of the Series 2012A Bonds, the initial holders thereof will consent to an amendment of this section. The amended section will read as follows:

[2]**Hedge Agreements.** The members of the Obligated Group may not enter into a Hedge Agreement unless the following conditions are met:

[2](a) The Hedge Agreement must be entered into as a hedge against (i) swaps currently outstanding (as in basis swaps or reverse swaps), or (b) debt then outstanding or to be issued, or (iii) as a means of achieving forward transactions, or (iv) against assets held at the time of the execution of the Hedge Agreement;

[2](b) The Hedge Agreement does not contain any element of leverage or multiplier component in excess of 1.0x unless there is a matching hedge arrangement which effectively offsets the exposure from any such element or component;

[2](c) The uninsured payment due upon termination of any Hedge Agreement shall be subordinate in right of payment to all Obligations under the Master Indenture issued with respect to the Insured Bonds.

[2](d) The Obligated Group shall not be in default under the Days Cash on Hand Ratio contained in Section 13.1(b)(iv) of this Master Indenture.

[2](e) Notwithstanding the foregoing (a) through (d), the Corporation may assume the Hedge Agreements listed on Exhibit C attached to the Sixteenth Supplemental Master Trust Indenture that have been entered into by Mountain States Properties, Inc., an affiliate of the Corporation.

be executed to provide for collateral on a schedule that incorporates a zero threshold amount if any rating is below BBB+/Baa1;

(e) Termination payments are payable only if and to the extent that after such payment the Obligated Group: (a) would still be in compliance with its Days Cash on Hand Ratio, assuming such payment had been excluded from unrestricted cash and investments in making such liquidity calculation and (b) would not be in default;

(f) Collateral for the payments due under the Hedge Agreement can be posted only to the extent that after such posting the Obligated Group would still be in compliance with the Days Cash on Hand Ratio assuming such posting had been excluded from unrestricted cash and investments in making such liquidity calculation; and

(g) The uninsured payment due upon termination of any Hedge Agreement shall be subordinate in right of payment to all Obligations under the Master Indenture issued with respect to the Insured Bonds.

(h) The term "Adverse Termination Amount" shall mean the amount if positive that would be required to be paid by a member of the Obligated Group that is the party to a Hedge Agreement upon the termination of the Hedge Agreement calculated in the manner provided in subsection (c)(ii) above, and the term "Maximum Adverse Termination Amount" shall be determined in accordance with subsection (c)(i) above.

Projected Debt Service Coverage Ratio

Anything in the Master Indenture to the contrary notwithstanding, in each instance in the Master Indenture in which the Projected Debt Service Coverage Ratio is to be evidenced by an Officer's Certificate, such Projected Debt Service Coverage Ratio must also be evidenced by a Consultant's report unless the Projected Debt Service Coverage Ratio in such Officer's Certificate is greater than 1.75:1.00.

Defaults and Remedies

The following events are "Events of Default" under the Master Indenture:

(a) failure of any Obligated Issuer to make any payment of principal, redemption price or interest when due under the terms of any Obligations and such failure continues to exist as of the end of any applicable grace period; or

(b) failure of any Obligated Issuer to observe or perform any covenant or agreement contained in the Master Indenture or any Related Financing Documents for any Obligations for a period of 30 days after written notice of such failure, requiring the same to be remedied, has been given by the Master Trustee to each of the Obligated Issuers, the giving of which notice shall be at the discretion of the Master Trustee unless the Master Trustee is requested in writing to do so by the holders of at least 25% in aggregate principal amount of all outstanding Obligations, in which event such notice shall be given; provided, however, that if such observance or performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be don, taken or remedied, within such 30-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the defaulting Obligated Issuer shall commence such observance or performance within such 30-day period and shall diligently and continuously prosecute the same to completion; or

(c) (i) default of any Obligated Issuer in the payment of any Indebtedness (other than Obligations issued and outstanding under the Master Indenture), the principal amount of which in the aggregate exceeds 5% of the Book Value of all Property of the Obligated Group for the immediately preceding Fiscal Year, whether such Indebtedness now exists or shall be created after the date of the Master Indenture and any grace period with respect thereto shall have expired, or (ii) any event of default as defined in any Related Financing Documents under which any such Indebtedness may be issued, secured or evidenced shall occur, which default in payment or event of default results in such Indebtedness becoming or being declared due and payable unless within the time allowed for service of a responsive pleading in any proceeding to enforce payment of the Indebtedness under the laws governing such

proceeding (i) the Obligated Issuers commence proceedings to contest the existence or payment of such Indebtedness, and (ii) in the absence of such contest, neither the pledge and security interest created under the Master Indenture nor any Property of the Obligated Group will be materially impaired or subject to material loss or forfeiture; or

(d) bankruptcy, dissolution, liquidation or reorganization in bankruptcy of any Obligated Issuer or other similar events; or

(e) if the Hospital Maximum Annual Debt Service Coverage Ratio of the Obligated Group for any Fiscal Year is less than 1.0 to 1; or

(f) a breach of the Alliance's covenant to file audited financial statements as described above under "Filing of Financial Statements, Certificate of No Default, Other Information" under paragraph (a) thereof shall have occurred and be continuing; or

(g) a breach of the Alliance's "Liquidity Covenant" as described above shall have occurred and be continuing.

Upon the occurrence of an Event of Default, the Master Trustee may, by notice in writing to the Obligated Issuers, declare the principal of all (but not less than all) outstanding Obligations to be immediately due and payable provided that the Master Trustee shall be required to make such a declaration (i) if an Event of Default has occurred under subsection (a) above, or (ii) if the Master Trustee is requested to make such a declaration by the Holders of not less than 25% in aggregate principal amount of all outstanding Obligations. If all Events of Default other than nonpayment of amounts that have become due as a result of such declaration are remedied, the Holders of 25% in aggregate principal amount of all Obligations may waive all Events of Default and rescind and annual such declaration of acceleration.

Any acceleration of the principal shall be subject to the condition that if, at any time after the principal of all outstanding Obligations shall have been accelerated, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered: (i) one or more Obligated Issuers shall deposit with the Master Trustee an aggregate sum sufficient to pay (A) all matured installments of interest upon all outstanding Notes and the principal and premium, if any, of all outstanding Notes due otherwise than by acceleration (with interest on overdue installments of interest, to the extent permitted by law and on such principal and premium, if any, at the respective rates borne by such Notes to the date of such deposit) and any other amounts required to be paid pursuant to such Notes, (B) all amounts due under each Indenture Guaranty other than by reason of acceleration, (C) all sums due under any Obligations other than Notes and Indenture Guaranties, other than by reason of acceleration, and (D) the expenses and fees of the Master Trustee; and (ii) any and all Events of Default under the Master Indenture, other than the nonpayment of principal of and accrued interest on outstanding Obligations that have become due by acceleration, shall have been remedied, then and in every such case, the Master Trustee shall, if requested by the Holders of twenty-five percent in aggregate principal amount of all Obligations then outstanding, waive all Events of Default and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or effect any subsequent Event of Default.

The Master Trustee may, at any time that an Event of Default exists, (i) by written notice to the banking institutions in which any Gross Receipts are deposited pursuant to the requirements of the Master Indenture, direct that such funds be immediately transferred to the Master Trustee, and upon receipt of such funds the same shall be held in trust by the Master Trustee and disbursed as provided in the Master Indenture, and (ii) by written notice to the Obligated Issuers direct that all subsequent deposits of Gross Receipts be made with the Master Trustee.

Upon the occurrence of an Event of Default, as described in the Master Indenture, and upon demand of the Master Trustee, each Obligated Issuer will pay to the Master Trustee, for the benefit of the Holders of all outstanding Obligations, (a) the amount then due and payable on all Obligations for principal or interest, or both, and such other amounts as may be required to be paid on all such Obligations, with interest on the overdue principal and installments of interest (to the extent permitted by law) at the respective rates of interest borne by such Obligations or as is provided in the applicable Supplemental Indenture, and (b) such further amounts sufficient to cover the cost and expenses of collection, including a reasonable compensation to the Master Trustee, its agents,

attorneys and counsel, and any expenses incurred by the Master Trustee other than as a result of its gross negligence or bad faith.

The Master Trustee may institute any actions or proceedings at law or in equity for the collection of the sums due and may collect such sums in the manner provided by law out of the Property of the Obligated Issuer wherever situated.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of any Obligated Issuer, or in case a receiver or trustee shall have been appointed for its Property, the Master Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal, premium, if any, interest and any other amounts owing and unpaid in respect of Obligations, and, in case of any judicial proceedings, to file such proofs of claim and other papers as may be necessary or advisable in order to have the claims of the Master Trustee and of the Holders of the Obligations allowed in such judicial proceedings relative to such member of the Obligated Group, its creditors or its Property, and to collect and receive any moneys or other Property payable or deliverable on any such claim and to distribute the same after the deduction of its charges and expenses.

All rights of action and rights to assert claims under any Obligation may be enforced by the Master Trustee without the possession of such Obligation. In any proceedings brought by the Master Trustee (and also any proceedings involving the interpretation of any provision of the Master Indenture to which the Master Trustee shall be a party) the Master Trustee shall be held to represent all the Holders of Obligations, and it shall not be necessary to make any Holders of Obligations parties to such proceedings.

Application of Moneys Collected

Any amounts collected by the Master Trustee in connection with the exercise of any rights and remedies following an Event of Default and, except as otherwise provided in the Master Indenture, all money and Investment Securities on deposit in any funds which the Master Trustee may establish under the Master Indenture from time to time shall be applied for the equal and ratable benefit of the Holders of Obligations in the following order at the date or dates fixed by the Master Trustee for the distribution of such moneys, upon presentment of such Obligations, and stamping thereon the payment, if only partially paid, and upon surrender thereof if fully paid:

(a) to the payment of costs and expenses of collection, including fees of Counsel and reasonable compensation to the Master Trustee; and, thereafter,

(b) whether or not the principal of all outstanding Obligations shall have become or have been declared due and payable to Holders of the outstanding Obligations for amounts due and unpaid on the Obligations, ratably, without preference or priority of any kind, according to the amounts due and payable on the Obligations; provided that for the purpose of determining the unpaid amount of any Obligation, there shall be deducted the amount, if any, which has been realized by the Holder by exercise of its rights as a secured party with respect to any Liens permitted pursuant to the Master Indenture or is on deposit in any fund established pursuant to any Related Financing Documents for such Obligations (other than amounts consisting of payments of principal and interest previously made and credited against the payments due under such Obligations) as of the date of payment by the Master Trustee pursuant to this subsection (b), all as certified to the Master Trustee by the Holder; and

(c) to the payment of the remainder, if any, to the Obligated Group Agent, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Actions by Holders

(a) No Holder of an Obligation shall have any right by virtue of or by availing of any provision of the Master Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Master Indenture or for the appointment of a receiver or trustee, or any other remedy, unless the Holders of not less than 25% in aggregate principal amount of Obligations then outstanding shall have made written request upon the Master Trustee to institute such action, suit or proceeding in its own name as Master Trustee and shall have

offered to the Master Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities which may be incurred therein or thereby, and the Master Trustee, for 30 days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Master Trustee; it being understood and intended, and being expressly covenanted by the Holder of an Obligation and the Master Trustee, that no one or more Holders of Obligations shall have any right in any manner whatever by virtue of or by availing of any provision of the Master Indenture to affect, disturb or prejudice the rights of any other Holder of an Obligation or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under the Master Indenture, except in the manner therein provided and for the equal, ratable and common benefit of all Holders of Obligations. For the protection and enforcement of these provisions, each and every Holder of an Obligation and the Master Trustee shall be entitled to such relief as can be given either at law or in equity.

(b) The Holder of an Obligation instituting a suit, action or proceeding in compliance with the provisions outlined herein and more fully set forth in the Master Indenture shall be entitled to such suit, action or proceeding to such amounts as shall be sufficient to cover the costs and expenses of collection, including to the extent permitted by applicable law, a reasonable compensation to its Counsel.

(c) Notwithstanding any other provision of the Master Indenture, the right of a Holder of an Obligation to receive payment of the principal of and interest on any Obligation and any other amounts payable thereunder, on or after the respective due dates expressed in such Obligation, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder, provided that any moneys collected through the exercise of rights and remedies of any Holder against any Obligated Issuer pursuant to the Related Financing Documents for an Obligation (other than rights and remedies relating to Liens permitted pursuant to the Master Indenture or to funds and accounts established under such Related Financing Documents) shall be paid over to the Master Trustee or, with the consent of the Holder, collected directly by the Master Trustee.

Direction of Proceedings by Holders

The Holders of 75% in aggregate principal amount of Obligations then outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred on the Master Trustee; provided, however, that, subject to its right to be indemnified in the Master Indenture, the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee, being advised by Counsel, determines that the action so directed may not lawfully be taken, or if the Master Trustee in good faith shall, by a responsible officer or officers of the Master Trustee, determine that the proceedings so directed would be illegal or involve it in personal liability, and provided further that nothing in the Master Indenture shall impair the right of the Master Trustee in its direction to take any action deemed proper by the Master Trustee and which is not inconsistent with such direction by the Holders.

Delay or Omission of Master Trustee

No delay or omission of the Master Trustee, or of any Holder of an Obligation, to exercise any right or power accruing upon an Event of Default shall impair any such right or power, or be construed as a waiver of any Event of Default or an acquiescence therein, nor shall the action of the Master Trustee or of the Holders of Obligations in case of any Event of Default, or in case of any Event of Default and subsequent waiver of such Event of Default, affect or impair the rights of the Master Trustee or of such Holders in respect of any subsequent Event of Default or any right resulting therefrom.

Remedies Cumulative

No remedy under the Master Indenture is intended to be exclusive of any other remedy, but each and every other such remedy shall be cumulative, and shall be in addition to the remedies pursuant to the Master Indenture; and the employment of any remedy under the Master Indenture or otherwise, shall not prevent the concurrent employment of any such other appropriate remedy or remedies. In the pursuit of any such remedies, the Master Trustee shall have and be vested with the rights of a secured creditor under the Tennessee Uniform Commercial Code (or similar laws of other jurisdictions as applicable) with respect to moneys collected by the Master Trustee

pursuant to any provision of the Master Indenture, and shall have the power to foreclose any Lien which may be granted to it as Master Trustee under the Master Indenture, all to the extent permitted by law.

Notice of Default

The Master Trustee shall, within 10 days after the occurrence of an Event of Default known to the Trustee, mail to all Holders of Obligations, as the names and addresses of such Holders appear upon the books maintained by the Master Trustee, and, as long as the Initial Obligation remains outstanding, to the Bond Insurer, notice of such Event of Default under the Master Indenture known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice; provided that, except above under "Defaults and Remedies," the Master Trustee shall be protected in withholding such notice if and so long as the Master Trustee in good faith determines that the withholding of such notice is in the interest of the Holders of the Obligations. For purposes of the Master Indenture, matters shall not be considered to be known to the Master Trustee unless an officer of its corporate trust department located at its principal corporate trust office has actual knowledge thereof.

Concerning the Master Trustee

Prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, the Master Trustee undertakes to perform only those duties specifically set forth in the Master Indenture. In case an Event of Default has occurred, the Master Trustee shall exercise the rights and powers vested in it by the Master Indenture, and use the same degree of care and skill as a prudent man under the circumstances in the conduct of its own affairs.

No provision of the Master Indenture shall be construed to relieve the Master Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act, or its own willful misconduct; provided, however, that:

(i) the Master Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Master Trustee, unless it is provided that the Master Trustee was grossly negligent in ascertaining the pertinent facts; and

(ii) the Master Trustee shall not be liable with respect to any action taken or admitted to be taken by it in good faith in accordance with the direction of the Holders of the majority in aggregate principal amount of Obligations then outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee, under the Master Indenture.

Except as otherwise provided in the immediately preceding paragraph:

(a) The Master Trustee may rely and shall be protected in acting or refraining from acting upon various papers or documents believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) An Officer's Certificate (unless otherwise specifically prescribed) shall be sufficient evidence of any request, direction, order or demand of any Obligated Issuer mentioned under the Master Indenture. Any resolution of the Governing Body of an Obligated Issuer may be evidenced to the Master Trustee by copy thereof, certified by the Secretary or an Assistant Secretary of such Obligated Issuer.

(c) The Master Trustee may consult with Counsel, and the advice of such counsel shall be full and complete authorization and protection. The Master Trustee shall be relieved of liability to the Holders of the Obligations and to the Obligated Issuers in respect of any action taken, suffered or omitted by it under the Master Indenture in good faith and in accordance with Counsel's advice.

(d) Prior to the occurrence of an Event of Default under the Master Indenture and after the curing of all Events of Default, the Master Trustee is not bound to make any investigation into facts or matters stated in

various papers or documents, unless requested in writing to do so by the Holders of a majority in aggregate principal amount of Obligations then outstanding. As a condition to proceeding with the requested investigation, the Master Trustee, in accordance with the terms of the Master Indenture, may require indemnity against various costs, expenses or liabilities.

(e) The Master Trustee may execute any of the trusts or powers under the Master Indenture or perform any duties under the Master Indenture either directly or by or through agents or attorneys.

(f) The Master Trustee shall be under no responsibility for the approval by it in good faith by an expert or other skilled person for any of the purposes expressed in the Master Indenture.

The recitals contained in the Master Indenture and in the Obligations (other than the Certificate of Authentication on such Obligations) shall be taken as the statements of the Obligated Issuer, and the Master Trustee assumes no responsibility for the correctness thereof. Further, the Master Trustee makes no representations as to the validity or sufficiency of the Master Indenture or the liens and security created thereunder or of the Obligations. The Master Trustee shall not be accountable for the use or application of: any of the Notes or the proceeds of such Obligations, any moneys paid over by the Master Trustee, or any moneys received by any paying agent other than the Master Trustee.

The Master Trustee, in its individual or any other capacity, may become the owner or pledgee of Obligations with the same rights it would have if it were not the Master Trustee under the Master Indenture. Further, the Master Indenture shall not prohibit the Master Trustee from serving as Trustee under any Related Financing Documents or for maintaining a banking relationship with any Obligated Issuer; provided that if the Master Trustee determines that there is a conflict with its duties under the Master Indenture, it shall eliminate the conflict or resign as Master Trustee.

Each Obligated Issuer shall pay, and shall be jointly and severally liable to pay, to the Master Trustee reasonable compensation, reimbursement for all reasonable expenses, disbursement and advances. Each Obligated Issuer shall indemnify, defend and shall be jointly and severally liable to indemnify, the Master Trustee and its officers, directors, employees and agents for, and to hold them harmless against, any loss, liability or expense incurred without gross negligence or willful misconduct on the part of the Master Trustee and arising out of or in connection with the acceptance or administration of such trusts, including the costs and expenses of defending itself against any claim of liability in the premises. The Obligated Issuers' joint and several obligations described in this paragraph shall survive the satisfaction and discharge of the Master Indenture and the resignation, removal and succession of the Master Trustee. Subject only to the rights of any Holder, the Master Trustee shall have an express first and prior lien on any moneys or Investment Securities on the deposit in any funds as security for the payment of all such obligations.

Subject to the first paragraph under this section entitled "Concerning the Master Trustee," any matter may be conclusively proved and established by an Officer's Certificate delivered to the Master Trustee. In the absence of bad faith on the part of the Master Trustee, any such Officer's Certificate shall be full ratification of any action taken, suffered or omitted by the Master Trustee under the provisions of the Master Indenture upon the faith thereof, and the Master Trustee shall not be obligated to make any investigation into the facts stated therein.

The Master Trustee may resign at any time without cause by giving notice as required under the Master Indenture. Further, the Master Trustee may be removed (a) with cause at the direction of the Holders of not less than 66-2/3% in aggregate principal amount of Obligations then outstanding, delivered to the Obligated Group and the Master Trustee, or (b) for any reason at the direction of the Obligation Group Agent if no Event of Default then exists under the Master Indenture. The Master Trustee shall promptly give notice of any removal pursuant to the previous sentence in writing to each Holder of an Obligation then outstanding. In the case of the resignation and removal of the Master Trustee, a successor Master Trustee may be appointed by the Obligated Group unless an Event of Default exists under the Master Indenture. If an Event of Default exists under the Master Indenture, or if the Obligated Group otherwise fails to appoint a successor in accordance with the terms of the Master Indenture, a successor may be appointed at the direction of the Holders of not less than 66-2/3% in aggregate principal amount of Obligations then outstanding.

Any successor Master Trustee, however appointed, in accordance with the terms of the Master Indenture, shall accept such appointment, and, without further act, shall become vested with all the estates, properties, rights, powers and duties of its predecessor under the Master Indenture as if originally named the Master Trustee. The successor Master Trustee may, however, request that its predecessor execute and deliver an instrument transferring the above and assigning, transferring, delivering and paying over to such successor Master Trustee all moneys or other property then held by the predecessor under the Master Indenture.

Any successor Master Trustee, however appointed, shall be a bank or trust company having together with its Affiliates a combined capital and surplus on a consolidated basis of at least $50,000,000.

Any corporation into which the Master Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Master Trustee shall be a party, or any corporation to which substantially all the business of the Master Trustee may be transferred, shall, subject to the immediately preceding paragraph, be the Master Trustee under the Master Indenture without further act.

Subject to the terms and conditions as set forth in the Master Indenture, the Master Trustee shall have the power to appoint one or more persons not unsatisfactory to the Obligated Group Agent to act as Co-Master Trustee.

Modifications

Each Obligated Issuer, when authorized by a resolution of its Governing Body, and the Master Trustee may, without the consent of the holders of the Obligations then outstanding, enter into a Supplemental Indenture to the Master Indenture to (a) provide for the issuance of any Obligations under the Master Indenture, (b) evidence the addition of an Obligated Issuer or the succession of another corporation to any Obligated Issuer, (c) add additional covenants for the protection of the holders of Obligations, (d) cure any ambiguity or defective provision of the Master Indenture or any Supplemental Indenture in such manner as is not inconsistent with and does not impair the security of the Master Indenture or adversely affect the holders of Obligations of any series of Obligations issued under the Master Indenture, (e) qualify the Master Indenture under the Trust Indenture Act of 1939 or under any similar federal statute hereafter enacted, (f) provide for the establishment of additional funds and accounts, (g) permit the issuance of additional forms of Obligations provided such Obligations are equally and ratably secured with all other Obligations issued under the Master Indenture (except as provided herein), and (h) reflect a change in applicable law.

With the consent of the Holders of not less than a majority in aggregate principal amount of Obligations then outstanding, each Obligated Issuer, when authorized by its Governing Body, and the Master Trustee, may from time to time and at any time enter into a Supplemental Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Master Indenture or of any Supplemental Indenture or of modifying in any manner the rights of the Holders of Obligations; provided, however, that (i) without the consent of the Holders of all Obligations whose Obligations are proposed to be modified, no such supplemental indenture shall effect a change in the times, amounts or currency of payment of the principal of, premium, if any, or interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon or permit the preference or priority of any Obligation over any other Obligation; (ii) without the consent of the Holders of all Obligations then outstanding, no such supplemental indenture shall reduce the aforesaid percentage or affected class of Obligations, the Holders of which are required to consent to any such Supplemental Indenture; (iii) without the consent of the Holders of all Obligations then outstanding, no such supplemental indenture shall effect a change in the conditions for withdrawal as a Member of the Obligated Group; (iv) without the consent of the Holders of all Obligations then outstanding, no such supplemental indenture shall effect a change in the provisions permitting the Holders of 25% in aggregate principal amount of all outstanding Obligations to direct acceleration upon the occurrence of an Event of Default; and (v) without the consent of the Holders of all Obligations then outstanding, any provision hereof which specifies a percentage of Holders required to take any action hereunder.

Effect of Supplemental Indenture

Upon the execution of any Supplemental Indenture, the Master Indenture shall be modified and amended in accordance therewith, and the respective rights, limitation of rights, obligations, duties, and immunities under the Master Indenture of the Master Trustee, each Obligated Issuer and the Holders of Obligations issued under the Master Indenture shall thereafter be determined, exercised and enforced under the Master Indenture subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Master Indenture.

Satisfaction and Discharge of Indenture

If the Master Trustee receives: (a) an amount which is (i) in the form of (A) cash, or (B) Government Obligations, and (ii) in a principal amount sufficient, together with the interest thereon and any funds on deposit under the Master Indenture and available for such purpose, to provide for the payment of the principal of and premium, if any, and interest on all outstanding Obligations to and including the maturity date or prior redemption or prepayment date thereof; (b) irrevocable instructions to redeem all Obligations to be redeemed prior to maturity and to notify the Holders of each such redemption; and (c) an amount sufficient to pay or provide for the payment of all other sums payable under the Master Indenture by the Obligated Issuers or any thereof, then the Master Indenture shall cease to be of further effect, and the Master Trustee, on demand of the Obligated Group Agent, shall execute all such instruments acknowledging satisfaction of and discharging the Master Indenture as requested by the Obligated Group Agent.

Similarly, the Obligated Issuer of any particular Obligation may provide for the payment thereof at or prior to maturity, and the Obligation so provided for shall thereupon cease to be outstanding under the Master Indenture.

In lieu of the foregoing, the Obligated Issuer of any particular Obligation may deliver to the Holder thereof the amount required under the Related Financing Documents to provide for the payment of the principal, premium, if any, and interest due or to become due in respect of such Obligation and such Obligation shall, upon surrender to the Master Trustee for cancellation, no longer be deemed outstanding under the Master Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE

Security and Pledge

The Bonds will be secured by the Issuer's grant and assignment under the Bond Indenture of (i) the Issuer's interest in the related Series 2013 Obligation and the Loan Agreement, including but not limited to all revenues and receipts derived by the Issuer therefrom but excluding certain rights of the Issuer to (a) receive attorney fees under the terms of the Loan Agreement, (b) certain indemnification from the Alliance, (c) receive notices under the Loan Agreement, (d) to make advances under the Loan Agreement and (e) to inspect the projects financed with the Bonds, and (ii) all monies and securities in funds held by the Bond Trustee under the Bond Indenture (other than certain funds to be used to make rebate payments to the United States to preserve the tax-exempt status of the Series 2013A Bonds).

During the occurrence and continuation of an Event of Default under the Bond Indenture, the Bond Trustee will have a claim prior to the Bondholders on the moneys derived from the exercise of remedies under the Bond Indenture for payment of its costs and expenses and the repayment of advances made by it to effect performance of certain covenants in the Bond Indenture. The Bond Trustee, however, shall not have any claim or lien upon or with respect to moneys drawn under the Letter of Credit or the proceeds from the remarketing of Bonds.

Provisions for the Bonds

The Bond Indenture provides for the issuance of the Bonds, their redemption and all other terms pertaining to the Bonds. The Bonds will only be authenticated by the Bond Trustee upon the delivery of certain documents, including the original executed Bond Indenture, the Loan Agreement and the Original Letter of Credit.

Mutilated, lost or destroyed Bonds may be replaced subject to certain conditions specified in the Bond Indenture.

General Covenants and Provisions

The Issuer covenants that it will promptly pay the principal and purchase price of premium, if any, and interest on the Bonds subject to the limited nature of such obligations. The Issuer agrees that the Bond Trustee may enforce all rights of the Issuer under the Loan Agreement whether or not the Issuer is in default under the Bond Indenture.

Creation of Funds

The Bond Indenture provides for the creation of certain trust funds into which the proceeds from the sale of the Bonds, payments made by the Alliance under the Loan Agreement and proceeds from drawings on the Letter of Credit are to be deposited. These trust funds are the Bond Fund, the Project Fund (in Series 2103A Bond Indenture only), the Bond Purchase Fund, and the Rebate Fund. Each of these funds is described below.

Bond Fund. Within the Bond Fund, the Bond Trustee is to create a General Account and a Letter of Credit Account. There is to be deposited in the General Account of the Bond Fund all payments made pursuant to the provisions of the Bond Indenture or the Loan Agreement for credit to the Bond Fund and all income derived from the investment of such amounts. The Bond Trustee will also establish a subaccount within the General Account in the Bond Fund for the purpose of holding all Eligible Moneys therein. Moneys held in the Eligible Money Subaccount of the Bond Fund shall not be commingled with any other funds or accounts. The Bond Trustee will credit to the Letter of Credit Account all moneys drawn by the Bond Trustee under the Letter of Credit to pay the principal of and interest on the Bonds. Moneys in the Letter of Credit Account shall not be commingled with any other funds or accounts. Moneys in the Bond Fund shall be used to pay principal, premium, if any, and interest on the Bonds and the redemption price of Bonds.

Project Fund. The moneys and Investment Securities in the Project Fund (in Series 2013A Bond Indenture only) shall be held in trust by the Bond Trustee, shall be applied to the payment of the costs of the projects being financed except to the extent required to be transferred to the Rebate Fund and, pending such application, shall be held as trust funds under the Bond Indenture in favor of holders of the outstanding bonds and for the further security of such holders until paid out or transferred as provided in the Bond Indenture.

Bond Purchase Fund. Within the Bond Purchase Fund, the Bond Trustee is to create a General Account and a Letter of Credit Account. There shall also be established a subaccount within the General Account for the purpose of holding Eligible Moneys therein. Moneys in the Bond Purchase Fund shall be used solely for the payment of the purchase price of the Bonds in the event of any purchase of Bonds at the option of the holder or on a Mandatory Tender Date. Payments received from the proceeds of the remarketing of the Bonds by the Remarketing Agent and all other moneys received by the Bond Trustee under the terms of the Bond Indenture or the Loan Agreement which are required to be deposited in the Bond Purchase Fund shall be credited to the General Account. All moneys drawn by the Bond Trustee under the Letter of Credit for the purchase of Bonds pursuant to the terms of the Bond Indenture shall be credited to the Letter of Credit Account. All moneys in the Bond Purchase Fund remaining on any Optional Tender Date or Mandatory Tender Date after payment of the purchase price of the Bonds purchased shall be paid to the Bank if the Bond Trustee receives prior notice from the Bank stating that certain specified amounts are due and payable to the Bank under the Reimbursement Agreement and any balance remaining after payment to the Bank shall be paid to the Alliance.

Rebate Fund. Any arbitrage profits to be rebated to the United States are to be held in the Rebate Fund. The Series 2013A Bond Indenture contains provisions regarding the responsibility of an independent rebate analyst to calculate the amount of such arbitrage profits.

Investment of Funds. Moneys (other than Eligible Moneys) held in the General Accounts of the Bond Fund and the Bond Purchase Fund (other than remarketing proceeds) and in the Project Fund (in Series 2013A Bond Indenture only) shall be invested by the Bond Trustee as directed by the Alliance in Investment Securities. Eligible Moneys held in the General Accounts of the Bond Fund and the Bond Purchase Fund (other than remarketing proceeds) shall be invested by the Bond Trustee as directed by the Alliance in Government Obligations. Remarketing proceeds shall not be invested. The Bond Trustee shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient for the purposes thereof. The Bond Trustee shall not be responsible for any losses on investments made in accordance with the Bond Indenture. The Bond Trustee may make any investments through its own bond department or trust investments department.

Events of Default

The Bond Indenture provides that any of the following events shall constitute an Event of Default:

(a) default in the due and punctual payments of any interest on any Bond when the same shall become due and payable; or

(b) default in the due and punctual payment of the principal of any Bond at its maturity or upon mandatory redemption; or

(c) default in the due and punctual payment of the purchase price of Bonds required to be purchased pursuant to the Bond Indenture when payment of such amount has become due and payable; or

(d) receipt by the Bond Trustee of a written notice from the Bank of an event of default under the Reimbursement Agreement and a demand by the Bank for acceleration of the Bonds; or

(e) the occurrence of an "Event of Default" under the Loan Agreement.

Acceleration

Subject to the rights of the Bank to control remedies, upon the occurrence of any Event of Default described in paragraphs (a), (b), (c) or (f) above, the Bond Trustee may, and at the written request of the Bank or the holders of more than 50% in aggregate principal amount of the outstanding Bonds shall (within one Business Day of its receipt of such written request), and, upon the occurrence and continuance of an Event of Default described in paragraphs (d) or (e) above, the Bond Trustee shall, by notice in writing delivered to the Issuer, the Alliance and the Bank, declare the principal of all the Bonds immediately due and payable, whereupon the same shall become immediately due and payable, anything in the Bond Indenture or in the Bonds to the contrary notwithstanding. Upon any such acceleration, the Bonds and the interest thereon shall forthwith be paid in accordance with the Bond Indenture. Upon any declaration of acceleration under the Bond Indenture, the Bond Trustee shall immediately declare the payments required to be made by the Alliance under the Loan Agreement to be immediately due and payable in accordance with the Loan Agreement and, if during the Letter of Credit Period, shall draw on the Letter of Credit. Upon such a drawing on the Letter of Credit, the Bond Trustee shall immediately pay to the bondholders an amount equal to the principal of and accrued interest on the Bonds.

Other Remedies

Subject to the rights of the Bank to control remedies, upon the occurrence of an Event of Default under the Bond Indenture, the Bond Trustee shall have the power to proceed with any right or remedy available at law or in equity or by statute, as it may deem best, including any suit, action or special proceeding in equity or at law for the collection of amounts due and to become due under the Bond Indenture and under the Bonds or the performance of any covenant or agreement contained in the Bond Indenture or for the enforcement of any proper legal or equitable

remedy as the Bond Trustee shall deem most effectual to protect the rights aforesaid, insofar as such may be authorized by law. The rights specified in the Bond Indenture are to be cumulative to all other available rights, remedies or powers.

No delay or omission to exercise any right or remedy accruing upon any Event of Default under the Bond Indenture shall impair any such right or remedy or shall be construed to be a waiver of any such Event of Default or acquiescence therein; and every such right and remedy may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default under the Bond Indenture, whether by the Bond Trustee or by the bondholders, shall extend to or shall affect any subsequent event of default or shall impair any rights or remedies consequent thereon.

Rights of Bondholders

Upon the occurrence of an Event of Default and if requested to do so by more than two-thirds (2/3) in aggregate principal amount of Bonds then outstanding and being indemnified as provided in the Bond Indenture, the Bond Trustee subject to the provisions of the Bond Indenture, shall be obligated to exercise such one or more of the rights and remedies conferred heretofore as the Bond Trustee, being advised by counsel, shall deem most expedient in the interests of the bondholders and the Bank.

Right of Bondholders to Direct Proceedings

Except in the case of a default under paragraphs (d) and (e) under "Events of Default" and subject to the rights of the Bank to control remedies, the holders of more than two-thirds (2/3) in principal amount of Bonds then outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Bond Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Indenture, or for the appointment of a receiver or any other proceedings under the Bond Indenture.

Application of Moneys

All moneys drawn by the Bond Trustee under the Letter of Credit in connection with any Event of Default shall be deposited in the Letter of Credit Account in the Bond Fund and all other moneys or property received by the Bond Trustee pursuant to any right given or remedy or action taken under the provisions of the Bond Indenture shall, after payment of all fees and expenses of the Bond Trustee, including, without limitation, the costs and expenses of its counsel and agents and the proceedings resulting in the collection of such other moneys and of the related expenses, liabilities and advances incurred or made by the Bond Trustee, be deposited in the General Account in the Bond Fund, and all such moneys shall be paid to the Bond Trustee and applied by it as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST - to the payment to the persons entitled thereto of all installments of interest then due on the outstanding Bonds (other than Borrower Bonds and Pledged Bonds), in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment of such installment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

SECOND - to the payment to the persons entitled thereto of the unpaid principal of any of the outstanding Bonds which shall have become due (other than Borrower Bonds and Pledged Bonds), in the order of their due dates, with interest on such Bonds at the rate last borne by the Bonds from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full the principal which became due on such Bonds on any particular date, together with such

interest, then to the payment thereof ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or privilege;

THIRD - to the payment of any amounts owed with respect to Pledged Bonds or owed by the Alliance to the Bank under the Reimbursement Agreement or other related documents or by the Issuer to the Bank under this Bond Indenture in such order as the Bank directs; and

FOURTH - to the payment of the principal of and interest on the Borrower Bonds in the same order of priority as specified in the first and second clauses.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied FIRST, to the payment of the principal and the interest then due and unpaid on the outstanding Bonds (other than Borrower Bonds and Pledged Bonds), without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Bond over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege, SECOND, to the payment of any amounts owed with respect to Pledged Bonds or owed by the Alliance to the Bank under the Reimbursement Agreement or other related documents or by the Issuer to the Bank under this Bond Indenture in such order as the Bank directs and THIRD to the payment of the principal of and interest on the Borrower Bonds in the same manner as other outstanding Bonds.

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

Subject to the provisions regarding acceleration, whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Bond Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Bond Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable or unless the principal of all of the Bonds has been declared immediately due and payable, in which case application shall be made immediately) 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 provided that such amount of principal is in fact paid on such date. The Bond Trustee shall give such notice to the Holders of the Bonds and the Bank 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 from such moneys to the Holder of any Bonds until such Bond shall be presented to the Bond Trustee.

Rights and Remedies of Bondholders

No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof, for the execution of any trust hereof or for the appointment of a receiver or to enforce any other right or remedy under the Bond Indenture, except subject to the rights of the Bank to control remedies and unless (a) a Default has occurred of which the Bond Trustee has been notified as provided in the Bond Indenture or of which it is deemed to have notice, (b) such Default shall have become an Event of Default and the Holders of more than two-thirds (2/3) in aggregate principal amount of Bonds then outstanding shall have made written request to the Bond Trustee and shall have offered reasonable opportunity to the Bond Trustee either to proceed to exercise the powers granted in the Bond Indenture or to institute such action, suit or proceeding in its own name, and (c) such Bondholders have offered to the Bond Trustee indemnity as provided in the Bond Indenture and the Bond Trustee shall thereafter fail or refuse to exercise the powers granted in the Bond Indenture, or to institute such action, suit or proceeding in its own name. Such notification, request and offer of indemnity are at the option of the Bond Trustee conditions precedent to the execution of the powers and trusts hereof, and to any action or cause of action for the enforcement hereof, or for the appointment of a receiver or for any other right or remedy under the Bond Indenture. Nothing in the Bond Indenture shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal and purchase price of, and interest on, any Bond at and after the date such payment is due, or the

obligation of the Issuer or the Bond Trustee to pay the principal and purchase price of, and interest on, each of the Bonds to the respective Holders thereof at the time, place, from the source and in the manner expressed in the Bonds.

Waivers of Events of Default

Subject to the rights of the Bank to control remedies, the Bond Trustee shall waive any Event of Default under the Bond Indenture and its consequences upon the written request of the holders of more than 50% in aggregate principal amount of all Bonds then outstanding, provided, however, that there shall not be waived

(a) any Event of Default pertaining to the payment of the principal or purchase price of any Bond at its maturity, Redemption Date, or Tender Date, or

(b) any Event of Default pertaining to the payment when due of the interest on any Bond unless prior to such waiver, all arrears of interest and all principal or purchase price payments in respect of which such Event of Default shall have occurred, with interest thereon (to the extent permitted by law) for the period from the occurrence of such Event of Default until paid in full at a rate per annum equal to the interest rate payable on the Bonds from time to time during such period in accordance with the terms of the Bonds, and all expenses of the Bond Trustee in connection with such Event of Default, shall have been paid or provided for, and in case of any such waiver, or in case any proceeding taken by the Bond Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely to the Bond Trustee, then and in every such case the Issuer, the Bond Trustee, the Bank and the Bondholders shall be restored to their former positions and rights under the Bond Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default, or impair any right consequent thereon, or

(c) any Event of Default described in paragraphs (d) or (e) under "Events of Default."

If a declaration of acceleration is made pursuant to the Bond Indenture, then and in every such case, the Bond Trustee shall upon the written request of more than two-thirds (2/3) in principal amount of all Bonds then outstanding rescind and annul such declaration, and the consequences thereof, provided that at the time such declaration is rescinded and annulled:

(1) no judgment or decree has been entered for the payment of any moneys due pursuant to the Bonds;

(2) all arrears of interest on all of the Bonds and all other sums payable under the Bonds (except as to principal of, and interest on, the Bonds which have become due and payable by reason of such declaration) shall have been duly paid;

(3) each and every Event of Default under the Bond Indenture shall have been waived pursuant to the preceding paragraph or otherwise made good or cured; and

(4) no drawing shall have been made under the Letter of Credit in connection with or as a result of such declaration of acceleration;

and, provided further, that no such rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon. Notwithstanding the foregoing, neither the Bond Trustee nor the Bondholders shall have the right to waive an Event of Default described in paragraphs (d) or (e) under "Events of Default."

Rights of Bank to Control Remedies and Other Proceedings

Subject to the next paragraph, the Bank shall be entitled to control and direct the enforcement of all remedies and rights granted to the Holders of the Bonds and to the Bond Trustee under the Bond Indenture and all proceedings related thereto, including, without limitation,

(a) the right of the Holders of more than two-thirds (2/3) in aggregate principal amount of outstanding Bonds to request the acceleration of the principal of the Bonds;

(b) the right of the Holders of more than two-thirds (2/3) in aggregate principal amount of outstanding Bonds to request the Bond Trustee to exercise certain remedies and direct the time, method and place of conducting all proceedings;

(c) the right to institute any suit, action or proceeding, pursuant to the Bond Indenture; and

(d) the right of the Holders of more than fifty percent (50%) in aggregate principal amount of outstanding Bonds to waive any Event of Default or to rescind a declaration of acceleration of the principal of the Bonds;

provided that notwithstanding anything in the Bond Indenture to the contrary, the Bank may not direct the Bond Trustee not to accelerate the principal amount of the Bonds and draw on the Letter of Credit upon an Event of Default specified in paragraphs (a), (b) or (c) under "Events of Default."

All rights and remedies given to the Bank in the Bond Indenture and the Loan Agreement are expressly conditioned upon the Bank not being in default in the performance of its obligations under the Letter of Credit, and the Bank shall have no rights or remedies under the Bond Indenture or under the Loan Agreement if it is in default in such performance.

The Bond Trustee

After any Event of Default, the Bond Trustee shall exercise the rights and powers vested in it by the Bond Indenture with the degree of care and skill in their exercise as a prudent man would exercise in the conduct of his own affairs. Otherwise, the Bond Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Bond Indenture, and no implied agreements or obligations shall be read into the Bond Indenture against the Bond Trustee. The Bond Trustee may execute its trusts through its employees, agents or attorneys, and the Bond Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it. In carrying out its duties, the Bond Trustee may rely on any document believed by it to be genuine and to have been signed by the proper person and in determining the existence or nonexistence of any fact or the validity of any instrument, the Bond Trustee may rely on certificates provided by the Issuer or the Alliance. The Bond Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a request or direction received by it from the Bank or the holders of a majority of Bonds Outstanding pursuant to the Bond Indenture.

The Bond Trustee is not required to take notice of any Event of Default under the Bond Indenture except failure by the Issuer to make payments on the Bonds, an Act of Bankruptcy of which it is given notice or Events of Default described in paragraphs (d) or (e) under "Events of Default." Before taking any action under the Bond Indenture or the Loan Agreement other than making a draw on the Letter of Credit, the Bond Trustee may require that a satisfactory indemnity bond be furnished. The Bond Trustee is not responsible for the tax-exempt status of the Series 2013A Bonds. The Bond Trustee is entitled to the payment of its reasonable fees and expenses.

The Bond Trustee may resign by giving written notice to the Issuer, the Alliance, the Bank and the Bondholders, provided that such resignation will not take effect until a successor trustee is appointed. The Bond Trustee may be removed at the written request of the holders of more than two-thirds (2/3) in the principal amount of the outstanding Bonds or by the Alliance (provided no Default or Event of Default has occurred under the Bond Indenture). The holders of more than two-thirds (2/3) in the principal amount of the outstanding Bonds may appoint a successor trustee.

The Bond Trustee will serve as Paying Agent under the Bond Indenture. The Paying Agent may resign by giving written notice to the Issuer, the Trustee, the Alliance, the Bank and the Bondholders, provided that such resignation will not take effect until a successor paying agent is appointed. The Paying Agent may be removed at the written request of the holders of more than 50% in the principal amount of the outstanding Bonds or by the

Alliance (provided no Default or Event of Default has occurred under the Bond Indenture). The holders of more than 50% in the principal amount of the outstanding Bonds may appoint a successor paying agent.

The Remarketing Agent

The Remarketing Agent will set the interest rate on the Bonds, will remarket the Bonds upon purchase and will perform such other duties as are required under the Bond Indenture. The Remarketing Agent may resign by giving 30 days' notice to the Issuer, the Alliance, Bank and Bond Trustee provided that no such resignation shall take effect until a successor Remarketing Agent has been appointed and such successor Remarketing Agent has accepted such appointment. The Remarketing Agent may be removed from time to time by the Alliance.

Supplemental Bond Indentures

The Issuer and the Bond Trustee, without the consent of any of the bondholders may enter into an indenture or indentures supplemental to the Bond Indenture for any one or more of the following purposes: (a) to cure any ambiguity or formal defect or omission in the Bond Indenture or between the terms and provisions of the Bond Indenture and the terms and provisions of any other instrument or document executed in connection therewith or with the issuance of the Bonds; (b) to grant or confer upon the Bond Trustee for the benefit of the Bondholders any additional rights, remedies, power or authority; (c) to subject to the lien of the Bond Indenture additional payments, revenues or collateral; (d) to modify, amend or supplement the Bond Indenture or the bonds in such a manner as to permit qualification thereof under the Trust Indenture Act of 1939 or any federal or state securities law; (e) to evidence the appointment of a co-Bond Trustee or the succession of a new Bond Trustee; (f) to make any other supplement to the Bond Indenture which will not adversely affect the interest of the Bondholders; (g) to obtain or maintain a rating on the Bonds from S&P or Moody's as high as the debt rating of the Bank; (h) to modify or supplement the Bond Indenture in such manner as may be necessary, in the Opinion of Bond Counsel, to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service; or (i) as may be necessary in connection with the provision of a Substitute Letter of Credit meeting the requirements of the Bond Indenture.

Exclusive of supplemental indentures for the purposes described in the preceding paragraph and subject to the terms and provisions of the Bond Indenture, the holders of not less than two-thirds in aggregate principal amount of the bonds then outstanding shall have the right, from time to time, to consent to and approve the execution by the Issuer and the Bond Trustee of such other indenture or indentures supplemental to the Bond Indenture for the purpose of modifying, amending, adding to or rescinding, in any particular, any of the terms of provisions contained in the Bond Indenture; provided, however, that such modification or amendment shall not permit or be construed as permitting without the consent of the holders of all the Bonds outstanding (a) an extension of the maturity of the principal of, premium, if any, or interest on any of the Bonds, (b) a reduction in the principal amount of, premium, if any, or interest rate on, any Bond (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (d) a reduction in the aggregate principal amount of the bonds the holders of which are required to consent to any such supplemental indenture, (e) the creation of a lien ranking prior to or on a parity with the lien of the Bond Indenture on the property conveyed and mortgaged pursuant to the Bond Indenture or the deprivation of such lien or (f) the elimination of any mandatory redemption or mandatory purchase of Bonds, extension of the due date for the purchase of the Bonds or call for mandatory redemption or the reduction of the purchase price or Redemption Price for the Bonds.

Any supplemental indenture that affects the rights of the Alliance must be consented to by the Alliance. The Bond Trustee shall also not be required to enter into any supplemental indenture if such action might adversely affect its rights or liabilities. All supplemental indentures entered into during the Letter of Credit Period must be consented to by the Bank.

Amendments to the Loan Agreement

The Issuer may enter into, and the Bond Trustee may consent to, any amendment of or supplement to the Loan Agreement without notice to or consent of any Bondholder, if the amendment or supplement is required (a) by the provisions of the Loan Agreement or the Bond Indenture, (b) to cure any ambiguity, inconsistency or formal defect or omission in the Loan Agreement or between the terms and provisions of the Loan Agreement and the terms

and provisions of any other instrument or document executed in connection therewith or with the issuance of the Bonds, (c) to identify more precisely any collateral securing the Bonds, (d) to effect any amendment that does not adversely affect the interests of the Bondholders or (e) to obtain or maintain a rating on the Bonds from S&P or Moody's as high as the debt rating on the Bank.

If an amendment of or supplement to the Loan Agreement without the consent of the Bondholders is not permitted as described in the foregoing paragraph, the Issuer may enter into, and the Bond Trustee may consent to, such amendment or supplement with notice to the Bondholders and with the consent of the holders of at least a two-thirds in principal amount of the Bonds then outstanding. However, no amendment to the Loan Agreement is permitted that would decrease the Trust's unconditional obligation to make payments under the Loan Agreement or that would affect the Trust's obligations as to the use of the proceeds of the Bonds. All amendments to the Loan Agreement entered into during the Letter of Credit Period must be consented to by the Bank.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

Payments

The Alliance covenants to make all payments required by the Loan Agreement, as and when the same become due. Pursuant to the Loan Agreement, the Alliance agrees to make payments of principal, interest and purchase price identical to payments (including payments of principal upon redemption and acceleration) due by the Issuer under the Bonds. The obligations of the Alliance to make payments under the Loan Agreement shall be deemed satisfied to the extent of a corresponding payment made by the Bank to the Bond Trustee under the Letter of Credit. The Alliance also covenants to pay the reasonable fees and expenses of the Bond Trustee and the Issuer.

Special Representations and Covenants

Indemnification. The Alliance agrees that it will indemnify and save harmless the Issuer, City of Johnson, Tennessee, the Bond Trustee, the Remarketing Agent and the Bank from and against all liabilities, losses, expenses and damages arising generally from the operation of the projects financed with the Bonds or the failure of the Alliance to comply with its covenants or any term or condition contained in the Loan Agreement and any documents relating thereto.

Sale of Facilities. The Alliance may not sell, convey or lease the facilities financed or refinanced with the proceeds of the Bonds or any significant portion thereof unless the Alliance delivers to the Bond Trustee an Opinion of Bond Counsel that such sale, conveyance or lease will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In connection with any such sale during the Letter of Credit Period, another party may assume the obligations of the Alliance under the Borrower Documents, and the Alliance may be released from liability therefrom with the written consent of the Bank.

Miscellaneous Covenants. The Alliance agrees to notify the Bank, the Issuer and the Bond Trustee if a petition in bankruptcy is filed against it.

Events of Default and Remedies on Default

The occurrence of any of the following events shall constitute an event of default under the Loan Agreement:

(a) If the Alliance shall fail to make any payment with respect to the principal and purchase price of or interest on the Bonds when the same becomes due and payable.

(b) If the Alliance shall fail to observe or perform any of its other covenants, conditions, or agreements under the Loan Agreement for a period of 30 days after notice (unless the Bank shall consent to an extension of such time), or in the case of any such default that cannot be cured within such 30-day period, if the

Alliance shall fail to take corrective action to cure such default and diligently pursue such action until such failure is cured.

(c) If the Alliance shall (1) fail to pay generally its debts as they become due, (2) commence a voluntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law, (3) consent or fail to object to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for the Alliance or any substantial part of its property, or to the taking possession by any such official of any substantial part of the property of the Alliance, (4) make any assignment for the benefit of creditors, or (5) take corporate action in contemplation or in furtherance of any of the foregoing.

(d) If there shall occur the commencement of a voluntary or involuntary case by or against the Alliance under the Federal bankruptcy laws, as now or hereinafter constituted, provided, however, that if an involuntary case in bankruptcy is commenced against the Alliance prior to the 120th day before payment of the Bonds (whether at maturity, by acceleration, demand for prepayment, call for redemption or otherwise), the filing of such petition shall not constitute an Event of Default if such petition is dismissed, subject to no further review, within 60 days thereafter.

(e) If any warranty, representation or other statement by or on behalf of the Alliance contained in the Loan Agreement or in any instrument furnished in connection with the issuance or sale of the Bonds shall prove to have been false or misleading in any material respect at the time it was made or delivered.

(f) If an Event of Default under the Bond Indenture shall occur and continue.

Upon an occurrence of an Event of Default, the Bond Trustee shall immediately notify the Bank and may:

(a) With the written consent of the Bank (provided such written consent shall not be required (1) if there is no Letter of Credit, or (2) if the Event of Default is due to the fact that there has been a default in the payment of the principal and purchase price or interest on the Bonds), declare all payments under the Loan Agreement and the Bonds to be immediately due and payable in an amount sufficient to pay all the principal of and premium, if any, and accrued interest on the Bonds, whereupon the same shall become immediately due and payable.

(b) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Loan Agreement or to enforce observance or performance of any covenant, condition or agreement of the Alliance.

Option to Prepay Obligations under Loan Agreement

The Alliance shall have the option to prepay its obligations under the Loan Agreement in whole or in part to the extent that the Bonds are redeemable under the provisions of the Bond Indenture. If the Alliance intends that such prepayment shall result in a redemption in whole or in part of the Bonds, the Alliance shall take such action as is required under the Bond Indenture to cause the Bonds to be redeemed. In the event the Alliance intends that such prepayment to cause the discharge of the lien of the Bond Indenture under the provisions thereof, the Alliance shall comply with such provisions.

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APPENDIX D

PROPOSED FORMS OF OPINIONS OF BOND COUNSEL

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[Opinion of Bass Berry Sims]

July 30, 2013

The Health and Educational Facilities Board
of the City of Johnson City, Tennessee
Johnson City, Tennessee

The Bank of New York Mellon Trust Company, N.A.,
Bond Trustee and Master Trustee
St. Louis, Missouri

U.S. Bank National Association
St. Louis, Missouri

Merrill Lynch, Pierce, Fenner & Smith Incorporated
New York, New York

Re: The Health and Educational Facilities Board of the City of Johnson City, Tennessee $16,235,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2013A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by The Health and Educational Facilities Board of the City of Johnson City, Tennessee (the "Issuer") of its $16,235,000 Hospital Revenue Bonds (Mountain States Health Alliance), Series 2013A (the "Series 2013A Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. Reference is made to the forms of the Series 2013A Bonds for additional information concerning their details, payment and redemption provisions and the proceedings pursuant to which they were issued.

The Series 2013A Bonds are issued pursuant to a Bond Trust Indenture dated as of July 1, 2013 (the "Series 2013A Bond Indenture"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Series 2013A Bond Trustee"). The proceeds from the sale of the Series 2013A Bonds will be loaned by the Issuer to Mountain States Health Alliance, a not-for-profit corporation incorporated under the laws of the State of Tennessee (the "Alliance"), under a Loan Agreement dated as of July 1, 2013 (the "Series 2013A Loan Agreement"), between the Issuer and the Alliance, which loan will be evidenced by the $16,235,000 Mountain States Health Alliance Note, Series 2013A (The Health and Educational Facilities Board of the City of Johnson City, Tennessee) (the "Series 2013A Obligation") issued pursuant to an Amended and Restated Master Trust Indenture dated as of February 1, 2000, as heretofore amended and as amended by a Thirty-Ninth Supplemental Master Trust Indenture dated as of July 1, 2013 (collectively, the "Master Indenture"), between the Alliance and The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee"). Under the Series 2013A Loan Agreement and the Series 2013A Obligation, the Alliance has agreed to make payments to be used to pay when due the principal of and premium, if any, and interest on the Series 2013A Bonds, and such payments and other revenues under the Series 2013A Loan Agreement and the Series 2013A Obligation (collectively, the "2013A Revenues") and the rights of the Issuer under the Series 2013A Loan Agreement (except certain rights to indemnification, reimbursement and administrative fees) are pledged and assigned by the Issuer as security for the Series 2013A Bonds.

U.S. Bank National Association (the "Bank"), has issued an irrevocable letter of credit dated the date hereof (the "2013A Letter of Credit") to secure payment of the principal of and up to 37 days' accrued interest on the Series 2013A Bonds which expires, unless extended, on July 30, 2018.

The Series 2013A Bonds are payable solely from the 2013A Revenues and draws on the 2013A Letter of Credit.

Reference is made to an opinion of even date of Anderson & Fugate, counsel to the Alliance, with respect, among other matters, to the corporate status, good standing and qualification to do business of the Alliance, the corporate power of the Alliance to enter into and perform the Series 2013A Loan Agreement, the Series 2013A Obligation and the Master Indenture and the authorization, execution and delivery of the Series 2013A Loan Agreement, the Series 2013A Obligation and the Master Indenture by the Alliance and with respect to the Series 2013A Loan Agreement, the Series 2013A Obligation and the Master Indenture being binding and enforceable upon the Alliance.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and the Alliance contained in the Series 2013A Bond Indenture and the Series 2013A Loan Agreement, the certified proceedings and other certifications of public officials furnished to us, and certifications furnished to us by or on behalf of the Alliance (including certifications as to the use of bond proceeds and other bond issues which are material to paragraph 4 below), without undertaking to verify the same by independent investigation.

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

1. The Issuer is duly created and validly existing as a public, nonprofit corporation, organized and existing under the laws of the State of Tennessee with the corporate power to enter into and perform the Bond Indenture and issue the Series 2013A Bonds.

2. The Series 2013A Bond Indenture has been duly authorized, executed and delivered by the Issuer and is a valid and binding obligation of the Series 2013A Issuer enforceable against the Issuer. The Series 2013A Bond Indenture creates a valid lien on the Revenues and on the rights of the Issuer under the Series 2013A Loan Agreement (except certain rights to indemnification, reimbursement and administrative fees) for the benefit of the Series 2013A Bonds.

3. The Series 2013A Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer, payable solely from the Series 2013A Revenues and draws on the Series 2013A Letter of Credit.

4. Interest on the Series 2013A Bonds (a) will not be included in gross income for federal income tax purposes and (b) will not be an item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum income tax on corporations. The foregoing opinion is given in reliance upon certifications by representatives of the Issuer and the Alliance as to certain facts relevant to both the opinion and the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Issuer and/or the Alliance have covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Series 2013A Bonds and the timely payment of arbitrage profits with respect to the Series 2013A Bonds to the United States. Failure by the Issuer or the Alliance to comply with such covenants could cause interest on the Series 2013A Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue. We express no opinion regarding other federal tax consequences arising with respect to the Series 2013A Bonds.

5. The Series 2013A Bonds and the income therefrom shall be exempt from all state, county and municipal taxation in Tennessee except (a) inheritance, gift and estate taxes, (b) excise taxes on all or a portion of the interest on any of the Series 2013A Bonds during the period such Series 2013A Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Series 2013A Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership.

It is to be understood that the rights of the holders of the Series 2013A Bonds and the enforceability of the Series 2013A Bonds and the Series 2013A Bond Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Our services as bond counsel have been limited to rendering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Series 2013A Bonds and the excludability of the interest on the Series 2013A Bonds from gross income for federal income tax purposes. We have not made any investigation concerning the financial resources of the Alliance and, therefore, we express no opinion as to the business or financial resources of the Alliance, its ability to provide for the payment of the Series 2013A Bonds or the accuracy or completeness of any information, including the Official Statement relating to the Series 2013A Bonds that may have been relied on by anyone in making the decision to purchase the Series 2013A Bonds.

Very truly yours,

[Opinion of Bass Berry Sims]

July 30, 2013

The Health and Educational Facilities Board
of the City of Johnson City, Tennessee
Johnson City, Tennessee

The Bank of New York Mellon Trust Company, N.A.,
Bond Trustee and Master Trustee
St. Louis, Missouri

U.S. Bank National Association
St. Louis, Missouri

Merrill Lynch, Pierce, Fenner & Smith Incorporated
New York, New York

Re: The Health and Educational Facilities Board of the City of Johnson City, Tennessee $99,680,000 Taxable Hospital Refunding Revenue Bonds (Mountain States Health Alliance), Series 2013B

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by The Health and Educational Facilities Board of the City of Johnson City, Tennessee (the "Issuer") of its $99,680,000 Taxable Hospital Refunding Revenue Bonds (Mountain States Health Alliance), Series 2013B (the "Series 2013B Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. Reference is made to the forms of the Series 2013B Bonds for additional information concerning their details, payment and redemption provisions and the proceedings pursuant to which they were issued.

The Series 2013B Bonds are issued pursuant to a Bond Trust Indenture dated as of July 1, 2013 (the "Series 2013B Bond Indenture"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Series 2013B Bond Trustee"). The proceeds from the sale of the Series 2013B Bonds will be loaned by the Issuer to Mountain States Health Alliance, a not-for-profit corporation incorporated under the laws of the State of Tennessee (the "Alliance"), under a Loan Agreement dated as of July 1, 2013 (the "Series 2013B Loan Agreement"), between the Issuer and the Alliance, which loan will be evidenced by the $99,680,000 Mountain States Health Alliance Note, Series 2013B (The Health and Educational Facilities Board of the City of Johnson City, Tennessee) (the "Series 2013B Obligation") issued pursuant to an Amended and Restated Master Trust Indenture dated as of February 1, 2000, as heretofore amended and as amended by a Thirty-Ninth Supplemental Master Trust Indenture dated as of July 1, 2013 (collectively, the "Master Indenture"), between the Alliance and The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee"). Under the Series 2013B Loan Agreement and the Series 2013B Obligation, the Alliance has agreed to make payments to be used to pay when due the principal of and premium, if any, and interest on the Series 2013B Bonds, and such payments and other revenues under the Series 2013B Loan Agreement and the Series 2013B Obligation (collectively, the "2013B Revenues") and the rights of the Issuer under the Series 2013B Loan Agreement (except certain rights to indemnification, reimbursement and administrative fees) are pledged and assigned by the Issuer as security for the Series 2013B Bonds.

U.S. Bank National Association (the "Bank"), has issued an irrevocable letter of credit dated the date hereof (the "2013B Letter of Credit") to secure payment of the principal of and up to 37 days' accrued interest on the Series 2013B Bonds which expires, unless extended, on July 30, 2018.

The Series 2013B Bonds are payable solely from the 2013B Revenues and draws on the 2013B Letter of Credit.

Reference is made to an opinion of even date of Anderson & Fugate, counsel to the Alliance, with respect, among other matters, to the corporate status, good standing and qualification to do business of the Alliance, the corporate power of the Alliance to enter into and perform the Series 2013B Loan Agreement, the Series 2013B Obligation and the Master Indenture and the authorization, execution and delivery of the Series 2013B Loan Agreement, the Series 2013B Obligation and the Master Indenture by the Alliance and with respect to the Series 2013B Loan Agreement, the Series 2013B Obligation and the Master Indenture being binding and enforceable upon the Alliance.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and the Alliance contained in the Series 2013B Bond Indenture and the Series 2013B Loan Agreement, the certified proceedings and other certifications of public officials furnished to us, and certifications furnished to us by or on behalf of the Alliance (including certifications as to the use of bond proceeds and other bond issues which are material to paragraph 4 below), without undertaking to verify the same by independent investigation.

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

1. The Issuer is duly created and validly existing as a public, nonprofit corporation, organized and existing under the laws of the State of Tennessee with the corporate power to enter into and perform the Bond Indenture and issue the Series 2013B Bonds.

2. The Series 2013B Bond Indenture has been duly authorized, executed and delivered by the Issuer and is a valid and binding obligation of the Series 2013B Issuer enforceable against the Issuer. The Series 2013B Bond Indenture creates a valid lien on the Revenues and on the rights of the Issuer under the Series 2013B Loan Agreement (except certain rights to indemnification, reimbursement and administrative fees) for the benefit of the Series 2013B Bonds.

3. The Series 2013B Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer, payable solely from the Series 2013B Revenues and draws on the Series 2013B Letter of Credit.

4. The Series 2013B Bonds and the income therefrom shall be exempt from all state, county and municipal taxation in Tennessee except (a) inheritance, gift and estate taxes, (b) excise taxes on all or a portion of the interest on any of the Series 2013B Bonds during the period such Series 2013B Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Series 2013B Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership.

It is to be understood that the rights of the holders of the Series 2013B Bonds and the enforceability of the Series 2013B Bonds and the Series 2013B Bond Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Our services as bond counsel have been limited to rendering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Series 2013B Bonds. We have not made any investigation concerning the financial resources of the Alliance and, therefore, we express no opinion as to the business or financial resources of the Alliance, its ability to provide for the payment of the Series 2013B Bonds or the accuracy or completeness of any information, including the Official Statement relating to the Series 2013B Bonds that may have been relied on by anyone in making the decision to purchase the Series 2013B Bonds.

Very truly yours,

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APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is executed by the Mountain States Health Alliance, a Tennessee nonprofit corporation (the "Alliance), in connection with the issuance by the Health and Educational Facilities Board of the City of Johnson City, Tennessee, of its $16,235,000 Hospital Revenue Bonds (Mountain States Health Alliance) Series 2013A (the "Series 2013A Bonds") and its $99,680,000 Taxable Hospital Refunding Revenue Bonds, Series 2013B (the "Series 2013B Bonds" and, together with the Series 2013A Bonds, the "Bonds").

1. Purpose of the Agreement

This Agreement is being executed and delivered by the Alliance for the benefit of the Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with the Rule (as hereinafter defined).

2. Definitions

Except as otherwise indicated, any capitalized terms used, but not defined herein shall have the meaning assigned to them in the bond indenture pursuant to which the Bonds were issued. The following capitalized terms when used in this Agreement will have the following meanings:

"Annual Disclosure" means the annual financial information, audited financial statements prepared in accordance with generally accepted accounting principles and the operating data, all to be provided by the Alliance with respect to itself and any future Obligated Issuer pursuant to the Rule and this Agreement, as provided in Section 4.

"Beneficial Owner" means any person who (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.

"Listed Events" means any of the events listed below under "Reporting of Significant Events."

"MSRB" means the Municipal Securities Rulemaking Board, or any successor thereto. Currently, the MSRB's address is: MSRB, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314, Attn: Disclosure.

"Official Statement" means the Official Statement dated July 25, 2013, pursuant to which the Bonds were sold.

"Quarterly Disclosure" means the provision of the Quarterly Financial Information and any other financial information as provided in Section 5.

"Quarterly Financial Information" means (i) the Alliance's quarterly financial results in the form of its unaudited quarterly statement of excess of revenue over expenses and its unaudited quarterly balance sheet, each on a consolidated basis for the combined Obligated Group (as defined in the bond documents pursuant to which the Bonds are issued) and (ii) two calculations of the Historical Maximum Annual Debt Service Coverage Ratio (one utilizing a *pro forma* Total Income Available for Debt Service based upon the results of such quarter and the other utilizing Total Income Available for Debt Service over the rolling twelve-month period ended with the end of such quarter).

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as previously amended and as the same may be amended from time to time.

"Underwriter" means Merrill Lynch, Pierce, Fenner & Smith Incorporated.

3. Provision of Annual Disclosure and Quarterly Disclosure

Not later than four months after the end of each fiscal year, the Alliance will file its Annual Disclosure with the MSRB. The Annual Disclosure may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided below.

Not later than 45 days after the end of each quarter of the Alliance's fiscal year the Alliance shall file its Quarterly Financial Information with the MSRB.

If the Annual Disclosure is not filed as provided in the preceding paragraph, the Alliance will send a notice to that effect to the MSRB.

4. Content of Annual Disclosure

The Alliance and any future Obligated Issuer shall provide and incorporate the following information in its Annual Disclosure:

(a) The audited financial statements of the Alliance and any future Obligated Issuer whose operations are not reflected in the audited financial statements of the Alliance; and

(b) To the extent not included in the audited financial statements of the Alliance, the Alliance annually will make available the following financial and operating data:

(i) The patient origin analysis from all service areas as a percent of the discharges in Alliance-owned facilities for the prior 12 month period, as set forth under the caption "SERVICE AREA, MARKET SHARE AND COMPETITION – Patient Origin – Alliance Facilities Patient Origin by Fiscal Year" in Appendix A of the Official Statements.

(ii) The percentage of gross patient revenues received by the Alliance from each program (i.e., Medicare, TennCare/Medicaid, Managed Care, Commercial and Other, and Private Pay) for the most recently concluded fiscal year, as set forth under the caption "SOURCES OF REVENUE – Gross Patient Revenues by Source of Payment (Payor Mix)" in Appendix A of the Official Statements.

(iii) The historic patient utilization for the Alliance and aggregate utilization for all divisions for the prior 12-month period ending June 30, as set forth in the table under the caption "HISTORICAL UTILIZATION INFORMATION" in Appendix A of the Official Statements.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Alliance is an "obligated person" (as defined by the Rule), which have been filed in accordance with the Rule and the other rules of the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must have been filed with and be available from the MSRB. The Alliance must clearly identify each such other document so incorporated by reference.

5. Content of Quarterly Disclosure

The Alliance's Quarterly Disclosure will contain its Quarterly Financial Information.

6. Reporting of Significant Events

The following are Listed Events:

(a) principal and interest payment delinquencies;
(b) non-payment related defaults, if material;
(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on any credit enhancement reflecting financial difficulties;

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

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

(g) modifications of rights of the holders of the Bonds, if material;

(h) bond calls, if material, and tender offers;

(i) defeasance of all or any portion of the Bonds;

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

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the Alliance;

(m) the consummation of a merger, consolidation, or acquisition involving the Alliance or the sale of all or substantially all of the assets of the Alliance, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

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

If the Alliance obtains knowledge of the occurrence of a Listed Event, the Alliance shall, in a timely manner not in excess of ten business days after the occurrence of the event, file a notice of such occurrence with the MSRB. Notice of Listed Events described in subsections (h) and (i) will be disseminated automatically, but will not be given any earlier than the notice (if any) of the underlying event is given to the Beneficial Owners of affected Bonds pursuant to the governing bond documents. The content of any notice of the occurrence of a Listed Event will be determined by the Alliance in accordance with the requirements of the Rule.

7. Filing Method

Any filing required hereunder shall be made by transmitting such disclosure, notice or other information in electronic format to the MSRB through the MSRB's Electronic Municipal Market Access (EMMA) system pursuant to procedures promulgated by the MSRB.

8. Termination of Reporting Obligation

The Alliance's obligations under this Agreement will terminate upon the defeasance (within the meaning of the Rule), prior redemption or payment in full of all of the Bonds. The Alliance will notify the MSRB that the Alliance's obligations under this Agreement have terminated. If the Alliance's obligations are assumed in full by some other entity, such person will be responsible for compliance with this Agreement in the same manner as if it were the Alliance and the Alliance will have no further responsibility hereunder.

9. Dissemination Agent

The Alliance may, from time to time, appoint a dissemination agent to assist it in carrying out its obligations under this Agreement, and the Alliance may, from time to time, discharge the dissemination agent, with or without appointing a successor dissemination agent. If at any time there is not a designated dissemination agent, the Alliance will be the dissemination agent.

10. Amendment

This Agreement may not be amended unless independent counsel experienced in securities law matters has rendered an opinion to the Alliance to the effect that the amendment does not violate the provisions of the Rule.

In the event that this Agreement is amended or any provision of this Agreement is waived, the notice of a Listed Event pursuant to subsection (6) under the heading "Reporting of Significant Events" will explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided in the Annual Disclosure. If an amendment or waiver is made in this

Agreement which allows for a change in the accounting principles to be used in preparing financial statements, the Annual Disclosure for the year in which allows for a change in the accounting principles to be used in preparing financial statements, the Annual Disclosure for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison will include a qualitative discussion of the differences in the accounting principles and impact of the change in the accounting principles on the presentation of the financial information. A notice of the change in the accounting principles will be deemed to be material and will be filed with the MSRB.

11. Additional Information

Any registered owner of $1,000,000 or more in principal amount of Bonds shall receive, upon written request, any of the Annual Financial Information, Audited Financial Information or Quarterly Financial Information directly from the Alliance, by sending such request to Mountain States Health Alliance, 400 North State of Franklin Road, Johnson City, Tennessee 37604, Attn: Chief Financial Officer.

Nothing in this Agreement will be deemed to prevent the Alliance from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Alliance chooses to include any information in any Annual Disclosure or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Agreement, the Alliance will have no obligation under this Agreement to update such information or include it any future Annual Disclosure or notice of occurrence of a Listed Event.

12. Default

In the event of a failure of the Alliance to comply with any provision of this Agreement, the Underwriter or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Alliance to comply with its obligations under this Agreement. A default under this Agreement will not be deemed an Event of Default under the bond documents, and the sole remedy under this Agreement in the event of any failure of any party to comply with this Agreement will be an action to compel performance.

Acting by and through its duly authorized officer, the Alliance has caused this Continuing Disclosure Agreement to be executed under seal as of the 30th day of July, 2013.

MOUNTAIN STATES HEALTH ALLIANCE

By: _____
Its: Senior Vice President and
Chief Financial Officer

APPENDIX F

THE BANK

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CERTAIN INFORMATION CONCERNING
U.S. BANK NATIONAL ASSOCIATION

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

U.S. Bank National Association ("USBNA") is a national banking association organized under the laws of the United States and is the largest subsidiary of U.S. Bancorp. At March 31, 2013, USBNA reported total assets of $346 billion, total deposits of $252 billion and total shareholders' equity of $40 billion. The foregoing financial information regarding USBNA has been derived from and is qualified in its entirety by the unaudited financial information contained in the Federal Financial Institutions Examination Council report Form 031, Consolidated Report of Condition and Income for a Bank with Domestic and Foreign Offices ("Call Report"), for the quarter ended March 31, 2013. The publicly available portions of the quarterly Call Reports with respect to USBNA are on file with, and available upon request from, the FDIC, 550 17th Street, NW, Washington, D.C. 20429 or by calling the FDIC at (877) 275-3342. The FDIC also maintains an Internet website at www.fdic.gov that contains reports and certain other information regarding depository institutions such as USBNA. Reports and other information about USBNA are available to the public at the offices of the Comptroller of the Currency at One Financial Place, Suite 2700, 440 South LaSalle Street, Chicago, IL 60605.

U.S. Bancorp is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the "SEC"). U.S. Bancorp is not guaranteeing the obligations of USBNA and is not otherwise liable for the obligations of USBNA.

Except for the contents of this section, USBNA and U.S. Bancorp assume no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement.

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APPENDIX G

BOOK-ENTRY ONLY SYSTEM

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BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and premium, if any, and interest on the Bonds to The Depository Trust Company, New York, New York, its nominee, Participants or Beneficial Owners (each as hereinafter defined), confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, Participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each Series of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "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, however, are 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 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 holding 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer or the Alliance, as applicable, 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 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 Alliance or the Bond Trustee on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Trustee, the Issuer or the Alliance, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Alliance or the Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Issuer or the Alliance may decide to discontinue the Issuer's use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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

Neither the Issuer nor the Registrar has any responsibility or obligation to the Direct or Indirect Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (b) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Bond Resolution to be given to Bondholders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only holder of Bonds for all purposes under the Bond Resolution.

The Issuer may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.

THE HEALTH AND EDUCATIONAL FACILITIES BOARD OF THE CITY OF JOHNSON CITY, TENNESSEE • HOSPITAL REVENUE BONDS, SERIES 2013A AND TAXABLE HOSPITAL REFUNDING REVENUE BONDS, SERIES 2013B (MOUNTAIN STATES HEALTH ALLIANCE)

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Exhibit 11.4

Attachment D

Mountain States Covenant Compliance Certificates

Johnston Memorial Hospital
Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between Bank of America and Johnston Memorial Hospital dated September 18, 2012, we hereby represent and warrant as follows:

Status as of: 3/31/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 1,521
+ Depreciation	$ 15,089
+ Amortization	$ 42
+ Interest Expense	$ 601
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	$ -
EBITDA	$ 17,253
Total Debt Service (MADS)	$ 4,323
Debt Service Coverage Ratio	3.99x
Covenant Requirement	1.30x

Debt to Capital

LT Debt	$ 39,318
Minority Interest	$ -
Unrestricted Net Assets	$ 272,927
Total	$ 312,245
Debt to Capitalization Ratio	13%
Covenant Requirement	< 65%

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 18, 2012.

Mountain States Health Alliance

By: _____
Print Name: John Jeter
Title: Assistant Administrator & CFO

Johnston Memorial Hospital
Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between Bank of America and Johnston Memorial Hospital dated September 18, 2012, we hereby represent and warrant as follows:

Status as of: 3/31/2015

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 18,472
+ Depreciation	$ 11,003
+ Amortization	$ 49
+ Interest Expense	$ 348
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	$ -
EBITDA	$ 29,872
Total Debt Service (MADS)	$ 4,492
Debt Service Coverage Ratio	**6.65x**
Covenant Requirement	1.30x

Debt to Capital

LT Debt	$ 36,269
Minority Interest	$ -
Unrestricted Net Assets	$ 298,268
Total	**$ 334,537**
Debt to Capitalization Ratio	**11%**
Covenant Requirement	< 65%

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 18, 2012.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Johnston Memorial Hospital

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between Bank of America and Johnston Memorial Hospital dated September 18, 2012, we hereby represent and warrant as follows:

Status as of: 6/30/2013

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 11,448**
+ Depreciation	$ 14,633
+ Amortization	$ 34
+ Interest Expense	$ 755
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 24,188
Total Debt Service (MADS)	$ 5,013
Debt Service Coverage Ratio	**4.83x**
Covenant Requirement	1.30x

Debt to Capital

LT Debt	$ 39,027
Minority Interest	$ -
Unrestricted Net Assets	$ 271,795
Total	**$ 310,822**
Debt to Capitalization Ratio	**13%**
Covenant Requirement	< 65%

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 12,063
Unrestricted Investments	$ 105,056
Total Cash	**$ 117,119**
Total Operating Expenses (Including Interest)	$ 134,160
less: Non Cash Expenses	$ 14,667
Total Cash Expenses (TTM)	**$ 119,493**
Daily Cash Expenses	**$ 327**
Days Cash on Hand Ratio	**358 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 18, 2012.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Vice President/Corporate CFO

Johnston Memorial Hospital
Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between Bank of America and Johnston Memorial Hospital dated September 18, 2012, we hereby represent and warrant as follows:

Status as of: 6/30/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 8,606
+ Depreciation	$ 12,798
+ Amortization	$ 41
+ Interest Expense	$ 578
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	$ -
EBITDA	$ 22,023
Total Debt Service (MADS)	$ 4,321
Debt Service Coverage Ratio	5.10x
Covenant Requirement	1.30x

Debt to Capital

LT Debt	$ 39,024
Minority Interest	$ -
Unrestricted Net Assets	$ 286,344
Total	$ 325,368
Debt to Capitalization Ratio	12%
Covenant Requirement	< 65%

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ 11,654
Unrestricted Investments	$ 130,128
Total Cash	$ 141,782
Total Operating Expenses (including Interest)	$ 129,469
less: Non Cash Expenses	$ 12,839
Total Cash Expenses (TTM)	$ 116,630
Daily Cash Expenses	$ 320
Days Cash on Hand Ratio	444 Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 18, 2012.

Mountain States Health Alliance

By: Lynn Krulak

Print Name: Lynn Krulak

Title: Senior Vice President & CFO

Johnston Memorial Hospital

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between Bank of America and Johnston Memorial Hospital dated September 18, 2012, we hereby represent and warrant as follows:

Status as of: 6/30/2015

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ **26,171**
+ Depreciation	$ 12,051
+ Amortization	$ 41
+ Interest Expense	$ 446
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 38,708
Total Debt Service (MADS)	$ 4,494
Debt Service Coverage Ratio	**8.61x**
Covenant Requirement	1.30x

Debt to Capital

LT Debt	$ 36,035
Minority Interest	$ -
Unrestricted Net Assets	$ 308,230
Total	$ **344,265**
Debt to Capitalization Ratio	**10%**
Covenant Requirement	< 65%

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 10,296
Unrestricted investments	$ 164,508
Total Cash	$ **174,804**
Total Operating Expenses (Including Interest)	$ 130,429
less: Non Cash Expenses	$ 12,092
Total Cash Expenses (TTM)	$ **118,337**
Daily Cash Expenses	$ **324**
Days Cash on Hand Ratio	**539 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 18, 2012.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Johnston Memorial Hospital

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between Bank of America and Johnston Memorial Hospital dated September 18, 2012, we hereby represent and warrant as follows:

Status as of: 6/30/2015

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 26,360**
+ Depreciation	$ 12,051
+ Amortization	$ 41
+ Interest Expense	$ 446
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 38,897
Total Debt Service (MADS)	$ 3,061
Debt Service Coverage Ratio	**12.71x**
Covenant Requirement	1.30x

Debt to Capital

LT Debt	$ 36,035
Minority Interest	$ -
Unrestricted Net Assets	$ 308,419
Total	**$ 344,454**
Debt to Capitalization Ratio	**10%**
Covenant Requirement	< 65%

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 10,296
Unrestricted Investments	$ 164,508
Total Cash	**$ 174,804**
Total Operating Expenses (Including Interest)	$ 123,998
less: Non Cash Expenses	$ 12,092
Total Cash Expenses (TTM)	**$ 111,906**
Daily Cash Expenses	**$ 307**
Days Cash on Hand Ratio	**570 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 18, 2012.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Johnston Memorial Consolidated
Key Operating Indicators
For the Period Ended June 30, 2015

MONTH OF JUNE						TWELVE MONTHS YEAR TO DATE				
Actual	Budget	Bud Var	Prior Yr	PY Var		Actual	Budget	Bud Var	Prior Yr	PY Var
					Operating Statistics (excl Long-Term Care)					
81	71	14.8%	71	14.3%	Average Daily Census	81	69	17.5%	64	26.1%
70.2%	61.1%	14.8%	61.4%	14.3%	Occupancy Percent	70.1%	59.6%	17.5%	55.6%	26.1%
2,444	2,128	14.8%	2,138	14.3%	Patient Days	29,660	25,232	17.5%	23,524	26.1%
739	639	15.6%	649	13.9%	Admissions	9,009	7,646	17.8%	7,109	26.7%
339	259	30.9%	299	13.4%	Observation Visits	3,816	3,717	2.7%	4,130	-7.6%
247	181	36.5%	201	22.9%	Non OB Observation Visits	2,816	2,625	7.3%	2,993	-5.9%
25.1%	22.1%	13.5%	23.6%	5.9%	Non OB Observation Visits % of Non OB Observation Visits & Acute Admissions	23.8%	25.6%	-6.8%	29.6%	-19.6%
7.9%	5.4%	46.3%	8.2%	-3.5%	Non OB Observation % of Occupancy	6.9%	6.5%	6.1%	10.4%	-34.4%
6,397	5,435	17.7%	5,966	7.2%	Adjusted Patient Days	75,521	66,126	14.2%	70,039	7.8%
1,934	1,632	18.5%	1,811	6.8%	Adjusted Admissions	22,939	20,038	14.5%	21,166	8.4%
20,286	17,993	12.7%	20,610	-1.6%	Outpatient Visits	229,145	221,374	3.5%	249,494	-8.2%
3,484	2,989	16.6%	3,275	6.4%	ED Visits	41,308	36,299	13.8%	39,161	5.5%
60	129	-53.5%	60	0.0%	Home Health Episodes	646	1,543	-58.1%	811	-20.3%
114	121	-5.8%	112	1.8%	IP Surgery Cases	1,468	1,443	1.7%	1,296	13.3%
476	460	3.5%	416	14.4%	OP Surgery Cases	5,265	5,655	-6.9%	5,560	-5.3%
					Revenue By Source					
36.1%	39.6%	-3.5%	36.7%	-0.6%	Medicare	38.1%	39.6%	-1.4%	39.5%	-1.3%
17.9%	13.3%	4.6%	12.8%	5.1%	Managed Medicare	15.5%	13.3%	2.2%	13.3%	2.2%
12.1%	13.9%	-1.8%	13.4%	-1.3%	Medicaid	12.2%	13.9%	-1.7%	13.6%	-1.4%
0.3%	0.3%	0.0%	0.4%	-0.1%	TennCare	0.4%	0.3%	0.1%	0.3%	0.0%
16.8%	16.3%	0.5%	18.3%	-1.5%	Blue Cross	17.1%	16.3%	0.8%	16.6%	0.5%
2.4%	1.7%	0.7%	1.7%	0.7%	United - River Valley	1.7%	1.7%	0.0%	1.7%	0.0%
6.7%	5.4%	1.3%	6.2%	0.4%	Managed Care / Commercial	5.6%	5.4%	0.3%	5.4%	0.2%
6.0%	7.8%	-1.9%	8.4%	-2.5%	Charity / Self Pay	7.5%	7.8%	-0.3%	8.0%	-0.4%
1.8%	1.7%	0.0%	2.1%	-0.3%	Other Patient Revenue	1.9%	1.7%	0.2%	1.7%	0.2%
100.0%	100.0%		100.0%		Total Gross Patient Revenue	100.0%	100.0%		100.0%	
$9,995	$10,453	-4.4%	$8,694	15.0%	IP Revenue per Patient Day	$9,368	$10,495	-10.7%	$8,794	6.5%
$1,948	$1,921	1.4%	$1,615	20.6%	OP Revenue per Outpatient Visit	$1,875	$1,939	-3.3%	$1,639	14.4%
$2,348	$2,033	15.5%	$2,237	5.0%	Operating Revenue per Adjusted Patient Day	$2,033	$2,035	-0.1%	$1,874	8.5%
$1,774	$1,886	5.9%	$1,590	-11.6%	Operating Expense per Adjusted Patient Day	$1,724	$1,883	8.4%	$1,838	6.2%
$7,766	$6,769	14.7%	$7,370	5.4%	Operating Revenue per Adjusted Admission	$6,692	$6,716	-0.4%	$6,201	7.9%
$5,868	$6,281	6.6%	$5,239	-12.0%	Operating Expense per Adjusted Admission	$5,676	$6,212	8.6%	$6,083	6.7%
21.8%	19.1%	14.1%	20.6%	6.1%	Net Revenue % of Gross Revenue	21.2%	19.1%	11.2%	20.5%	3.7%
$7,221	$6,666	8.3%	$5,898	22.5%	Net Revenue per Adjusted Admission	$6,544	$6,609	-1.0%	$5,956	9.9%
					Labor Management (excl Long-Term Care)					
902	815	-10.7%	794	-13.7%	Employed Full Time Equivalents	824	805	-2.3%	791	-4.2%
14	2	-453.7%	13	-8.7%	Contract Full Time Equivalents	10	4	-133.1%	5	-94.5%
916	818	-12.0%	806	-13.6%	Total Full Time Equivalents	834	810	-3.0%	796	-4.8%
4.30	4.51	4.8%	4.05	-6.0%	FTEs per Adjusted Occupied Bed (Incl Cont Lbr)	4.03	4.47	9.8%	4.15	2.8%
81.0	85.6	5.5%	76.1	-6.4%	Man Hours per Adjusted Admission (incl Cont Lbr)	75.6	84.0	10.0%	78.2	3.3%
$21.10	$21.68	2.6%	$21.40	1.4%	Average Hourly Rate (excl Cont Lbr)	$22.01	$21.56	-2.1%	$21.52	-2.3%
$43,894	$45,084	2.6%	$44,502	1.4%	Salary Expense per FTE (excl Cont Lbr)	$45,780	$44,851	-2.1%	$44,762	-2.3%
$2,481	$2,548	2.6%	$2,070	-19.9%	Labor Exp (excl Phys) per Adjusted Admission	$2,245	$2,408	6.8%	$2,210	-1.6%
37.4%	42.5%	12.0%	44.7%	16.2%	Labor Exp % of Net Revenue	39.7%	42.7%	7.2%	47.1%	15.9%
					Patient Resource Management					
3.60	3.66	1.6%	3.51	-2.5%	Overall Medicare Average Length of Stay	3.58	3.62	1.1%	3.63	1.4%
3.31	3.33	0.7%	3.29	-0.4%	Overall Average Length of Stay	3.29	3.30	0.2%	3.31	0.5%
3.60	3.65	1.5%	3.55	-1.3%	Acute Medicare Average Length of Stay	3.58	3.62	1.1%	3.63	1.4%
2.49	2.85	12.7%	2.57	3.1%	Acute Medicare Average Length of Stay - Acuity Adjusted	2.57	2.83	9.0%	2.81	8.6%
3.31	3.33	0.7%	3.29	-0.4%	Acute Overall Average Length of Stay	3.29	3.30	0.2%	3.31	0.5%
2.42	2.80	13.5%	2.55	5.1%	Acute Overall Average Length of Stay - Acuity Adjusted	2.49	2.77	10.3%	2.76	10.0%
1.11	1.04	-7.2%	1.42	21.5%	Observation Average Length of Stay	1.03	1.04	1.1%	1.48	30.3%
1.44	1.28	12.8%	1.38	4.5%	Overall Medicare Case Mix Index	1.39	1.28	8.6%	1.29	7.9%
1.34	1.11	20.4%	1.22	9.6%	Overall Case Mix Index	1.30	1.11	16.7%	1.12	15.6%
1.44	1.28	12.8%	1.38	4.5%	Acute Medicare Case Mix Index	1.39	1.28	8.6%	1.29	7.9%
1.37	1.19	14.8%	1.29	5.8%	Acute Overall Case Mix Index	1.32	1.19	11.2%	1.20	10.6%
14.0%	15.7%	10.9%	19.5%	28.3%	Supply Expense % of Net Revenue	14.8%	15.6%	4.9%	15.5%	4.4%
$1,009	$1,046	3.5%	$1,149	12.2%	Supply Expense per Adjusted Admission	$971	$1,031	5.8%	$924	-5.0%

Johnston Memorial Consolidated

Statement of Revenue and Expense

For the Period Ended June 30, 2015

MONTH OF JUNE						TWELVE MONTHS YEAR TO DATE				
Actual	Budget	Bud Var	Prior Yr	PY Var		Actual	Budget	Bud Var	Prior Yr	PY Var
					Revenue, Gains and Support					
14,934,725	12,984,304	15.0%	12,861,105	16.1%	Patient Service Revenue, Net of Contractual Allowances and Discounts	170,677,822	157,853,038	8.1%	143,069,171	19.3%
(967,447)	(2,105,455)	54.1%	(2,183,663)	55.7%	Provision for Bad Debt	(20,575,519)	(25,430,908)	19.1%	(17,002,826)	-21.0%
13,967,277	10,878,849	28.4%	10,677,442	30.8%	**Net Patient Service Revenue**	150,102,303	132,422,130	13.4%	126,068,344	19.1%
0	0	0.0%	0	0.0%	Premium Revenue	0	0	0.0%	0	0.0%
1,630,152	398,987	308.6%	4,683,903	-65.2%	Net Investment Gain	3,168,693	1,922,546	64.8%	9,606,730	-67.0%
0	0	0.0%	0	0.0%	Net Derivative Gain	0	0	0.0%	0	0.0%
937,577	161,197	481.6%	3,289,327	-71.5%	Other Revenue, Gains and Support	2,800,711	1,904,926	47.0%	5,590,722	-49.9%
16,535,006	11,439,034	-44.5%	18,650,671	11.3%	**Total Revenue, Gains and Support**	156,071,707	136,249,601	-14.5%	141,263,797	-10.5%
					Expense					
3,821,667	3,020,489	-26.5%	3,415,738	-11.9%	Salaries and Wages	38,287,219	36,114,546	-6.0%	35,921,566	-6.6%
594,227	622,890	4.6%	1,148,004	48.2%	Provider Salaries	9,772,833	10,109,225	3.3%	14,467,792	32.5%
140,203	43,990	-218.7%	133,191	-5.3%	Contract Labor	1,442,268	790,864	-82.4%	682,573	-111.3%
1,236,682	940,901	-31.4%	583,372	-112.0%	Employee Benefits	10,586,163	9,591,700	-10.4%	8,892,782	-19.0%
1,843,922	1,481,240	-24.5%	1,477,358	-24.8%	Fees	20,794,956	18,136,282	-14.7%	19,593,842	-6.1%
1,951,820	1,706,429	-14.4%	2,081,079	6.2%	Supplies	22,269,900	20,653,207	-7.8%	19,567,473	-13.8%
145,288	175,786	17.3%	168,321	13.7%	Utilities	2,086,909	2,075,708	-0.5%	1,958,593	-6.6%
0	0	0.0%	0	0.0%	Medical Costs	0	0	0.0%	0	0.0%
1,014,329	856,322	-18.5%	969,502	-4.6%	Other Expense	10,358,305	10,559,317	1.9%	8,296,879	-24.8%
0	0	0.0%	0	0.0%	Loss on Extinguishment of LTD / Derivatives	0	0	0.0%	0	0.0%
1,016,073	1,143,186	11.1%	(551,290)	284.3%	Depreciation	12,050,832	13,177,926	8.6%	12,797,707	5.8%
3,418	3,418	0.0%	3,418	0.0%	Amortization	41,020	41,020	0.0%	41,020	0.0%
33,312	36,076	7.7%	44,115	24.5%	Interest & Taxes	446,090	482,914	7.6%	577,529	22.8%
115,305	220,291	47.7%	527,602	78.1%	Consolidation Allocation	2,627,862	2,750,966	4.5%	6,480,950	59.5%
11,916,248	10,251,018	-16.2%	10,000,410	-19.2%	**Total Expenses**	130,764,156	124,483,676	-5.0%	129,278,706	-1.1%
4,618,758	1,188,015	-288.8%	8,650,261	46.6%	**Excess of Revenue, Gains and Support over Expenses and Losses**	25,307,551	11,765,925	-115.1%	11,985,090	-111.2%

Johnston Memorial Consolidated

Comparative Balance Sheet

	June 30 2015	May 31 2015	Month Activity	June 30 2014	YTD Activity
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	10,296,333	9,701,014	595,319	11,653,780	(1,357,448)
Current Portion AWUIL	0	0	0	0	(0)
Accounts Receivable (Net)	22,263,497	21,319,582	943,915	21,666,369	597,128
Other Receivables	2,161,934	1,603,808	558,126	2,704,886	(542,952)
Due From Affiliates	181,489	2,826,927	(2,645,438)	391,998	(210,509)
Due From Third Party Payors	1,741,384	1,573,280	168,103	1,765,400	(24,017)
Inventories	2,946,517	3,028,826	(82,308)	2,957,365	(10,848)
Prepaid Expense	683,920	574,956	108,965	634,974	48,947
	40,275,074	40,628,392	(353,318)	41,774,772	(1,499,698)
ASSETS WHOSE USE IS LIMITED	0	0	0	0	(0)
OTHER INVESTMENTS	164,507,633	159,938,110	4,569,523	130,127,592	34,380,041
PROPERTY, PLANT AND EQUIPMENT					
Land, Buildings and Equipment	259,038,348	259,227,153	(188,805)	257,352,857	1,685,491
Less Allowances for Depreciation	101,420,225	100,474,207	946,018	90,051,499	11,368,726
	157,618,123	158,752,947	(1,134,824)	167,301,358	(9,683,235)
OTHER ASSETS					
Pledges Receivable	0	0	0	0	0
Long Term Compensation Investment	0	0	0	0	0
Investments in Unconsolidated Subsidiaries	199,510	199,510	0	199,510	0
Land / Equipment Held for Resale	0	0	0	0	0
Assets Held for Expansion	1,861,941	1,518,216	343,724	1,518,216	343,724
Investments in Subsidiaries	0	0	0	0	0
Goodwill	69,828	69,828	0	69,828	0
Deferred Charges and Other	207,711	211,130	(3,418)	248,732	(41,020)
	2,338,990	1,998,685	340,306	2,036,286	302,704
TOTAL ASSETS	364,739,821	361,318,134	3,421,687	341,240,009	23,499,812
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable and Accrued Expense	5,803,072	3,953,561	1,849,511	5,403,497	399,575
Accrued Salaries, Benefits, and PTO	7,093,747	6,315,928	777,819	7,159,836	(66,089)
Claims Payable	0	0	0	0	0
Accrued Interest	34,163	35,263	(1,100)	35,014	(851)
Due to Affiliates	758,746	2,934,465	(2,175,719)	363,033	395,713
Due to Third Party Payors	2,261,850	2,261,850	0	2,261,850	0
Call Option Liability	0	0	0	0	0
Current Portion of Long Term Debt	17,564,742	1,498,276	16,066,467	3,042,473	14,522,270
	33,516,321	16,999,343	16,516,977	18,265,703	15,250,618
OTHER NON CURRENT LIABILITIES					
Long Term Compensation Payable	0	0	0	0	0
Long Term Debt	18,470,351	34,562,611	(16,092,259)	35,981,126	(17,510,775)
Estimated Fair Value of Interest Rate Swaps	0	0	0	0	0
Deferred Income	2,651,383	4,515,591	(1,864,208)	2,086,237	565,146
Professional Liability Self-Insurance and Other	1,013,939	771,520	242,419	1,126,666	(112,727)
	22,135,673	39,849,721	(17,714,049)	39,194,029	(17,058,357)
TOTAL LIABILITIES	55,651,994	56,849,065	(1,197,071)	57,459,732	(1,807,739)
NET ASSETS					
Restricted Net Assets	481	481	0	481	0
Unrestricted Net Assets	308,418,731	303,799,973	4,618,758	283,779,796	24,638,936
Noncontrolling Interests in Subsidiaries	668,615	668,615	0	0	668,615
	309,087,827	304,469,069	4,618,758	283,780,277	25,307,551
TOTAL LIABILITIES AND NET ASSETS	364,739,821	361,318,134	3,421,687	341,240,009	23,499,812

Johnston Memorial Hospital
Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between Bank of America3 and Johnston Memorial Hospital dated September 18, 2012, we hereby represent and warrant as follows:

Status as of: 9/30/2013

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 7,800
+ Depreciation	$ 15,377
+ Amortization	$ 41
+ Interest Expense	$ 467
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	$ -
EBITDA	$ 20,746
Total Debt Service (MADS)	$ 4,326
Debt Service Coverage Ratio	4.80x
Covenant Requirement	1.30x

Debt to Capital

LT Debt	$ 38,874
Minority Interest	$ -
Unrestricted Net Assets	$ 271,703
Total	$ 310,577
Debt to Capitalization Ratio	13%
Covenant Requirement	< 65%

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: _____

Print Name: John Veter

Title: Assistant Administrator & CFO

Johnston Memorial Hospital

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between Bank of America and Johnston Memorial Hospital dated September 18, 2012, we hereby represent and warrant as follows:

Status as of: 9/30/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 13,378**
+ Depreciation	$ 11,903
+ Amortization	$ 41
+ Interest Expense	$ 552
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 25,874
Total Debt Service (MADS)	$ 4,493
Debt Service Coverage Ratio	**5.76x**
Covenant Requirement	1.30x

Debt to Capital

LT Debt	$ 36,884
Minority Interest	$ -
Unrestricted Net Assets	$ 286,873
Total	$ 323,757
Debt to Capitalization Ratio	**11%**
Covenant Requirement	< 65%

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 18, 2012.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Johnston Memorial Hospital
Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between Bank of America and Johnston Memorial Hospital dated September 18, 2012, we hereby represent and warrant as follows:

Status as of: 12/31/2013

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 1,856
+ Depreciation	$ 15,127
+ Amortization	$ 42
+ Interest Expense	$ 544
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 17,569
Total Debt Service (MADS)	$ 4,324
Debt Service Coverage Ratio	4.06x
Covenant Requirement	1.30x

Debt to Capital

LT Debt	$ 38,751
Minority Interest	$ -
Unrestricted Net Assets	$ 272,311
Total	$ 311,062
Debt to Capitalization Ratio	12%
Covenant Requirement	< 65%

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ 5,082
Unrestricted Investments	$ 128,414
Total Cash	$ 133,496
Total Operating Expenses (Including Interest)	$ 132,166
less: Non Cash Expenses	$ 15,169
Total Cash Expenses (TTM)	$ 116,997
Daily Cash Expenses	$ 321
Days Cash on Hand Ratio	416 Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 18, 2012.

Mountain States Health Alliance

By: _____
Print Name: John Peter
Title: Assistant Administrator & CFO

Johnston Memorial Hospital

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between Bank of America and Johnston Memorial Hospital dated September 18, 2012, we hereby represent and warrant as follows:

Status as of: 12/31/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 18,352**
+ Depreciation	$ 11,228
+ Amortization	$ 41
+ Interest Expense	$ 518
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	$ -
EBITDA	$ 30,139
Total Debt Service (MADS)	$ 4,492
Debt Service Coverage Ratio	**6.71x**
Covenant Requirement	1.30x

Debt to Capital

LT Debt	$ 34,577
Minority Interest	$ -
Unrestricted Net Assets	$ 288,761
Total	**$ 323,338**
Debt to Capitalization Ratio	**11%**
Covenant Requirement	< 65%

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 16,628
Unrestricted Investments	$ 138,070
Total Cash	**$ 154,698**
Total Operating Expenses (Including Interest)	$ 124,696
less: Non Cash Expenses	$ 11,269
Total Cash Expenses (TTM)	**$ 113,427**
Daily Cash Expenses	**$ 311**
Days Cash on Hand Ratio	**498 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 18, 2012.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Johnston Memorial Hospital
Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between SunTrust Bank and Johnston Memorial Hospital dated November 16, 2011, we hereby represent and warrant as follows:

Status as of: 3/31/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 1,521
+ Depreciation	$ 15,089
+ Amortization	$ 42
+ Interest Expense	$ 601
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 17,253
Total Debt Service (MADS)	$ 4,323
Debt Service Coverage Ratio	3.99x
Covenant Requirement	1.30x

Debt to Capital

LT Debt	$ 39,318
Minority Interest	$ -
Unrestricted Net Assets	$ 272,927
Total	$ 312,245
Debt to Capitalization Ratio	13%
Covenant Requirement	< 65%

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective November 16, 2011.

Mountain States Health Alliance

By: _____
Print Name: John Jeter
Title: Assistant Administrator & CFO

Johnston Memorial Hospital
Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between SunTrust Bank and Johnston Memorial Hospital dated November 16, 2011, we hereby represent and warrant as follows:

Status as of: 3/31/2015

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 18,472
+ Depreciation	$ 11,003
+ Amortization	$ 49
+ Interest Expense	$ 348
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	$ -
EBITDA	$ 29,872
Total Debt Service (MADS)	$ 4,492
Debt Service Coverage Ratio	6.65x
Covenant Requirement	1.30x

Debt to Capital

LT Debt	$ 36,269
Minority Interest	$ -
Unrestricted Net Assets	$ 298,268
Total	$ 334,537
Debt to Capitalization Ratio	11%
Covenant Requirement	< 65%

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective November 16, 2011.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Johnston Memorial Hospital
Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between SunTrust Bank and Johnston Memorial Hospital dated November 16, 2011, we hereby represent and warrant as follows:

Status as of: 6/30/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 8,606
+ Depreciation	$ 12,798
+ Amortization	$ 41
+ Interest Expense	$ 578
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	$ -
EBITDA	$ 22,023
Total Debt Service (MADS)	$ 4,321
Debt Service Coverage Ratio	5.10x
Covenant Requirement	1.30x

Debt to Capital

LT Debt	$ 39,024
Minority Interest	$ -
Unrestricted Net Assets	$ 286,344
Total	$ 325,368
Debt to Capitalization Ratio	12%
Covenant Requirement	< 65%

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ 11,654
Unrestricted Investments	$ 130,128
Total Cash	$ 141,782
Total Operating Expenses (Including Interest)	$ 129,469
less: Non Cash Expenses	$ 12,839
Total Cash Expenses (TTM)	$ 116,630
Daily Cash Expenses	$ 320
Days Cash on Hand Ratio	444 Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective November 16, 2011.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Johnston Memorial Hospital

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between SunTrust Bank and Johnston Memorial Hospital dated November 16, 2011, we hereby represent and warrant as follows:

Status as of: 6/30/2015

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 26,171**
+ Depreciation	$ 12,051
+ Amortization	$ 41
+ Interest Expense	$ 446
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 38,708
Total Debt Service (MADS)	$ 4,494
Debt Service Coverage Ratio	**8.61x**
Covenant Requirement	1.30x

Debt to Capital

LT Debt	$ 36,035
Minority Interest	$ -
Unrestricted Net Assets	$ 308,230
Total	**$ 344,265**
Debt to Capitalization Ratio	**10%**
Covenant Requirement	< 65%

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 10,296
Unrestricted Investments	$ 164,508
Total Cash	**$ 174,804**
Total Operating Expenses (Including Interest)	$ 130,429
less: Non Cash Expenses	$ 12,092
Total Cash Expenses (TTM)	**$ 118,337**
Daily Cash Expenses	**$ 324**
Days Cash on Hand Ratio	**539 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective November 16, 2011.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Johnston Memorial Hospital

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between SunTrust Bank and Johnston Memorial Hospital dated November 16, 2011, we hereby represent and warrant as follows:

Status as of: 6/30/2015

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 26,360**
+ Depreciation	$ 12,051
+ Amortization	$ 41
+ Interest Expense	$ 446
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 38,897
Total Debt Service (MADS)	$ 3,061
Debt Service Coverage Ratio	**12.71x**
Covenant Requirement	1.30x

Debt to Capital

LT Debt	$ 36,035
Minority Interest	$ -
Unrestricted Net Assets	$ 308,419
Total	**$ 344,454**
Debt to Capitalization Ratio	**10%**
Covenant Requirement	< 65%

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 10,296
Unrestricted Investments	$ 164,508
Total Cash	**$ 174,804**
Total Operating Expenses (Including Interest)	$ 123,998
less: Non Cash Expenses	$ 12,092
Total Cash Expenses (TTM)	**$ 111,906**
Daily Cash Expenses	**$ 307**
Days Cash on Hand Ratio	**570 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective November 16, 2011.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Johnston Memorial Consolidated
Key Operating Indicators
For the Period Ended June 30, 2015

MONTH OF JUNE						TWELVE MONTHS YEAR TO DATE				
Actual	Budget	Bud Var	Prior Yr	PY Var		Actual	Budget	Bud Var	Prior Yr	PY Var
					Operating Statistics (excl Long-Term Care)					
81	71	14.8%	71	14.3%	Average Daily Census	81	69	17.5%	64	26.1%
70.2%	61.1%	14.8%	61.4%	14.3%	Occupancy Percent	70.1%	59.6%	17.5%	55.6%	26.1%
2,444	2,128	14.8%	2,138	14.3%	Patient Days	29,660	25,232	17.5%	23,524	26.1%
739	639	15.6%	649	13.9%	Admissions	9,009	7,646	17.8%	7,109	26.7%
339	259	30.9%	299	13.4%	Observation Visits	3,816	3,717	2.7%	4,130	-7.6%
247	181	36.5%	201	22.9%	Non OB Observation Visits	2,816	2,625	7.3%	2,993	-5.9%
25.1%	22.1%	13.5%	23.6%	5.9%	Non OB Observation Visits % of Non OB Observation Visits & Acute Admissions	23.8%	25.6%	-6.8%	29.6%	-19.6%
7.9%	5.4%	46.3%	8.2%	-3.5%	Non OB Observation % of Occupancy	6.9%	6.5%	6.1%	10.4%	-34.4%
6,397	5,435	17.7%	5,966	7.2%	Adjusted Patient Days	75,521	66,126	14.2%	70,039	7.8%
1,934	1,632	18.5%	1,811	6.8%	Adjusted Admissions	22,939	20,038	14.5%	21,166	8.4%
20,286	17,993	12.7%	20,610	-1.6%	Outpatient Visits	229,145	221,374	3.5%	249,494	-8.2%
3,484	2,989	16.6%	3,275	6.4%	ED Visits	41,308	36,299	13.6%	39,161	5.5%
60	129	-53.5%	60	0.0%	Home Health Episodes	646	1,543	-58.1%	811	-20.3%
114	121	-5.8%	112	1.8%	IP Surgery Cases	1,468	1,443	1.7%	1,296	13.3%
476	460	3.5%	416	14.4%	OP Surgery Cases	5,265	5,655	-6.9%	5,560	-5.3%
					Revenue By Source					
36.1%	39.6%	-3.5%	36.7%	-0.6%	Medicare	38.1%	39.6%	-1.4%	39.5%	-1.3%
17.9%	13.3%	4.6%	12.8%	5.1%	Managed Medicare	15.5%	13.3%	2.2%	13.3%	2.2%
12.1%	13.9%	-1.8%	13.4%	-1.3%	Medicaid	12.2%	13.9%	-1.7%	13.6%	-1.4%
0.3%	0.3%	0.0%	0.4%	-0.1%	TennCare	0.4%	0.3%	0.1%	0.3%	0.0%
16.8%	16.3%	0.5%	18.3%	-1.5%	Blue Cross	17.1%	16.3%	0.8%	16.6%	0.5%
2.4%	1.7%	0.7%	1.7%	0.7%	United - River Valley	1.7%	1.7%	0.0%	1.7%	0.0%
6.7%	5.4%	1.3%	6.2%	0.4%	Managed Care / Commercial	5.6%	5.4%	0.3%	5.4%	0.2%
6.0%	7.8%	-1.9%	8.4%	-2.5%	Charity / Self Pay	7.5%	7.8%	-0.3%	8.0%	-0.4%
1.8%	1.7%	0.0%	2.1%	-0.3%	Other Patient Revenue	1.9%	1.7%	0.2%	1.7%	0.2%
100.0%	100.0%		100.0%		Total Gross Patient Revenue	100.0%	100.0%		100.0%	
$9,995	$10,453	-4.4%	$8,694	15.0%	IP Revenue per Patient Day	$8,368	$10,495	-10.7%	$8,794	6.5%
$1,948	$1,921	1.4%	$1,615	20.6%	OP Revenue per Outpatient Visit	$1,875	$1,939	-3.3%	$1,639	14.4%
$2,348	$2,033	15.5%	$2,237	5.0%	Operating Revenue per Adjusted Patient Day	$2,033	$2,035	-0.1%	$1,874	8.5%
$1,774	$1,886	5.9%	$1,590	-11.6%	Operating Expense per Adjusted Patient Day	$1,724	$1,883	8.4%	$1,888	6.2%
$7,766	$6,769	14.7%	$7,370	5.4%	Operating Revenue per Adjusted Admission	$8,892	$8,716	-0.4%	$8,201	7.9%
$5,868	$6,261	6.6%	$5,239	-12.0%	Operating Expense per Adjusted Admission	$5,876	$8,212	8.6%	$5,083	6.7%
21.8%	19.1%	14.1%	20.6%	6.1%	Net Revenue % of Gross Revenue	21.2%	19.1%	11.2%	20.5%	3.7%
$7,221	$6,666	8.3%	$5,896	22.5%	Net Revenue per Adjusted Admission	$8,544	$8,609	-1.0%	$5,956	9.9%
					Labor Management (excl Long-Term Care)					
902	815	-10.7%	794	-13.7%	Employed Full Time Equivalents	824	805	-2.3%	791	-4.2%
14	2	-453.7%	13	-8.7%	Contract Full Time Equivalents	10	4	-133.1%	5	-94.5%
916	818	-12.0%	806	-13.6%	Total Full Time Equivalents	834	810	-3.0%	796	-4.8%
4.30	4.51	4.8%	4.05	-6.0%	FTEs per Adjusted Occupied Bed (incl Cont Lbr)	4.03	4.47	9.6%	4.15	2.8%
81.0	85.6	5.5%	76.1	-6.4%	Man Hours per Adjusted Admission (incl Cont Lbr)	75.6	84.0	10.0%	78.2	3.3%
$21.10	$21.68	2.8%	$21.40	1.4%	Average Hourly Rate (excl Cont Lbr)	$22.01	$21.56	-2.1%	$21.52	-2.3%
$43,894	$45,084	2.6%	$44,502	1.4%	Salary Expense per FTE (excl Cont Lbr)	$45,780	$44,851	-2.1%	$44,762	-2.3%
$2,481	$2,548	2.6%	$2,070	-19.9%	Labor Exp (excl Phys) per Adjusted Admission	$2,245	$2,408	6.8%	$2,210	-1.6%
37.4%	42.5%	12.0%	44.7%	16.2%	Labor Exp % of Net Revenue	39.7%	42.7%	7.2%	47.1%	15.9%
					Patient Resource Management					
3.60	3.66	1.6%	3.51	-2.5%	Overall Medicare Average Length of Stay	3.58	3.62	1.1%	3.63	1.4%
3.31	3.33	0.7%	3.29	-0.4%	Overall Average Length of Stay	3.29	3.30	0.2%	3.31	0.5%
3.60	3.65	1.5%	3.55	-1.3%	Acute Medicare Average Length of Stay	3.58	3.62	1.1%	3.63	1.4%
2.49	2.85	12.7%	2.57	3.1%	Acute Medicare Average Length of Stay - Acuity Adjusted	2.57	2.83	9.0%	2.81	8.6%
3.31	3.33	0.7%	3.29	-0.4%	Acute Overall Average Length of Stay	3.29	3.30	0.2%	3.31	0.5%
2.42	2.80	13.5%	2.55	5.1%	Acute Overall Average Length of Stay - Acuity Adjusted	2.49	2.77	10.3%	2.76	10.0%
1.11	1.04	-7.2%	1.42	21.5%	Observation Average Length of Stay	1.03	1.04	1.1%	1.48	30.3%
1.44	1.28	12.6%	1.38	4.5%	Overall Medicare Case Mix Index	1.39	1.28	8.6%	1.29	7.9%
1.34	1.11	20.4%	1.22	9.6%	Overall Case Mix Index	1.30	1.11	16.7%	1.12	15.6%
1.44	1.28	12.6%	1.38	4.5%	Acute Medicare Case Mix Index	1.39	1.28	8.6%	1.29	7.8%
1.37	1.19	14.8%	1.29	5.8%	Acute Overall Case Mix Index	1.32	1.19	11.2%	1.20	10.6%
14.0%	15.7%	10.9%	19.5%	28.3%	Supply Expense % of Net Revenue	14.6%	15.6%	4.9%	15.5%	4.4%
$1,009	$1,046	3.5%	$1,149	12.2%	Supply Expense per Adjusted Admission	$971	$1,031	5.8%	$924	-5.0%

Johnston Memorial Consolidated

Statement of Revenue and Expense

For the Period Ended June 30, 2015

MONTH OF JUNE						TWELVE MONTHS YEAR TO DATE				
Actual	Budget	Bud Var	Prior Yr	PY Var		Actual	Budget	Bud Var	Prior Yr	PY Var
					Revenue, Gains and Support					
14,934,725	12,984,304	15.0%	12,861,105	16.1%	Patient Service Revenue, Net of Contractual Allowances and Discounts	170,677,822	157,853,038	8.1%	143,069,171	19.3%
(967,447)	(2,105,455)	54.1%	(2,183,663)	55.7%	Provision for Bad Debt	(20,575,519)	(25,430,908)	19.1%	(17,002,826)	-21.0%
13,967,277	10,878,849	28.4%	10,677,442	30.8%	**Net Patient Service Revenue**	150,102,303	132,422,130	13.4%	126,066,344	19.1%
0	0	0.0%	0	0.0%	Premium Revenue	0	0	0.0%	0	0.0%
1,630,152	398,987	308.6%	4,683,903	-65.2%	Net Investment Gain	3,168,693	1,922,546	64.8%	9,606,730	-67.0%
0	0	0.0%	0	0.0%	Net Derivative Gain	0	0	0.0%	0	0.0%
937,577	161,197	481.6%	3,289,327	-71.5%	Other Revenue, Gains and Support	2,800,711	1,904,926	47.0%	5,590,722	-49.9%
16,535,006	11,439,034	-44.5%	18,650,671	11.3%	**Total Revenue, Gains and Support**	156,071,707	136,249,601	-14.5%	141,263,797	-10.5%
					Expense					
3,821,667	3,020,489	-26.5%	3,415,738	-11.9%	Salaries and Wages	38,287,219	36,114,546	-6.0%	35,921,566	-6.6%
594,227	622,890	4.6%	1,148,004	48.2%	Provider Salaries	9,772,833	10,109,225	3.3%	14,467,792	32.5%
140,203	43,990	-218.7%	133,191	-5.3%	Contract Labor	1,442,268	790,864	-82.4%	682,573	-111.3%
1,236,682	940,901	-31.4%	583,372	-112.0%	Employee Benefits	10,586,163	9,591,700	-10.4%	8,892,782	-19.0%
1,843,922	1,481,240	-24.5%	1,477,358	-24.8%	Fees	20,794,956	18,136,282	-14.7%	19,593,842	-6.1%
1,951,820	1,706,429	-14.4%	2,081,079	6.2%	Supplies	22,269,900	20,653,207	-7.8%	19,567,473	-13.8%
145,288	175,786	17.3%	168,321	13.7%	Utilities	2,086,909	2,075,708	-0.5%	1,958,593	-6.6%
0	0	0.0%	0	0.0%	Medical Costs	0	0	0.0%	0	0.0%
1,014,329	856,322	-18.5%	969,502	-4.6%	Other Expense	10,358,305	10,559,317	1.9%	8,296,879	-24.8%
0	0	0.0%	0	0.0%	Loss on Extinguishment of LTD / Derivatives	0	0	0.0%	0	0.0%
1,016,073	1,143,186	11.1%	(551,290)	284.3%	Depreciation	12,050,632	13,177,926	8.6%	12,797,707	5.8%
3,418	3,418	0.0%	3,418	0.0%	Amortization	41,020	41,020	0.0%	41,020	0.0%
33,312	36,076	7.7%	44,115	24.5%	Interest & Taxes	446,090	482,914	7.6%	577,529	22.8%
115,305	220,291	47.7%	527,602	78.1%	Consolidation Allocation	2,627,862	2,750,966	4.5%	6,480,950	59.5%
11,916,248	10,251,018	-16.2%	10,000,410	-19.2%	**Total Expenses**	130,764,156	124,483,676	-5.0%	129,278,706	-1.1%
4,618,758	1,188,015	-288.8%	8,650,261	46.6%	**Excess of Revenue, Gains and Support over Expenses and Losses**	25,307,551	11,765,925	-115.1%	11,985,090	-111.2%

Johnston Memorial Consolidated

Comparative Balance Sheet

	June 30 2015	May 31 2015	Month Activity	June 30 2014	YTD Activity
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	10,296,333	9,701,014	595,319	11,653,780	(1,357,448)
Current Portion AWUIL	0	0	0	0	(0)
Accounts Receivable (Net)	22,263,497	21,319,582	943,915	21,666,369	597,128
Other Receivables	2,161,934	1,603,808	558,126	2,704,886	(542,952)
Due From Affiliates	181,489	2,826,927	(2,645,438)	391,998	(210,509)
Due From Third Party Payors	1,741,384	1,573,280	168,103	1,765,400	(24,017)
Inventories	2,946,517	3,028,826	(82,308)	2,957,365	(10,848)
Prepaid Expense	683,920	574,956	108,965	634,974	48,947
	40,275,074	40,628,392	(353,318)	41,774,772	(1,499,698)
ASSETS WHOSE USE IS LIMITED	0	0	0	0	(0)
OTHER INVESTMENTS	164,507,633	159,938,110	4,569,523	130,127,592	34,380,041
PROPERTY, PLANT AND EQUIPMENT					
Land, Buildings and Equipment	259,038,348	259,227,153	(188,805)	257,352,857	1,685,491
Less Allowances for Depreciation	101,420,225	100,474,207	946,018	90,051,499	11,368,726
	157,618,123	158,752,947	(1,134,824)	167,301,358	(9,683,235)
OTHER ASSETS					
Pledges Receivable	0	0	0	0	0
Long Term Compensation Investment	0	0	0	0	0
Investments in Unconsolidated Subsidiaries	199,510	199,510	0	199,510	0
Land / Equipment Held for Resale	0	0	0	0	0
Assets Held for Expansion	1,861,941	1,518,216	343,724	1,518,216	343,724
Investments in Subsidiaries	0	0	0	0	0
Goodwill	69,828	69,828	0	69,828	0
Deferred Charges and Other	207,711	211,130	(3,418)	248,732	(41,020)
	2,338,990	1,998,685	340,306	2,036,286	302,704
TOTAL ASSETS	364,739,821	361,318,134	3,421,687	341,240,009	23,499,812
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable and Accrued Expense	5,803,072	3,953,561	1,849,511	5,403,497	399,575
Accrued Salaries, Benefits, and PTO	7,093,747	6,315,928	777,819	7,159,836	(66,089)
Claims Payable	0	0	0	0	0
Accrued Interest	34,163	35,263	(1,100)	35,014	(851)
Due to Affiliates	758,746	2,934,465	(2,175,719)	363,033	395,713
Due to Third Party Payors	2,261,850	2,261,850	0	2,261,850	0
Call Option Liability	0	0	0	0	0
Current Portion of Long Term Debt	17,564,742	1,498,276	16,066,467	3,042,473	14,522,270
	33,516,321	16,999,343	16,516,977	18,265,703	15,250,618
OTHER NON CURRENT LIABILITIES					
Long Term Compensation Payable	0	0	0	0	0
Long Term Debt	18,470,351	34,562,611	(16,092,259)	35,981,126	(17,510,775)
Estimated Fair Value of Interest Rate Swaps	0	0	0	0	0
Deferred Income	2,651,383	4,515,591	(1,864,208)	2,086,237	565,146
Professional Liability Self-Insurance and Other	1,013,939	771,520	242,419	1,126,666	(112,727)
	22,135,673	39,849,721	(17,714,049)	39,194,029	(17,058,357)
TOTAL LIABILITIES	55,651,994	56,849,065	(1,197,071)	57,459,732	(1,807,739)
NET ASSETS					
Restricted Net Assets	481	481	0	481	0
Unrestricted Net Assets	308,418,731	303,799,973	4,618,758	283,779,796	24,638,936
Noncontrolling Interests in Subsidiaries	668,615	668,615	0	0	668,615
	309,087,827	304,469,069	4,618,758	283,780,277	25,307,551
TOTAL LIABILITIES AND NET ASSETS	364,739,821	361,318,134	3,421,687	341,240,009	23,499,812

Johnston Memorial Hospital

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between SunTrust Bank and Johnston Memorial Hospital dated November 16, 2011, we hereby represent and warrant as follows:

Status as of: 9/30/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 13,378**
+ Depreciation	$ 11,903
+ Amortization	$ 41
+ Interest Expense	$ 552
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 25,874
Total Debt Service (MADS)	$ 4,493
Debt Service Coverage Ratio	**5.76x**
Covenant Requirement	1.30x

Debt to Capital

LT Debt	$ 36,884
Minority Interest	$ -
Unrestricted Net Assets	$ 286,873
Total	**$ 323,757**
Debt to Capitalization Ratio	**11%**
Covenant Requirement	< 65%

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 18, 2012.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Johnston Memorial Hospital

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between SunTrust Bank and Johnston Memorial Hospital dated November 16, 2011, we hereby represent and warrant as follows:

Status as of: 9/30/2015

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 25,817
+ Depreciation	$ 11,972
+ Amortization	$ 41
+ Interest Expense	$ 432
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	$ -
EBITDA	$ 38,262
Total Debt Service (MADS)	$ 3,143
Debt Service Coverage Ratio	12.17x
Covenant Requirement	1.30x

Debt to Capital

LT Debt	$ 17,300
Minority Interest	$ -
Unrestricted Net Assets	$ 308,520
Total	$ 325,820
Debt to Capitalization Ratio	5%
Covenant Requirement	< 65%

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 18, 2012.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Johnston Memorial Hospital
Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between SunTrust Bank and Johnston Memorial Hospital dated November 16, 2011, we hereby represent and warrant as follows:

Status as of: 12/31/2013

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 1,856**
+ Depreciation	$ 15,127
+ Amortization	$ 42
+ Interest Expense	$ 544
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 17,569
Total Debt Service (MADS)	$ 4,324
Debt Service Coverage Ratio	**4.06x**
Covenant Requirement	1.30x

Debt to Capital

LT Debt	$ 38,751
Minority Interest	$ -
Unrestricted Net Assets	$ 272,311
Total	**$ 311,062**
Debt to Capitalization Ratio	**12%**
Covenant Requirement	< 65%

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ 5,082
Unrestricted Investments	$ 128,414
Total Cash	**$ 133,496**
Total Operating Expenses (Including Interest)	$ 132,166
less: Non Cash Expenses	$ 15,169
Total Cash Expenses (TTM)	**$ 116,997**
Daily Cash Expenses	**$ 321**
Days Cash on Hand Ratio	**416 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective November 16, 2011.

Mountain States Health Alliance

By: _____
Print Name: John Jeter
Title: Assistant Administrator & CFO

Johnston Memorial Hospital

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between SunTrust Bank and Johnston Memorial Hospital dated November 16, 2011, we hereby represent and warrant as follows:

Status as of: 12/31/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 18,352
+ Depreciation	$ 11,228
+ Amortization	$ 41
+ Interest Expense	$ 518
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 30,139
Total Debt Service (MADS)	$ 4,492
Debt Service Coverage Ratio	**6.71x**
Covenant Requirement	1.30x

Debt to Capital

LT Debt	$ 34,577
Minority Interest	$ -
Unrestricted Net Assets	$ 288,761
Total	**$ 323,338**
Debt to Capitalization Ratio	**11%**
Covenant Requirement	< 65%

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 16,628
Unrestricted Investments	$ 138,070
Total Cash	**$ 154,698**
Total Operating Expenses (Including Interest)	$ 124,696
less: Non Cash Expenses	$ 11,269
Total Cash Expenses (TTM)	**$ 113,427**
Daily Cash Expenses	**$ 311**
Days Cash on Hand Ratio	**498 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective November 16, 2011.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between Bank of America and Mounatin States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 3/31/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ (7,162)
+ Depreciation	$ 60,678
+ Amortization	$ 1,859
+ Interest Expense	$ 42,191
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ 4,622
EBITDA	$ 102,188
Total Debt Service (MADS)	$ 67,267
Debt Service Coverage Ratio	1.52x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Marvin Eichorn

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between Bank of America and Mountain States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 3/31/2015

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 23,297**
+ Depreciation	$ 48,742
+ Amortization	$ 1,149
+ Interest Expense	$ 43,382
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ 4,622
EBITDA	$ 121,192
Total Debt Service (MADS)	$ 67,246
Debt Service Coverage Ratio	**1.80x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective July 30, 2013.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice-President CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between Bank of America and Mountain States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 6/30/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 15,340**
+ Depreciation	$ 52,544
+ Amortization	$ 1,691
+ Interest Expense	$ 42,734
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ 4,622
EBITDA	$ 116,931
Total Debt Service (MADS)	$ 67,257
Debt Service Coverage Ratio	**1.74x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 27,419
Unrestricted Investments	$ 395,346
Total Cash	**$ 422,765**
Total Operating Expenses (Including Interest)	$ 825,612
less: Non Cash Expenses	$ 54,235
Total Cash Expenses (TTM)	**$ 771,377**
Daily Cash Expenses	**$ 2,113**
Days Cash on Hand Ratio	**200 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective July 30, 2013.

Mountain States HealthAlliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice-President CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between Bank of America and Mountain States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 6/30/2015

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 33,771**
+ Depreciation	$ 51,308
+ Amortization	$ 1,488
+ Interest Expense	$ 41,598
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 128,165
Total Debt Service (MADS)	$ 67,254
Debt Service Coverage Ratio	**1.91x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 47,024
Unrestricted Investments	$ 407,932
Total Cash	**$ 454,956**
Total Operating Expenses (Including Interest)	$ 829,866
less: Non Cash Expenses	$ 52,796
Total Cash Expenses (TTM)	**$ 777,070**
Daily Cash Expenses	**$ 2,129**
Days Cash on Hand Ratio	**214 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective July 30, 2013.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice-President CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between Bank of America and Mountain States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 9/30/2013

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 62,408
+ Depreciation	$ 59,811
+ Amortization	$ 2,192
+ Interest Expense	$ 41,609
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 135,723
Total Debt Service (MADS)	$ 67,286
Debt Service Coverage Ratio	2.02x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective July 30, 2013.

Mountain States Health Alliance

By: Marvin Eichorn

Print Name: Marvin Eichorn

Title: Senior Vice-President, CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between Bank of America and Mountain States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 9/30/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 37,352**
+ Depreciation	$ 51,344
+ Amortization	$ 1,539
+ Interest Expense	$ 42,901
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 133,136
Total Debt Service (MADS)	$ 67,252
Debt Service Coverage Ratio	**1.98x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective July 30, 2013.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice-President CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between Bank of America and Mounatin States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 12/31/2013

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 13,491**
+ Depreciation	$ 60,683
+ Amortization	$ 2,028
+ Interest Expense	$ 41,619
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ 4,622
EBITDA	$ 122,442
Total Debt Service (MADS)	$ 67,281
Debt Service Coverage Ratio	**1.82x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 8,888
Unrestricted Investments	$ 388,207
Total Cash	**$ 397,095**
Total Operating Expenses (Including Interest)	$ 821,779
less: Non Cash Expenses	$ 62,711
Total Cash Expenses (TTM)	**$ 759,068**
Daily Cash Expenses	**$ 2,079.64**
Days Cash on Hand Ratio	**191 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective July 30, 2013.

Mountain States Health Alliance

By: 

Print Name: Marvin Eichorn

Title: Senior Vice-President, CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between Bank of America and Mountain States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 12/31/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 50,906
+ Depreciation	$ 49,984
+ Amortization	$ 1,540
+ Interest Expense	$ 42,765
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 145,195
Total Debt Service (MADS)	$ 67,240
Debt Service Coverage Ratio	**2.16x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 38,810
Unrestricted Investments	$ 387,586
Total Cash	**$ 426,396**
Total Operating Expenses (Including Interest)	$ 820,364
less: Non Cash Expenses	$ 51,524
Total Cash Expenses (TTM)	**$ 768,840**
Daily Cash Expenses	**$ 2,106**
Days Cash on Hand Ratio	**202 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective July 30, 2013.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice-President CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between The Bank of New York and Mounatin States Health Alliance dated June 25, 2013, we hereby represent and warrant as follows:

Status as of: 3/31/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ (7,162)
+ Depreciation	$ 60,678
+ Amortization	$ 1,859
+ Interest Expense	$ 42,191
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ 4,622
EBITDA	$ 102,188
Total Debt Service (MADS)	$ 67,267
Debt Service Coverage Ratio	**1.52x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Marvin Eichorn

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between The Bank Of New York and Mountain States Health Alliance dated June 25, 2013, we hereby represent and warrant as follows:

Status as of: 3/31/2015

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 23,297**
+ Depreciation	$ 48,742
+ Amortization	$ 1,149
+ Interest Expense	$ 43,382
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ 4,622
EBITDA	$ 121,192
Total Debt Service (MADS)	$ 67,246
Debt Service Coverage Ratio	**1.80x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	**$ -**
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	**$ -**
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective July 30, 2013.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice-President CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between The Bank of New York and Mounatin States Health Alliance dated June 25, 2013, we hereby represent and warrant as follows:

Status as of: 6/30/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 15,340**
+ Depreciation	$ 52,544
+ Amortization	$ 1,691
+ Interest Expense	$ 42,734
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ 4,622
EBITDA	$ 116,931
Total Debt Service (MADS)	$ 67,257
Debt Service Coverage Ratio	**1.74x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 27,419
Unrestricted Investments	$ 395,346
Total Cash	**$ 422,765**
Total Operating Expenses (Including Interest)	$ 825,612
less: Non Cash Expenses	$ 54,235
Total Cash Expenses (TTM)	**$ 771,377**
Daily Cash Expenses	**$ 2,113**
Days Cash on Hand Ratio	**200 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between The Bank Of New York and Mountain States Health Alliance dated June 25, 2013, we hereby represent and warrant as follows:

Status as of: 6/30/2015

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 33,771
+ Depreciation	$ 51,308
+ Amortization	$ 1,488
+ Interest Expense	$ 41,598
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 128,165
Total Debt Service (MADS)	$ 67,254
Debt Service Coverage Ratio	1.91x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 47,024
Unrestricted Investments	$ 407,932
Total Cash	$ 454,956
Total Operating Expenses (Including Interest)	$ 829,866
less: Non Cash Expenses	$ 52,796
Total Cash Expenses (TTM)	$ 777,070
Daily Cash Expenses	$ 2,129
Days Cash on Hand Ratio	214 Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective July 30, 2013.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice-President CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between The Bank Of New York and Mountain States Health Alliance dated June 25, 2013, we hereby represent and warrant as follows:

Status as of: 9/30/2013

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 62,408**
+ Depreciation	$ 59,811
+ Amortization	$ 2,192
+ Interest Expense	$ 41,609
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 135,723
Total Debt Service (MADS)	$ 67,286
Debt Service Coverage Ratio	**2.02x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective June 25, 2013.

Mountain States Health Alliance

By: _____

Print Name: Marvin Eichorn

Title: Senior Vice-President, CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between The Bank Of New York and Mountain States Health Alliance dated June 25, 2013, we hereby represent and warrant as follows:

Status as of: 9/30/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 37,352**
+ Depreciation	$ 51,344
+ Amortization	$ 1,539
+ Interest Expense	$ 42,901
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 133,136
Total Debt Service (MADS)	$ 67,252
Debt Service Coverage Ratio	**1.98x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective July 30, 2013.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice-President CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between The Bank of New York and Mounatin States Health Alliance dated June 25, 2013, we hereby represent and warrant as follows:

Status as of: 12/31/2013

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 13,491**
+ Depreciation	$ 60,683
+ Amortization	$ 2,028
+ Interest Expense	$ 41,619
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ 4,622
EBITDA	$ 122,442
Total Debt Service (MADS)	$ 67,281
Debt Service Coverage Ratio	**1.82x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 8,888
Unrestricted Investments	$ 388,207
Total Cash	**$ 397,095**
Total Operating Expenses (Including Interest)	$ 821,779
less: Non Cash Expenses	$ 62,711
Total Cash Expenses (TTM)	**$ 759,068**
Daily Cash Expenses	**$ 2,079.64**
Days Cash on Hand Ratio	**191 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective June 25, 2013.

Mountain States Health Alliance

By: _____

Print Name: Marvin Eichorn

Title: Senior Vice-President, CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between The Bank Of New York and Mountain States Health Alliance dated June 25, 2013, we hereby represent and warrant as follows:

Status as of: 12/31/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 50,906**
+ Depreciation	$ 49,984
+ Amortization	$ 1,540
+ Interest Expense	$ 42,765
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 145,195
Total Debt Service (MADS)	$ 67,240
Debt Service Coverage Ratio	**2.16x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 38,810
Unrestricted Investments	$ 387,586
Total Cash	**$ 426,396**
Total Operating Expenses (Including Interest)	$ 820,364
less: Non Cash Expenses	$ 51,524
Total Cash Expenses (TTM)	**$ 768,840**
Daily Cash Expenses	**$ 2,106**
Days Cash on Hand Ratio	**202 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective July 30, 2013.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice-President CFO

Mountain States Health Alliance
Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between Mizuho Bank and Mountain States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 3/31/2011

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 49,107
+ Depreciation	$ 55,307
+ Amortization	$ 4,903
+ Interest Expense	$ 43,995
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	
EBITDA	$ 146,827
Total Debt Service (MADS)	$ 65,782
Debt Service Coverage Ratio	2.23x
Covenant Requirement	1.30x

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Mark Eichorn

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between Mizuho Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 3/31/2012

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 45,004**
+ Depreciation	$ 56,299
+ Amortization	$ 2,242
+ Interest Expense	$ 39,641
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	
EBITDA	$ 145,463
Total Debt Service (MADS)	$ 65,742
Debt Service Coverage Ratio	**2.21x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: _____

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between Mizuho Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 3/31/2013

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 59,288
+ Depreciation	$ 56,474
+ Amortization	$ 2,232
+ Interest Expense	$ 40,547
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	
EBITDA	$ 151,385
Total Debt Service (MADS)	$ 69,393
Debt Service Coverage Ratio	2.18x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: _____

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between Mizuho Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 3/31/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ (7,162)
+ Depreciation	$ 60,678
+ Amortization	$ 1,859
+ Interest Expense	$ 42,191
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	
EBITDA	$ 102,188
Total Debt Service (MADS)	$ 67,267
Debt Service Coverage Ratio	1.52x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Marvin Eichorn

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between Mizuho Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 6/30/2011

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 60,483
+ Depreciation	$ 61,111
+ Amortization	$ 2,211
+ Interest Expense	$ 42,464
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	
EBITDA	$ 151,293
Total Debt Service (MADS)	$ 67,625
Debt Service Coverage Ratio	2.24x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 86,426
Unrestricted Investments	$ 284,871
Total Cash	$ 371,297
Total Operating Expenses (Including Interest)	$ 699,129
less: Non Cash Expenses	$ 63,322
Total Cash Expenses (TTM)	$ 636,807
Daily Cash Expenses	$ 1,742
Days Cash on Hand Ratio	213 Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Marvin Eichorn

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between Mizuho Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 6/30/2012

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 41,119
+ Depreciation	$ 52,865
+ Amortization	$ 2,233
+ Interest Expense	$ 42,009
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	
EBITDA	$ 146,438
Total Debt Service (MADS)	$ 65,754
Debt Service Coverage Ratio	2.23x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 38,364
Unrestricted Investments	$ 329,369
Total Cash	$ 367,733
Total Operating Expenses (Including Interest)	$ 792,215
less: Non Cash Expenses	$ 55,098
Total Cash Expenses (TTM)	$ 737,117
Daily Cash Expenses	$ 2,019
Days Cash on Hand Ratio	182 Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: _____

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between Mizuho Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 6/30/2013

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 68,859**
+ Depreciation	$ 58,286
+ Amortization	$ 2,213
+ Interest Expense	$ 41,226
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	
EBITDA	$ 151,307
Total Debt Service (MADS)	$ 69,360
Debt Service Coverage Ratio	**2.18x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 49,266
Unrestricted Investments	$ 351,725
Total Cash	**$ 400,991**
Total Operating Expenses (including Interest)	$ 800,349
less: Non Cash Expenses	$ 60,499
Total Cash Expenses (TTM)	**$ 739,850**
Daily Cash Expenses	**$ 2,027**
Days Cash on Hand Ratio	**198 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Mark Eich

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between Mizuho Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 9/30/2010

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 42,447**
+ Depreciation	$ 47,707
+ Amortization	$ 10,205
+ Interest Expense	$ 39,725
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	
EBITDA	$ 142,532
Total Debt Service (MADS)	$ 77,187
Debt Service Coverage Ratio	**1.85x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: _____

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between Mizuho Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 9/30/2011

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 50,451**
+ Depreciation	$ 57,953
+ Amortization	$ 2,233
+ Interest Expense	$ 39,882
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	
EBITDA	$ 146,901
Total Debt Service (MADS)	$ 65,667
Debt Service Coverage Ratio	**2.24x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: _____

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between Mizuho Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 9/30/2012

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 50,630
+ Depreciation	$ 56,521
+ Amortization	$ 2,298
+ Interest Expense	$ 40,934
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ (2,553)
EBITDA	$ 148,107
Total Debt Service (MADS)	$ 69,270
Debt Service Coverage Ratio	2.14x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: _____

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between Mizuho Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 9/30/2013

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 62,408
+ Depreciation	$ 59,811
+ Amortization	$ 2,192
+ Interest Expense	$ 41,609
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 135,723
Total Debt Service (MADS)	$ 67,286
Debt Service Coverage Ratio	2.02x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: _____

Print Name: Marvin Eichorn

Title: Senior Vice-President, CFO

Mountain States Health Alliance
Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between Mizuho Bank and Mountain States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 12/31/2010

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 43,001
+ Depreciation	$ 51,625
+ Amortization	$ 7,538
+ Interest Expense	$ 42,968
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	
EBITDA	$ 140,875
Total Debt Service (MADS)	$ 69,886
Debt Service Coverage Ratio	2.02x
Covenant Requirement	1.30x

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ 167,099
Unrestricted Investments	$ 183,585
Total Cash	$ 350,684
Total Operating Expenses (Including Interest)	$ 686,573
less: Non Cash Expenses	$ 59,163
Total Cash Expenses (TTM)	$ 627,410
Daily Cash Expenses	$ 1,719
Days Cash on Hand Ratio	204 Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: _____
Print Name: Marvin Eichorn
Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between Mizuho Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 12/31/2011

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 39,641
+ Depreciation	$ 57,427
+ Amortization	$ 2,268
+ Interest Expense	$ 39,479
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	
EBITDA	$ 146,118
Total Debt Service (MADS)	$ 65,751
Debt Service Coverage Ratio	2.22x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 57,213
Unrestricted Investments	$ 320,881
Total Cash	$ 378,094
Total Operating Expenses (Including Interest)	$ 747,286
less: Non Cash Expenses	$ 59,695
Total Cash Expenses (TTM)	$ 687,591
Daily Cash Expenses	$ 1,884
Days Cash on Hand Ratio	201 Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: _____

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between Mizuho Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 12/31/2012

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 64,402**
+ Depreciation	$ 55,601
+ Amortization	$ 2,235
+ Interest Expense	$ 40,618
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	
EBITDA	$ 153,182
Total Debt Service (MADS)	$ 69,404
Debt Service Coverage Ratio	**2.21x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 48,185
Unrestricted Investments	$ 335,612
Total Cash	**$ 383,797**
Total Operating Expenses (Including Interest)	$ 794,117
less: Non Cash Expenses	$ 57,836
Total Cash Expenses (TTM)	**$ 736,281**
Daily Cash Expenses	**$ 2,017**
Days Cash on Hand Ratio	**190 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Marvin Eichorn

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between Mizuho Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 12/31/2013

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 13,491**
+ Depreciation	$ 60,683
+ Amortization	$ 2,028
+ Interest Expense	$ 41,619
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	$ 4,622
EBITDA	$ 122,442
Total Debt Service (MADS)	$ 67,281
Debt Service Coverage Ratio	**1.82x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 8,888
Unrestricted Investments	$ 388,207
Total Cash	**$ 397,095**
Total Operating Expenses (Including Interest)	$ 821,779
less: Non Cash Expenses	$ 62,711
Total Cash Expenses (TTM)	**$ 759,068**
Daily Cash Expenses	**$ 2,079.64**
Days Cash on Hand Ratio	**191 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Marvin Eichorn

Print Name: Marvin Eichorn

Title: Senior Vice-President, CFO

Mountain States Health Alliance
Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between PNC Bank and Mountain States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 3/31/2011

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 49,107
+ Depreciation	$ 65,307
+ Amortization	$ 4,903
+ Interest Expense	$ 43,995
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	
EBITDA	$ 146,827
Total Debt Service (MADS)	$ 65,782
Debt Service Coverage Ratio	2.23x
Covenant Requirement	1.30x

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: 

Print Name: Marvin Elchorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between PNC Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 3/31/2012

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 45,004**
+ Depreciation	$ 56,299
+ Amortization	$ 2,242
+ Interest Expense	$ 39,641
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	
EBITDA	$ 145,463
Total Debt Service (MADS)	$ 65,742
Debt Service Coverage Ratio	**2.21x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	**$ -**
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: _____

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between PNC Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 3/31/2013

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 59,288
+ Depreciation	$ 56,474
+ Amortization	$ 2,232
+ Interest Expense	$ 40,547
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	
EBITDA	$ 151,385
Total Debt Service (MADS)	$ 69,393
Debt Service Coverage Ratio	2.18x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Marvin Eichorn

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between PNC Bank and Mounatin States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 3/31/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ (7,162)
+ Depreciation	$ 60,678
+ Amortization	$ 1,859
+ Interest Expense	$ 42,191
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ 4,622
EBITDA	$ 102,188
Total Debt Service (MADS)	$ 67,267
Debt Service Coverage Ratio	1.52x
Covenant Requirement	1.30x

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Marvin Eichorn

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Heaith Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between PNC Bank and Mounatin States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 3/31/2015

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ **23,297**
+ Depreciation	$ 48,742
+ Amortization	$ 1,149
+ Interest Expense	$ 43,382
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ 4,622
EBITDA	$ 121,192
Total Debt Service (MADS)	$ 67,246
Debt Service Coverage Ratio	**1.80x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between PNC Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 6/30/2011

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 60,483
+ Depreciation	$ 61,111
+ Amortization	$ 2,211
+ Interest Expense	$ 42,464
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	
EBITDA	$ 151,293
Total Debt Service (MADS)	$ 67,625
Debt Service Coverage Ratio	2.24x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 86,426
Unrestricted Investments	$ 284,871
Total Cash	$ 371,297
Total Operating Expenses (Including Interest)	$ 699,129
less: Non Cash Expenses	$ 63,322
Total Cash Expenses (TTM)	$ 635,807
Daily Cash Expenses	$ 1,742
Days Cash on Hand Ratio	213 Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: 

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance
Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between PNC Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 6/30/2012

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 41,119
+ Depreciation	$ 52,865
+ Amortization	$ 2,233
+ Interest Expense	$ 42,009
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	
EBITDA	$ 146,438
Total Debt Service (MADS)	$ 65,754
Debt Service Coverage Ratio	2.23x
Covenant Requirement	1.30x

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ 38,364
Unrestricted Investments	$ 329,369
Total Cash	$ 367,733
Total Operating Expenses (Including Interest)	$ 792,216
less: Non Cash Expenses	$ 55,098
Total Cash Expenses (TTM)	$ 737,117
Daily Cash Expenses	$ 2,019
Days Cash on Hand Ratio	182 Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: _____

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between PNC Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 6/30/2013

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 68,859
+ Depreciation	$ 58,286
+ Amortization	$ 2,213
+ Interest Expense	$ 41,226
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ *Extraordinary Items*	
EBITDA	$ 151,307
Total Debt Service (MADS)	$ 69,360
Debt Service Coverage Ratio	2.18x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 49,266
Unrestricted Investments	$ 351,725
Total Cash	$ 400,991
Total Operating Expenses (Including Interest)	$ 800,349
less: Non Cash Expenses	$ 60,499
Total Cash Expenses (TTM)	$ 739,850
Daily Cash Expenses	$ 2,027
Days Cash on Hand Ratio	198 Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Marvin Eichorn

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between PNC Bank and Mounatin States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 6/30/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 15,340**
+ Depreciation	$ 52,544
+ Amortization	$ 1,691
+ Interest Expense	$ 42,734
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ 4,622
EBITDA	$ 116,931
Total Debt Service (MADS)	$ 67,257
Debt Service Coverage Ratio	**1.74x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 27,419
Unrestricted Investments	$ 395,346
Total Cash	**$ 422,765**
Total Operating Expenses (Including Interest)	$ 825,612
less: Non Cash Expenses	$ 54,235
Total Cash Expenses (TTM)	**$ 771,377**
Daily Cash Expenses	**$ 2,113**
Days Cash on Hand Ratio	**200 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between PNC Bank and Mounatin States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 6/30/2015

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ **33,771**
+ Depreciation	$ 51,308
+ Amortization	$ 1,488
+ Interest Expense	$ 41,598
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	$ -
EBITDA	$ 128,165
Total Debt Service (MADS)	$ 67,254
Debt Service Coverage Ratio	**1.91x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 47,024
Unrestricted Investments	$ 407,932
Total Cash	$ **454,956**
Total Operating Expenses (Including Interest)	$ 829,866
less: Non Cash Expenses	$ 52,796
Total Cash Expenses (TTM)	$ **777,070**
Daily Cash Expenses	$ **2,129**
Days Cash on Hand Ratio	**214** Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between PNC Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 9/30/2010

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 42,447**
+ Depreciation	$ 47,707
+ Amortization	$ 10,205
+ Interest Expense	$ 39,725
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	
EBITDA	$ 142,532
Total Debt Service (MADS)	$ 77,187
Debt Service Coverage Ratio	**1.85x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Mark Eichs

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between PNC Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 9/30/2011

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 50,451
+ Depreciation	$ 57,953
+ Amortization	$ 2,233
+ Interest Expense	$ 39,882
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	
EBITDA	$ 146,901
Total Debt Service (MADS)	$ 65,667
Debt Service Coverage Ratio	2.24x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Marvin Eichorn

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between PNC Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 9/30/2012

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 50,630
+ Depreciation	$ 56,521
+ Amortization	$ 2,298
+ Interest Expense	$ 40,934
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ (2,553)
EBITDA	$ 148,107
Total Debt Service (MADS)	$ 69,270
Debt Service Coverage Ratio	**2.14x**
Covenant Requirement	1.30x

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: _____

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between PNC Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 9/30/2013

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 62,408
+ Depreciation	$ 59,811
+ Amortization	$ 2,192
+ Interest Expense	$ 41,609
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	$ -
EBITDA	$ 135,723
Total Debt Service (MADS)	$ 67,286
Debt Service Coverage Ratio	2.02x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: _____

Print Name: Marvin Eichorn

Title: Senior Vice-President, CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between PNC Bank and Mountain States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 9/30/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 37,352**
+ Depreciation	$ 51,344
+ Amortization	$ 1,539
+ Interest Expense	$ 42,901
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 133,136
Total Debt Service (MADS)	$ 67,252
Debt Service Coverage Ratio	**1.98x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective July 30, 2013.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice-President CFO

Mountain States Health Alliance
Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between PNC Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 12/31/2010

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 43,001
+ Depreciation	$ 51,625
+ Amortization	$ 7,538
+ Interest Expense	$ 42,968
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	
EBITDA	$ 140,875
Total Debt Service (MADS)	$ 69,886
Debt Service Coverage Ratio	2.02x
Covenant Requirement	1.30x

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ 167,099
Unrestricted Investments	$ 183,585
Total Cash	$ 350,684
Total Operating Expenses (Including Interest)	$ 686,573
less: Non Cash Expenses	$ 59,163
Total Cash Expenses (TTM)	$ 627,410
Daily Cash Expenses	$ 1,719
Days Cash on Hand Ratio	204 Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Marvin H. Eichorn
Print Name: Marvin Eichorn
Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between PNC Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 12/31/2011

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 39,641
+ Depreciation	$ 57,427
+ Amortization	$ 2,268
+ Interest Expense	$ 39,479
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	
EBITDA	$ 146,118
Total Debt Service (MADS)	$ 65,751
Debt Service Coverage Ratio	2.22x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 57,213
Unrestricted Investments	$ 320,881
Total Cash	$ 378,094
Total Operating Expenses (Including Interest)	$ 747,286
less: Non Cash Expenses	$ 59,695
Total Cash Expenses (TTM)	$ 687,591
Daily Cash Expenses	$ 1,884
Days Cash on Hand Ratio	201 Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Marvin H. Eichorn

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between PNC Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 12/31/2012

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ **64,402**
+ Depreciation	$ 55,601
+ Amortization	$ 2,235
+ Interest Expense	$ 40,618
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	
EBITDA	$ 153,182
Total Debt Service (MADS)	$ 69,404
Debt Service Coverage Ratio	**2.21x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 48,185
Unrestricted Investments	$ 335,612
Total Cash	$ **383,797**
Total Operating Expenses (Including Interest)	$ 794,117
less: Non Cash Expenses	$ 57,836
Total Cash Expenses (TTM)	$ **736,281**
Daily Cash Expenses	$ **2,017**
Days Cash on Hand Ratio	**190 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: _____

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between PNC Bank and Mounatin States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 12/31/2013

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 13,491**
+ Depreciation	$ 60,683
+ Amortization	$ 2,028
+ Interest Expense	$ 41,619
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ 4,622
EBITDA	$ 122,442
Total Debt Service (MADS)	$ 67,281
Debt Service Coverage Ratio	**1.82x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 8,888
Unrestricted Investments	$ 388,207
Total Cash	**$ 397,095**
Total Operating Expenses (Including Interest)	$ 821,779
less: Non Cash Expenses	$ 62,711
Total Cash Expenses (TTM)	**$ 759,068**
Daily Cash Expenses	**$ 2,079.64**
Days Cash on Hand Ratio	**191 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective July 30, 2013.

Mountain States Health Alliance

By: 

Print Name: Marvin Eichorn

Title: Senior Vice-President, CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between PNC Bank and Mounatin States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 12/31/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 50,906**
+ Depreciation	$ 49,984
+ Amortization	$ 1,540
+ Interest Expense	$ 42,765
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 145,195
Total Debt Service (MADS)	$ 67,240
Debt Service Coverage Ratio	**2.16x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 38,810
Unrestricted Investments	$ 387,586
Total Cash	**$ 426,396**
Total Operating Expenses (Including Interest)	$ 820,364
less: Non Cash Expenses	$ 51,524
Total Cash Expenses (TTM)	**$ 768,840**
Daily Cash Expenses	**$ 2,106**
Days Cash on Hand Ratio	**202 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between SunTrust Bank and Mounatin States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 3/31/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ (7,162)
+ Depreciation	$ 60,678
+ Amortization	$ 1,859
+ Interest Expense	$ 42,191
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ 4,622
EBITDA	$ 102,188
Total Debt Service (MADS)	$ 67,267
Debt Service Coverage Ratio	**1.52x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Marvin Eichorn

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between SunTrust Bank and Mounatin States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 3/31/2015

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ **23,297**
+ Depreciation	$ 48,742
+ Amortization	$ 1,149
+ Interest Expense	$ 43,382
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ 4,622
EBITDA	$ 121,192
Total Debt Service (MADS)	$ 67,246
Debt Service Coverage Ratio	**1.80x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective July 30, 2013.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between SunTrust Bank and Mounatin States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 6/30/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 15,340**
+ Depreciation	$ 52,544
+ Amortization	$ 1,691
+ Interest Expense	$ 42,734
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ 4,622
EBITDA	$ 116,931
Total Debt Service (MADS)	$ 67,257
Debt Service Coverage Ratio	**1.74x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 27,419
Unrestricted Investments	$ 395,346
Total Cash	**$ 422,765**
Total Operating Expenses (Including Interest)	$ 825,612
less: Non Cash Expenses	$ 54,235
Total Cash Expenses (TTM)	**$ 771,377**
Daily Cash Expenses	**$ 2,113**
Days Cash on Hand Ratio	**200 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between SunTrust Bank and Mounatin States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 6/30/2015

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 33,771**
+ Depreciation	$ 51,308
+ Amortization	$ 1,488
+ Interest Expense	$ 41,598
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	$ -
EBITDA	$ 128,165
Total Debt Service (MADS)	$ 67,254
Debt Service Coverage Ratio	**1.91x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 47,024
Unrestricted Investments	$ 407,932
Total Cash	**$ 454,956**
Total Operating Expenses (Including Interest)	$ 829,866
less: Non Cash Expenses	$ 52,796
Total Cash Expenses (TTM)	**$ 777,070**
Daily Cash Expenses	**$ 2,129**
Days Cash on Hand Ratio	**214 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective July 30, 2013.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between SunTrust Bank and Mounatin States Health Alliance dated July 29, 2013, we hereby represent and warrant as follows:

Status as of: 9/30/2013

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 62,408
+ Depreciation	$ 59,811
+ Amortization	$ 2,192
+ Interest Expense	$ 41,609
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 135,723
Total Debt Service (MADS)	$ 67,286
Debt Service Coverage Ratio	2.02x
Covenant Requirement	1.30x

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective July 29, 2013.

Mountain States Health Alliance

By: Marvin Eichorn

Print Name: Marvin Eichorn

Title: Senior Vice-President, CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Loan Agreement between SunTrust Bank and Mountain States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 9/30/2014

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 37,352**
+ Depreciation	$ 51,344
+ Amortization	$ 1,539
+ Interest Expense	$ 42,901
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ -
EBITDA	$ 133,136
Total Debt Service (MADS)	$ 67,252
Debt Service Coverage Ratio	**1.98x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective July 30, 2013.

Mountain States Health Alliance

By: Lynn Krutak

Print Name: Lynn Krutak

Title: Senior Vice-President CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between SunTrust Bank and Mounatin States Health Alliance dated July 30, 2013, we hereby represent and warrant as follows:

Status as of: 12/31/2013

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 13,491**
+ Depreciation	$ 60,683
+ Amortization	$ 2,028
+ Interest Expense	$ 41,619
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	$ 4,622
EBITDA	$ 122,442
Total Debt Service (MADS)	$ 67,281
Debt Service Coverage Ratio	**1.82x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 8,888
Unrestricted Investments	$ 388,207
Total Cash	**$ 397,095**
Total Operating Expenses (Including Interest)	$ 821,779
less: Non Cash Expenses	$ 62,711
Total Cash Expenses (TTM)	**$ 759,068**
Daily Cash Expenses	**$ 2,079.64**
Days Cash on Hand Ratio	**191 Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective July 30, 2013.

Mountain States Health Alliance

By: _____

Print Name: Marvin Eichorn

Title: Senior Vice-President, CFO

Mountain States Health Alliance
Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between US Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 3/31/2011

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 49,107
+ Depreciation	$ 55,307
+ Amortization	$ 4,903
+ Interest Expense	$ 43,895
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	
EBITDA	$ 146,827
Total Debt Service (MADS)	$ 65,782
Debt Service Coverage Ratio	2.23x
Covenant Requirement	1.30x

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Marvin A Eichorn
Print Name: Marvin Eichorn
Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between US Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 3/31/2012

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 45,004
+ Depreciation	$ 56,299
+ Amortization	$ 2,242
+ Interest Expense	$ 39,641
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	
EBITDA	$ 145,463
Total Debt Service (MADS)	$ 65,742
Debt Service Coverage Ratio	**2.21x**
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	**N/A Days**
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: 

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

EXHIBIT F

[QUARTERLY/ANNUAL] COMPLIANCE CERTIFICATE

U.S. Bank National Association
1349 W. Peachtree St. NW, Ste. 1050
Atlanta, Georgia 30309
Attention: Vice President, National Healthcare Division
404.898.8898 (FAX)

U.S. Bank National Association
One U.S. Bank Plaza
7th Street & Washington Avenue, SL-MO-T12M
St. Louis, Missouri 63101
Attention: Capital Markets Division
(314) 418-3571 (FAX)

Ladies and Gentlemen:

Reference is hereby made to that certain Reimbursement Agreement dated as of June 29, 2012 (the "Reimbursement Agreement"), by and between Mountain States Health Alliance (together with any other Members of the Obligated Group, as defined in the Reimbursement Agreement, the "Corporation") and U.S. Bank National Association (the "Bank"), as the same may from time to time be amended, modified, extended, renewed or restated. All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Reimbursement Agreement.

The Borrower hereby certifies to the Bank that as of the date hereof:

(a) a review of the activities of the Borrower has been made under my supervision with a view to determining whether the Borrower has fulfilled all of its obligations under the Reimbursement Agreement and the other Credit Documents;

(b) except as set forth below, the Borrower has fulfilled its obligations under the Credit Documents and all representations made therein continue to be true and correct in all material respects;

Exceptions: _____
_____
_____
_____;

(c) except as set forth below, no Event of Default under or within the meaning of the Reimbursement Agreement has occurred and continuing:

Exceptions: _____
_____
_____
_____;

(d) the financial statements of the Borrower delivered to you with this Certificate are true, correct and complete in all material respects and have been prepared in accordance with accounting principles generally accepted in the United States of America or, in the case of any interim financial

statements, on a basis substantially consistent with the audited financial statements (subject, in the case of any interim financial statements, to normal year-end adjustments and absence of footnote disclosures);

(e) Schedule I to this Certificate contains computations evidencing the Borrower's compliance with the financial covenants set forth in Section 4.22 of the Reimbursement Agreement as of and for the period ending March 31, 2013, in each case calculated for the requested periods and in accordance with the requirements of the Reimbursement Agreement and the Master Indenture; and

(f) any other financial or other details, information and material as you have requested to evidence such compliance delivered herewith are true and correct.

Very truly yours,

MOUNTAIN STATES HEALTH ALLIANCE

By: _____
Name: Marvin Eichorn
Title: Senior Vice President, CFO

Schedule I to Compliance Certificate

Mountain States Health Alliance

Compliance Certificate - Schedule I
For the Period Ended 3/31/2013

Section 4.22 - Financial Covenants

(a) Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 59,288
Plus:	
Depreciation and amortization	$ 58,706
Interest Expense	$ 40,547
Unrealized losses (gains)	$ (7,157)
Extraordinary expenses	$ -
(LOC fees included in interest expense)	$ (5,351)
(Interest on Trusteed Funds)	$ (641)
Net Income Available for Debt Service	$ 145,392
Maximum Annual Debt Service on all Outstanding Indebtedness	$ 69,393
Debt Service Coverage Calculated	2.10x
Debt Service Coverage Required	1.30x

(b) Liquidity Covenant
(Required with June and December Reporting Periods)

Unrestricted Cash and Investments	$ -
Operating Expenses	$ -
Less:	
Depreciation and Amortization	$ -
Other excluded expenses	$ -
Total Cash Expenses (TTM)	$ -
Day of Cash Operating Expenses	$ -
Days Cash on Hand Calculated	N/A Days
Minimum Days Cash on Hand Required	100 Days

EXHIBIT F

[QUARTERLY/ANNUAL] COMPLIANCE CERTIFICATE

U.S. Bank National Association
1349 W. Peachtree St. NW, Ste. 1050
Atlanta, Georgia 30309
Attention: Vice President, National Healthcare Division
404.898.8898 (FAX)

U.S. Bank National Association
One U.S. Bank Plaza
7th Street & Washington Avenue, SL-MO-T12M
St. Louis, Missouri 63101
Attention: Capital Markets Division
(314) 418-3571 (FAX)

Ladies and Gentlemen:

Reference is hereby made to that certain Reimbursement Agreement dated as of June 29, 2012 (the "Reimbursement Agreement"), by and between Mountain States Health Alliance (together with any other Members of the Obligated Group, as defined in the Reimbursement Agreement, the "Corporation") and U.S. Bank National Association (the "Bank"), as the same may from time to time be amended, modified, extended, renewed or restated. All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Reimbursement Agreement.

The Borrower hereby certifies to the Bank that as of the date hereof:

(a) a review of the activities of the Borrower has been made under my supervision with a view to determining whether the Borrower has fulfilled all of its obligations under the Reimbursement Agreement and the other Credit Documents;

(b) except as set forth below, the Borrower has fulfilled its obligations under the Credit Documents and all representations made therein continue to be true and correct in all material respects;

Exceptions: _____
_____
_____
_____;

(c) except as set forth below, no Event of Default under or within the meaning of the Reimbursement Agreement has occurred and continuing:

Exceptions: _____
_____
_____
_____;

(d) the financial statements of the Borrower delivered to you with this Certificate are true, correct and complete in all material respects and have been prepared in accordance with accounting principles generally accepted in the United States of America or, in the case of any interim financial

statements, on a basis substantially consistent with the audited financial statements (subject, in the case of any interim financial statements, to normal year-end adjustments and absence of footnote disclosures);

(e) Schedule I to this Certificate contains computations evidencing the Borrower's compliance with the financial covenants set forth in Section 4.22 of the Reimbursement Agreement as of and for the period ending March 31, 2014, in each case calculated for the requested periods and in accordance with the requirements of the Reimbursement Agreement and the Master Indenture; and

(f) any other financial or other details, information and material as you have requested to evidence such compliance delivered herewith are true and correct.

Very truly yours,

MOUNTAIN STATES HEALTH ALLIANCE

By: _____
Name: Marvin Fichorn
Title: Senior VP, CFO

Schedule I to Compliance Certificate

Mountain States Health Alliance

Compliance Certificate - Schedule I
For the Period Ended 3/31/14

Section 4.22 - Financial Covenants

(a) Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 29,567
Plus:	
Depreciation and amortization	$ 62,537
Interest Expense	$ 42,191
Unrealized losses (gains)	$ (36,729)
Extraordinary expenses	$ 4,622
(LOC fees included in interest expense)	$ (3,314)
(Interest on Trusteed Funds)	$ (869)
Net Income Available for Debt Service	$ 98,005
Maximum Annual Debt Service on all Outstanding Indebtedness	$ 67,267
Debt Service Coverage Calculated	**1.46x**
Debt Service Coverage Required	1.30x

(b) Liquidity Covenant
(Required with June and December Reporting Periods)

Unrestricted Cash and Investments	$ -
Operating Expenses	$ -
Less:	
Depreciation and Amortization	$ -
Other excluded expenses	$ -
Total Cash Expenses (TTM)	$ -
Day of Cash Operating Expenses	$ -
Days Cash on Hand Calculated	**N/A Days**
Minimum Days Cash on Hand Required	100 Days

EXHIBIT F

[QUARTERLY/ANNUAL] COMPLIANCE CERTIFICATE

U.S. Bank National Association
1349 W. Peachtree St. NW, Ste. 1050
Atlanta, Georgia 30309
Attention: Vice President, National Healthcare Division
404.898.8898 (FAX)

U.S. Bank National Association
One U.S. Bank Plaza
7th Street & Washington Avenue, SL-MO-T12M
St. Louis, Missouri 63101
Attention: Capital Markets Division
(314) 418-3571 (FAX)

Ladies and Gentlemen:

Reference is hereby made to that certain Reimbursement Agreement dated as of June 29, 2012 (the "Reimbursement Agreement"), by and between Mountain States Health Alliance (together with any other Members of the Obligated Group, as defined in the Reimbursement Agreement, the "Corporation") and U.S. Bank National Association (the "Bank"), as the same may from time to time be amended, modified, extended, renewed or restated. All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Reimbursement Agreement.

The Borrower hereby certifies to the Bank that as of the date hereof:

(a) a review of the activities of the Borrower has been made under my supervision with a view to determining whether the Borrower has fulfilled all of its obligations under the Reimbursement Agreement and the other Credit Documents;

(b) except as set forth below, the Borrower has fulfilled its obligations under the Credit Documents and all representations made therein continue to be true and correct in all material respects;

Exceptions: _____
_____
_____
_____;

(c) except as set forth below, no Event of Default under or within the meaning of the Reimbursement Agreement has occurred and continuing:

Exceptions: _____
_____
_____
_____;

(d) the financial statements of the Borrower delivered to you with this Certificate are true, correct and complete in all material respects and have been prepared in accordance with accounting principles generally accepted in the United States of America or, in the case of any interim financial

statements, on a basis substantially consistent with the audited financial statements (subject, in the case of any interim financial statements, to normal year-end adjustments and absence of footnote disclosures);

(e) Schedule I to this Certificate contains computations evidencing the Borrower's compliance with the financial covenants set forth in Section 4.22 of the Reimbursement Agreement as of and for the period ending March 31, 2015 in each case calculated for the requested periods and in accordance with the requirements of the Reimbursement Agreement and the Master Indenture; and

(f) any other financial or other details, information and material as you have requested to evidence such compliance delivered herewith are true and correct.

Very truly yours,

MOUNTAIN STATES HEALTH ALLIANCE

By: Lynn Krutak
Name: Lynn Krutak
Title: Senior Vice President, CFO

Schedule I to Compliance Certificate

Mountain States Health Alliance

Compliance Certificate - Schedule I
For the Period Ended 3/31/2015

Section 4.22 - Financial Covenants

(a) Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 24,015
Plus:	
Depreciation and amortization	$ 49,891
Interest Expense	$ 43,382
Unrealized losses (gains)	$ (718)
Extraordinary expenses	$ 4,622
(LOC fees included in interest expense)	$ (2,214)
(Interest on Trusteed Funds)	$ (381)
Net Income Available for Debt Service	$ 118,597
Maximum Annual Debt Service on all Outstanding Indebtedness	$ 67,246
Debt Service Coverage Calculated	**1.76x**
Debt Service Coverage Required	1.30x

(b) Liquidity Covenant
(Required with June and December Reporting Periods)

Unrestricted Cash and Investments	$ -
Operating Expenses	$ -
Less:	
Depreciation and Amortization	$ -
Other excluded expenses	$ -
Total Cash Expenses (TTM)	$ -
Day of Cash Operating Expenses	$ -
Days Cash on Hand Calculated	**N/A Days**
Minimum Days Cash on Hand Required	100 Days

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between US Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 6/30/2011

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 60,483
+ Depreciation	$ 61,111
+ Amortization	$ 2,211
+ Interest Expense	$ 42,464
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	
EBITDA	$ 151,293
Total Debt Service (MADS)	$ 67,625
Debt Service Coverage Ratio	2.24x
Covenant Requirement	1.30x

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ 86,426
Unrestricted Investments	$ 284,871
Total Cash	$ 371,297
Total Operating Expenses (including Interest)	$ 699,129
less: Non Cash Expenses	$ 63,322
Total Cash Expenses (TTM)	$ 635,807
Daily Cash Expenses	$ 1,742
Days Cash on Hand Ratio	213 Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: 

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between US Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 6/30/2012

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 41,119
+ Depreciation	$ 52,865
+ Amortization	$ 2,233
+ Interest Expense	$ 42,009
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	
EBITDA	$ 146,438
Total Debt Service (MADS)	$ 65,754
Debt Service Coverage Ratio	2.23x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 38,364
Unrestricted Investments	$ 329,369
Total Cash	$ 367,733
Total Operating Expenses (Including Interest)	$ 792,215
less: Non Cash Expenses	$ 55,098
Total Cash Expenses (TTM)	$ 737,117
Daily Cash Expenses	$ 2,019
Days Cash on Hand Ratio	182 Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: _____

Print Name: Marvin Etchorn

Title: Senior Vice President & CFO

EXHIBIT F

[QUARTERLY/ANNUAL] COMPLIANCE CERTIFICATE

U.S. Bank National Association
1349 W. Peachtree St. NW, Ste. 1050
Atlanta, Georgia 30309
Attention: Vice President, National Healthcare Division
404.898.8898 (FAX)

U.S. Bank National Association
One U.S. Bank Plaza
7th Street & Washington Avenue, SL-MO-T12M
St. Louis, Missouri 63101
Attention: Capital Markets Division
(314) 418-3571 (FAX)

Ladies and Gentlemen:

Reference is hereby made to that certain Reimbursement Agreement dated as of June 29, 2012 (the "Reimbursement Agreement"), by and between Mountain States Health Alliance (together with any other Members of the Obligated Group, as defined in the Reimbursement Agreement, the "Corporation") and U.S. Bank National Association (the "Bank"), as the same may from time to time be amended, modified, extended, renewed or restated. All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Reimbursement Agreement.

The Borrower hereby certifies to the Bank that as of the date hereof:

(a) a review of the activities of the Borrower has been made under my supervision with a view to determining whether the Borrower has fulfilled all of its obligations under the Reimbursement Agreement and the other Credit Documents;

(b) except as set forth below, the Borrower has fulfilled its obligations under the Credit Documents and all representations made therein continue to be true and correct in all material respects;

Exceptions: _____
_____
_____
_____;

(c) except as set forth below, no Event of Default under or within the meaning of the Reimbursement Agreement has occurred and continuing:

Exceptions: _____
_____
_____
_____;

(d) the financial statements of the Borrower delivered to you with this Certificate are true, correct and complete in all material respects and have been prepared in accordance with accounting principles generally accepted in the United States of America or, in the case of any interim financial

statements, on a basis substantially consistent with the audited financial statements (subject, in the case of any interim financial statements, to normal year-end adjustments and absence of footnote disclosures);

(e) Schedule I to this Certificate contains computations evidencing the Borrower's compliance with the financial covenants set forth in Section 4.22 of the Reimbursement Agreement as of and for the period ending June 30 2013, in each case calculated for the requested periods and in accordance with the requirements of the Reimbursement Agreement and the Master Indenture; and

(f) any other financial or other details, information and material as you have requested to evidence such compliance delivered herewith are true and correct.

Very truly yours,

MOUNTAIN STATES HEALTH ALLIANCE

By: /s/ Marvin Eichorn
Name: Marvin Eichorn
Title: Senior VP, CFO

Schedule I to Compliance Certificate

Mountain States Health Alliance

Compliance Certificate - Schedule I
For the Period Ended 6/30/2013

Section 4.22 - Financial Covenants

(a) Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 68,859
Plus:	
Depreciation and amortization	$ 60,499
Interest Expense	$ 41,226
Unrealized losses (gains)	$ (19,278)
Extraordinary expenses	$ -
(LOC fees included in interest expense)	$ (5,412)
(Interest on Trusteed Funds)	$ (833)
Net Income Available for Debt Service	$ 145,061
Maximum Annual Debt Service on all Outstanding indebtedness	$ 69,360
Debt Service Coverage Calculated	**2.09x**
Debt Service Coverage Required	1.30x

(b) Liquidity Covenant
(Required with June and December Reporting Periods)

Unrestricted Cash and Investments	$ 400,991
Operating Expenses	$ 800,349
Less:	
Depreciation and Amortization	$ 60,499
Other excluded expenses	$ -
Total Cash Expenses (TTM)	$ 739,850
Day of Cash Operating Expenses	$ 2,027
Days Cash on Hand Calculated	198 Days
Minimum Days Cash on Hand Required	100 Days

EXHIBIT F

[QUARTERLY/ANNUAL] COMPLIANCE CERTIFICATE

U.S. Bank National Association
1349 W. Peachtree St. NW, Ste. 1050
Atlanta, Georgia 30309
Attention: Vice President, National Healthcare Division
404.898.8898 (FAX)

U.S. Bank National Association
One U.S. Bank Plaza
7th Street & Washington Avenue, SL-MO-T12M
St. Louis, Missouri 63101
Attention: Capital Markets Division
(314) 418-3571 (FAX)

Ladies and Gentlemen:

Reference is hereby made to that certain Reimbursement Agreement dated as of June 29, 2012 (the "Reimbursement Agreement"), by and between Mountain States Health Alliance (together with any other Members of the Obligated Group, as defined in the Reimbursement Agreement, the "Corporation") and U.S. Bank National Association (the "Bank"), as the same may from time to time be amended, modified, extended, renewed or restated. All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Reimbursement Agreement.

The Borrower hereby certifies to the Bank that as of the date hereof:

(a) a review of the activities of the Borrower has been made under my supervision with a view to determining whether the Borrower has fulfilled all of its obligations under the Reimbursement Agreement and the other Credit Documents;

(b) except as set forth below, the Borrower has fulfilled its obligations under the Credit Documents and all representations made therein continue to be true and correct in all material respects;

Exceptions: _____
_____
_____
_____.

(c) except as set forth below, no Event of Default under or within the meaning of the Reimbursement Agreement has occurred and continuing:

Exceptions: _____
_____
_____
_____.

(d) the financial statements of the Borrower delivered to you with this Certificate are true, correct and complete in all material respects and have been prepared in accordance with accounting principles generally accepted in the United States of America or, in the case of any interim financial

statements, on a basis substantially consistent with the audited financial statements (subject, in the case of any interim financial statements, to normal year-end adjustments and absence of footnote disclosures);

(e) Schedule I to this Certificate contains computations evidencing the Borrower's compliance with the financial covenants set forth in Section 4.22 of the Reimbursement Agreement as of and for the period ending June 30, 2014, in each case calculated for the requested periods and in accordance with the requirements of the Reimbursement Agreement and the Master Indenture; and

(f) any other financial or other details, information and material as you have requested to evidence such compliance delivered herewith are true and correct.

Very truly yours,

MOUNTAIN STATES HEALTH ALLIANCE

By: Lynn Krutak
Name: Lynn Krutak
Title: Senior Vice-President, CFO

Schedule I to Compliance Certificate

Mountain States Health Alliance

Compliance Certificate - Schedule I
For the Period Ended 6/30/2014

Section 4.22 - Financial Covenants

(a) Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 43,636
Plus:	
Depreciation and amortization	$ 54,235
Interest Expense	$ 42,734
Unrealized losses (gains)	$ (28,296)
Extraordinary expenses	$ 4,622
(LOC fees included in interest expense)	$ (2,537)
(Interest on Trusteed Funds)	$ (666)
Net Income Available for Debt Service	$ 113,728
Maximum Annual Debt Service on all Outstanding indebtedness	$ 67,257
Debt Service Coverage Calculated	**1.69x**
Debt Service Coverage Required	1.30x

(b) Liquidity Covenant
(Required with June and December Reporting Periods)

Unrestricted Cash and Investments	$ 422,765
Operating Expenses	$ 825,612
Less:	
Depreciation and Amortization	$ 54,235
Other excluded expenses	$ -
Total Cash Expenses (TTM)	$ 771,377
Day of Cash Operating Expenses	$ 2,113
Days Cash on Hand Calculated	200 Days
Minimum Days Cash on Hand Required	100 Days

EXHIBIT F

[QUARTERLY/ANNUAL] COMPLIANCE CERTIFICATE

U.S. Bank National Association
1349 W. Peachtree St. NW, Ste. 1050
Atlanta, Georgia 30309
Attention: Vice President, National Healthcare Division
404.898.8898 (FAX)

U.S. Bank National Association
One U.S. Bank Plaza
7th Street & Washington Avenue, SL-MO-T12M
St. Louis, Missouri 63101
Attention: Capital Markets Division
(314) 418-3571 (FAX)

Ladies and Gentlemen:

Reference is hereby made to that certain Reimbursement Agreement dated as of June 29, 2012 (the "Reimbursement Agreement"), by and between Mountain States Health Alliance (together with any other Members of the Obligated Group, as defined in the Reimbursement Agreement, the "Corporation") and U.S. Bank National Association (the "Bank"), as the same may from time to time be amended, modified, extended, renewed or restated. All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Reimbursement Agreement.

The Borrower hereby certifies to the Bank that as of the date hereof:

(a) a review of the activities of the Borrower has been made under my supervision with a view to determining whether the Borrower has fulfilled all of its obligations under the Reimbursement Agreement and the other Credit Documents;

(b) except as set forth below, the Borrower has fulfilled its obligations under the Credit Documents and all representations made therein continue to be true and correct in all material respects;

Exceptions: _____
_____
_____
_____;

(c) except as set forth below, no Event of Default under or within the meaning of the Reimbursement Agreement has occurred and continuing:

Exceptions: _____
_____
_____
_____;

(d) the financial statements of the Borrower delivered to you with this Certificate are true, correct and complete in all material respects and have been prepared in accordance with accounting principles generally accepted in the United States of America or, in the case of any interim financial

statements, on a basis substantially consistent with the audited financial statements (subject, in the case of any interim financial statements, to normal year-end adjustments and absence of footnote disclosures);

(e) Schedule I to this Certificate contains computations evidencing the Borrower's compliance with the financial covenants set forth in Section 4.22 of the Reimbursement Agreement as of and for the period ending June 30, 2015, in each case calculated for the requested periods and in accordance with the requirements of the Reimbursement Agreement and the Master Indenture; and

(f) any other financial or other details, information and material as you have requested to evidence such compliance delivered herewith are true and correct.

Very truly yours,

MOUNTAIN STATES HEALTH ALLIANCE

By: Lynn Krutak
Name: Lynn Krutak
Title: Senior VP & CFO

Schedule I to Compliance Certificate

Mountain States Health Alliance

Compliance Certificate - Schedule I
For the Period Ended 06/30/2015

Section 4.22 - Financial Covenants

(a) Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 30,423
Plus:	
Depreciation and amortization	$ 52,796
Interest Expense	$ 41,598
Unrealized losses (gains)	$ 3,348
Extraordinary expenses	$ -
(LOC fees included in interest expense)	$ (2,183)
(Interest on Trusteed Funds)	$ (321)
Net Income Available for Debt Service	$ 125,661
Maximum Annual Debt Service on all Outstanding Indebtedness	$ 67,254
Debt Service Coverage Calculated	**1.87x**
Debt Service Coverage Required	1.30x

(b) Liquidity Covenant
(Required with June and December Reporting Periods)

Unrestricted Cash and Investments	$ 454,956
Operating Expenses	$ 829,866
Less:	
Depreciation and Amortization	$ 52,796
Other excluded expenses	$ -
Total Cash Expenses (TTM)	**$ 777,070**
Day of Cash Operating Expenses	$ 2,129
Days Cash on Hand Calculated	214 Days
Minimum Days Cash on Hand Required	100 Days

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between US Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 9/30/2010

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 42,447
+ Depreciation	$ 47,707
+ Amortization	$ 10,205
+ Interest Expense	$ 39,725
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary items	
EBITDA	$ 142,532
Total Debt Service (MADS)	$ 77,187
Debt Service Coverage Ratio	1.85x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: _____

Print Name: Marvin Elchorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between US Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 9/30/2011

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 50,451
+ Depreciation	$ 57,953
+ Amortization	$ 2,233
+ Interest Expense	$ 39,682
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	
EBITDA	$ 146,901
Total Debt Service (MADS)	$ 65,667
Debt Service Coverage Ratio	2.24x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ -
Unrestricted Investments	$ -
Total Cash	$ -
Total Operating Expenses (Including Interest)	$ -
less: Non Cash Expenses	$ -
Total Cash Expenses (TTM)	$ -
Daily Cash Expenses	$ -
Days Cash on Hand Ratio	N/A Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: 

Print Name: Marvin Elchorn

Title: Senior Vice President & CFO

EXHIBIT F

[QUARTERLY/ANNUAL] COMPLIANCE CERTIFICATE

U.S. Bank National Association
1349 W. Peachtree St. NW, Ste. 1050
Atlanta, Georgia 30309
Attention: Vice President, National Healthcare Division
404.898.8898 (FAX)

U.S. Bank National Association
One U.S. Bank Plaza
7th Street & Washington Avenue, SL-MO-T12M
St. Louis, Missouri 63101
Attention: Capital Markets Division
(314) 418-3571 (FAX)

Ladies and Gentlemen:

Reference is hereby made to that certain Reimbursement Agreement dated as of June 29, 2012 (the "Reimbursement Agreement"), by and between Mountain States Health Alliance (together with any other Members of the Obligated Group, as defined in the Reimbursement Agreement, the "Corporation") and U.S. Bank National Association (the "Bank"), as the same may from time to time be amended, modified, extended, renewed or restated. All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Reimbursement Agreement.

The Borrower hereby certifies to the Bank that as of the date hereof:

(a) a review of the activities of the Borrower has been made under my supervision with a view to determining whether the Borrower has fulfilled all of its obligations under the Reimbursement Agreement and the other Credit Documents;

(b) except as set forth below, the Borrower has fulfilled its obligations under the Credit Documents and all representations made therein continue to be true and correct in all material respects;

Exceptions: _____
_____
_____
_____;

(c) except as set forth below, no Event of Default under or within the meaning of the Reimbursement Agreement has occurred and continuing:

Exceptions: _____
_____
_____
_____;

(d) the financial statements of the Borrower delivered to you with this Certificate are true, correct and complete in all material respects and have been prepared in accordance with accounting principles generally accepted in the United States of America or, in the case of any interim financial

statements, on a basis substantially consistent with the audited financial statements (subject, in the case of any interim financial statements, to normal year-end adjustments and absence of footnote disclosures);

(e) Schedule I to this Certificate contains computations evidencing the Borrower's compliance with the financial covenants set forth in Section 4.22 of the Reimbursement Agreement as of and for the period ending September 30, 2012, in each case calculated for the requested periods and in accordance with the requirements of the Reimbursement Agreement and the Master Indenture; and

(f) any other financial or other details, information and material as you have requested to evidence such compliance delivered herewith are true and correct.

Very truly yours,

MOUNTAIN STATES HEALTH ALLIANCE

By: _____
Name: Marvin H Eichorn
Title: Senior Vice President & CFO

Schedule I to Compliance Certificate

Mountain States Health Alliance

Compliance Certificate - Schedule I
For the Period Ended 9/30/2012

Section 4.22 - Financial Covenants

(a) Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 50,630
Plus:	
Depreciation and amortization	$ 58,819
Interest Expense	$ 40,934
Unrealized losses (gains)	$ (4,829)
Extraordinary expenses	$ (2,553)
(LOC fees included in interest expense)	$ (5,261)
(Interest on Trusteed Funds)	$ (580)
Net Income Available for Debt Service	$ 137,160
Maximum Annual Debt Service on all Outstanding Indebtedness	$ 69,270
Debt Service Coverage Calculated	**1.98x**
Debt Service Coverage Required	1.30x

(b) Liquidity Covenant
(Required with June and December Reporting Periods)

Unrestricted Cash and Investments	$ -
Operating Expenses	$ -
Less:	
Depreciation and Amortization	$ -
Other excluded expenses	$ -
Total Cash Expenses (TTM)	$ -
Day of Cash Operating Expenses	$ -
Days Cash on Hand Calculated	**N/A Days**
Minimum Days Cash on Hand Required	100 Days

EXHIBIT F

[QUARTERLY/ANNUAL] COMPLIANCE CERTIFICATE

U.S. Bank National Association
1349 W. Peachtree St. NW, Ste. 1050
Atlanta, Georgia 30309
Attention: Vice President, National Healthcare Division
404.898.8898 (FAX)

U.S. Bank National Association
One U.S. Bank Plaza
7th Street & Washington Avenue, SL-MO-T12M
St. Louis, Missouri 63101
Attention: Capital Markets Division
(314) 418-3571 (FAX)

Ladies and Gentlemen:

Reference is hereby made to that certain Reimbursement Agreement dated as of June 29, 2012 (the "Reimbursement Agreement"), by and between Mountain States Health Alliance (together with any other Members of the Obligated Group, as defined in the Reimbursement Agreement, the "Corporation") and U.S. Bank National Association (the "Bank"), as the same may from time to time be amended, modified, extended, renewed or restated. All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Reimbursement Agreement.

The Borrower hereby certifies to the Bank that as of the date hereof:

(a) a review of the activities of the Borrower has been made under my supervision with a view to determining whether the Borrower has fulfilled all of its obligations under the Reimbursement Agreement and the other Credit Documents;

(b) except as set forth below, the Borrower has fulfilled its obligations under the Credit Documents and all representations made therein continue to be true and correct in all material respects;

Exceptions: _____
_____
_____
_____;

(c) except as set forth below, no Event of Default under or within the meaning of the Reimbursement Agreement has occurred and continuing:

Exceptions: _____
_____
_____
_____;

(d) the financial statements of the Borrower delivered to you with this Certificate are true, correct and complete in all material respects and have been prepared in accordance with accounting principles generally accepted in the United States of America or, in the case of any interim financial

statements, on a basis substantially consistent with the audited financial statements (subject, in the case of any interim financial statements, to normal year-end adjustments and absence of footnote disclosures);

(e) Schedule I to this Certificate contains computations evidencing the Borrower's compliance with the financial covenants set forth in Section 4.22 of the Reimbursement Agreement as of and for the period ending September 30 2013, in each case calculated for the requested periods and in accordance with the requirements of the Reimbursement Agreement and the Master Indenture; and

(f) any other financial or other details, information and material as you have requested to evidence such compliance delivered herewith are true and correct.

Very truly yours,

MOUNTAIN STATES HEALTH ALLIANCE

By: Marvin Eichorn
Name: Marvin Eichorn
Title: Senior Vice President, CFO

Schedule I to Compliance Certificate

Mountain States Health Alliance

Compliance Certificate - Schedule I
For the Period Ended 9/30/2013

Section 4.22 - Financial Covenants

(a) Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 62,408
Plus:	
Depreciation and amortization	$ 62,003
Interest Expense	$ 41,609
Unrealized losses (gains)	$ (34,920)
Extraordinary expenses	$ -
(LOC fees included in interest expense)	$ (4,887)
(Interest on Trusteed Funds)	$ (765)
Net Income Available for Debt Service	$ 125,448
Maximum Annual Debt Service on all Outstanding Indebtedness	$ 67,286
Debt Service Coverage Calculated	1.86x
Debt Service Coverage Required	1.30x

(b) Liquidity Covenant
(Required with June and December Reporting Periods)

Unrestricted Cash and Investments	$ -
Operating Expenses	$ -
Less:	
Depreciation and Amortization	$ -
Other excluded expenses	$ -
Total Cash Expenses (TTM)	$ -
Day of Cash Operating Expenses	$ -
Days Cash on Hand Calculated	N/A Days
Minimum Days Cash on Hand Required	100 Days

EXHIBIT F

[QUARTERLY/ANNUAL] COMPLIANCE CERTIFICATE

U.S. Bank National Association
1349 W. Peachtree St. NW, Ste. 1050
Atlanta, Georgia 30309
Attention: Vice President, National Healthcare Division
404.898.8898 (FAX)

U.S. Bank National Association
One U.S. Bank Plaza
7th Street & Washington Avenue, SL-MO-T12M
St. Louis, Missouri 63101
Attention: Capital Markets Division
(314) 418-3571 (FAX)

Ladies and Gentlemen:

Reference is hereby made to that certain Reimbursement Agreement dated as of June 29, 2012 (the "Reimbursement Agreement"), by and between Mountain States Health Alliance (together with any other Members of the Obligated Group, as defined in the Reimbursement Agreement, the "Corporation") and U.S. Bank National Association (the "Bank"), as the same may from time to time be amended, modified, extended, renewed or restated. All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Reimbursement Agreement.

The Borrower hereby certifies to the Bank that as of the date hereof:

(a) a review of the activities of the Borrower has been made under my supervision with a view to determining whether the Borrower has fulfilled all of its obligations under the Reimbursement Agreement and the other Credit Documents;

(b) except as set forth below, the Borrower has fulfilled its obligations under the Credit Documents and all representations made therein continue to be true and correct in all material respects;

Exceptions: _____
_____
_____
_____;

(c) except as set forth below, no Event of Default under or within the meaning of the Reimbursement Agreement has occurred and continuing:

Exceptions: _____
_____
_____
_____;

(d) the financial statements of the Borrower delivered to you with this Certificate are true, correct and complete in all material respects and have been prepared in accordance with accounting principles generally accepted in the United States of America or, in the case of any interim financial

statements, on a basis substantially consistent with the audited financial statements (subject, in the case of any interim financial statements, to normal year-end adjustments and absence of footnote disclosures);

(e) Schedule I to this Certificate contains computations evidencing the Borrower's compliance with the financial covenants set forth in Section 4.22 of the Reimbursement Agreement as of and for the period ending September 30, 2014, in each case calculated for the requested periods and in accordance with the requirements of the Reimbursement Agreement and the Master Indenture; and

(f) any other financial or other details, information and material as you have requested to evidence such compliance delivered herewith are true and correct.

Very truly yours,

MOUNTAIN STATES HEALTH ALLIANCE

By: Lynn Krutak
Name: Lynn Krutak
Title: Senior Vice President + CFO

Schedule I to Compliance Certificate

Mountain States Health Alliance

Compliance Certificate - Schedule I
For the Period Ended 9/30/2013

Section 4.22 - Financial Covenants

(a) Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	**$ 28,275**
Plus:	
Depreciation and amortization	$ 52,883
Interest Expense	$ 42,901
Unrealized losses (gains)	$ 9,078
Extraordinary expenses	$ -
(LOC fees included in interest expense)	$ (2,190)
(Interest on Trusteed Funds)	$ (614)
Net Income Available for Debt Service	$ 130,333
Maximum Annual Debt Service on all Outstanding Indebtedness	$ 67,252
Debt Service Coverage Calculated	**1.94x**
Debt Service Coverage Required	1.30x

(b) Liquidity Covenant
(Required with June and December Reporting Periods)

Unrestricted Cash and Investments	$ -
Operating Expenses	$ -
Less:	
Depreciation and Amortization	$ -
Other excluded expenses	$ -
Total Cash Expenses (TTM)	$ -
Day of Cash Operating Expenses	$ -
Days Cash on Hand Calculated	**N/A Days**
Minimum Days Cash on Hand Required	100 Days

Mountain States Health Alliance
Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between US Bank and Mounatin States Health Alliance, dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 12/31/2010

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 43,001
+ Depreciation	$ 51,625
+ Amortization	$ 7,538
+ Interest Expense	$ 42,968
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	
EBITDA	$ 140,875
Total Debt Service (MADS)	$ 69,886
Debt Service Coverage Ratio	2.02x
Covenant Requirement	1.30x

Days Cash on Hand
(Required with June and December Reporting Periods)

Cash	$ 167,099
Unrestricted Investments	$ 183,585
Total Cash	$ 350,684
Total Operating Expenses (Including Interest)	$ 686,573
less: Non Cash Expenses	$ 59,163
Total Cash Expenses (TTM)	$ 627,410
Daily Cash Expenses	$ 1,719
Days Cash on Hand Ratio	204 Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: _____

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

Mountain States Health Alliance

Covenant Compliance Certificate

In accordance with the terms of the Letter of Credit and Security Agreement between US Bank and Mounatin States Health Alliance dated September 29, 2010, we hereby represent and warrant as follows:

Status as of: 12/31/2011

Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 39,641
+ Depreciation	$ 57,427
+ Amortization	$ 2,268
+ Interest Expense	$ 39,479
+ Taxes	$ -
+ Non-Cash Impairment Losses	$ -
+ Extraordinary Items	
EBITDA	$ 146,118
Total Debt Service (MADS)	$ 66,751
Debt Service Coverage Ratio	2.22x
Covenant Requirement	1.30x

Days Cash on Hand

(Required with June and December Reporting Periods)

Cash	$ 57,213
Unrestricted Investments	$ 320,881
Total Cash	$ 378,094
Total Operating Expenses (Including Interest)	$ 747,286
less: Non Cash Expenses	$ 59,695
Total Cash Expenses (TTM)	$ 687,591
Daily Cash Expenses	$ 1,884
Days Cash on Hand Ratio	201 Days
Covenant Requirement	100 Days

To the best of the knowledge and belief of the signer hereof, the undersigned does certify that the foregoing certificate is true and correct as of this date, and that the Borrower is in compliance with all terms and conditions of the Letter of Credit and Security Agreement dated effective September 29, 2010.

Mountain States Health Alliance

By: Marvin H Eichorn

Print Name: Marvin Eichorn

Title: Senior Vice President & CFO

EXHIBIT F

[QUARTERLY/ANNUAL] COMPLIANCE CERTIFICATE

U.S. Bank National Association
1349 W. Peachtree St. NW, Ste. 1050
Atlanta, Georgia 30309
Attention: Vice President, National Healthcare Division
404.898.8898 (FAX)

U.S. Bank National Association
One U.S. Bank Plaza
7th Street & Washington Avenue, SL-MO-T12M
St. Louis, Missouri 63101
Attention: Capital Markets Division
(314) 418-3571 (FAX)

Ladies and Gentlemen:

Reference is hereby made to that certain Reimbursement Agreement dated as of June 29, 2012 (the "Reimbursement Agreement"), by and between Mountain States Health Alliance (together with any other Members of the Obligated Group, as defined in the Reimbursement Agreement, the "Corporation") and U.S. Bank National Association (the "Bank"), as the same may from time to time be amended, modified, extended, renewed or restated. All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Reimbursement Agreement.

The Borrower hereby certifies to the Bank that as of the date hereof:

(a) a review of the activities of the Borrower has been made under my supervision with a view to determining whether the Borrower has fulfilled all of its obligations under the Reimbursement Agreement and the other Credit Documents;

(b) except as set forth below, the Borrower has fulfilled its obligations under the Credit Documents and all representations made therein continue to be true and correct in all material respects;

Exceptions: _____
_____
_____
_____;

(c) except as set forth below, no Event of Default under or within the meaning of the Reimbursement Agreement has occurred and continuing:

Exceptions: _____
_____
_____
_____;

(d) the financial statements of the Borrower delivered to you with this Certificate are true, correct and complete in all material respects and have been prepared in accordance with accounting principles generally accepted in the United States of America or, in the case of any interim financial

statements, on a basis substantially consistent with the audited financial statements (subject, in the case of any interim financial statements, to normal year-end adjustments and absence of footnote disclosures);

(e) Schedule I to this Certificate contains computations evidencing the Borrower's compliance with the financial covenants set forth in Section 4.22 of the Reimbursement Agreement as of and for the period ending December 31, 2012, in each case calculated for the requested periods and in accordance with the requirements of the Reimbursement Agreement and the Master Indenture; and

(f) any other financial or other details, information and material as you have requested to evidence such compliance delivered herewith are true and correct.

Very truly yours,

MOUNTAIN STATES HEALTH ALLIANCE

By: _____
Name: Marvin Eichorn
Title: Senior VP & CFO

Schedule I to Compliance Certificate

Mountain States Health Alliance

Compliance Certificate - Schedule I
For the Period Ended 12/31/2012

Section 4.22 - Financial Covenants

(a) Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 64,402
Plus:	
Depreciation and amortization	$ 57,836
Interest Expense	$ 40,618
Unrealized losses (gains)	$ (9,675)
Extraordinary expenses	$ -
(LOC fees included in interest expense)	$ (5,301)
(Interest on Trusteed Funds)	$ (587)
Net Income Available for Debt Service	$ 147,293
Maximum Annual Debt Service on all Outstanding Indebtedness	$ 69,404
Debt Service Coverage Calculated	**2.12x**
Debt Service Coverage Required	1.30x

(b) Liquidity Covenant
(Required with June and December Reporting Periods)

Unrestricted Cash and Investments	$ 383,797
Operating Expenses	$ 794,117
Less:	
Depreciation and Amortization	$ 57,836
Other excluded expenses	$ -
Total Cash Expenses (TTM)	$ 736,281
Day of Cash Operating Expenses	$ 2,017
Days Cash on Hand Calculated	**190 Days**
Minimum Days Cash on Hand Required	100 Days

EXHIBIT F

[QUARTERLY/ANNUAL] COMPLIANCE CERTIFICATE

U.S. Bank National Association
1349 W. Peachtree St. NW, Ste. 1050
Atlanta, Georgia 30309
Attention: Vice President, National Healthcare Division
404.898.8898 (FAX)

U.S. Bank National Association
One U.S. Bank Plaza
7th Street & Washington Avenue, SL-MO-T12M
St. Louis, Missouri 63101
Attention: Capital Markets Division
(314) 418-3571 (FAX)

Ladies and Gentlemen:

Reference is hereby made to that certain Reimbursement Agreement dated as of June 29, 2012 (the "Reimbursement Agreement"), by and between Mountain States Health Alliance (together with any other Members of the Obligated Group, as defined in the Reimbursement Agreement, the "Corporation") and U.S. Bank National Association (the "Bank"), as the same may from time to time be amended, modified, extended, renewed or restated. All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Reimbursement Agreement.

The Borrower hereby certifies to the Bank that as of the date hereof:

(a) a review of the activities of the Borrower has been made under my supervision with a view to determining whether the Borrower has fulfilled all of its obligations under the Reimbursement Agreement and the other Credit Documents;

(b) except as set forth below, the Borrower has fulfilled its obligations under the Credit Documents and all representations made therein continue to be true and correct in all material respects;

Exceptions: _____
_____
_____
_____;

(c) except as set forth below, no Event of Default under or within the meaning of the Reimbursement Agreement has occurred and continuing:

Exceptions: _____
_____
_____
_____;

(d) the financial statements of the Borrower delivered to you with this Certificate are true, correct and complete in all material respects and have been prepared in accordance with accounting principles generally accepted in the United States of America or, in the case of any interim financial

statements, on a basis substantially consistent with the audited financial statements (subject, in the case of any interim financial statements, to normal year-end adjustments and absence of footnote disclosures);

(e) Schedule I to this Certificate contains computations evidencing the Borrower's compliance with the financial covenants set forth in Section 4.22 of the Reimbursement Agreement as of and for the period ending December 31, 2013, in each case calculated for the requested periods and in accordance with the requirements of the Reimbursement Agreement and the Master Indenture; and

(f) any other financial or other details, information and material as you have requested to evidence such compliance delivered herewith are true and correct.

Very truly yours,

MOUNTAIN STATES HEALTH ALLIANCE

Marvin Eichorn

By: _____
Name: Marvin Eichorn
Title: Senior Vice President, CFO

Schedule I to Compliance Certificate

Mountain States Health Alliance

Compliance Certificate - Schedule I
For the Period Ended 12/31/2013

Section 4.22 - Financial Covenants

(a) Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 54,489
Plus:	
Depreciation and amortization	$ 62,711
Interest Expense	$ 41,619
Unrealized losses (gains)	$ (40,999)
Extraordinary expenses	$ 4,622
(LOC fees included in interest expense)	$ (4,285)
(Interest on Trusteed Funds)	$ (902)
Net Income Available for Debt Service	$ 117,255
Maximum Annual Debt Service on all Outstanding Indebtedness	$ 67,281
Debt Service Coverage Calculated	1.74x
Debt Service Coverage Required	1.30x

(b) Liquidity Covenant
(Required with June and December Reporting Periods)

Unrestricted Cash and Investments	$ 397,095
Operating Expenses	$ 821,779
Less:	
Depreciation and Amortization	$ 62,711
Other excluded expenses	$ -
Total Cash Expenses (TTM)	$ 759,068
Day of Cash Operating Expenses	$ 2,080
Days Cash on Hand Calculated	191 Days
Minimum Days Cash on Hand Required	100 Days

EXHIBIT F

[QUARTERLY/ANNUAL] COMPLIANCE CERTIFICATE

U.S. Bank National Association
1349 W. Peachtree St. NW, Ste. 1050
Atlanta, Georgia 30309
Attention: Vice President, National Healthcare Division
404.898.8898 (FAX)

U.S. Bank National Association
One U.S. Bank Plaza
7th Street & Washington Avenue, SL-MO-T12M
St. Louis, Missouri 63101
Attention: Capital Markets Division
(314) 418-3571 (FAX)

Ladies and Gentlemen:

Reference is hereby made to that certain Reimbursement Agreement dated as of June 29, 2012 (the "Reimbursement Agreement"), by and between Mountain States Health Alliance (together with any other Members of the Obligated Group, as defined in the Reimbursement Agreement, the "Corporation") and U.S. Bank National Association (the "Bank"), as the same may from time to time be amended, modified, extended, renewed or restated. All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Reimbursement Agreement.

The Borrower hereby certifies to the Bank that as of the date hereof:

(a) a review of the activities of the Borrower has been made under my supervision with a view to determining whether the Borrower has fulfilled all of its obligations under the Reimbursement Agreement and the other Credit Documents;

(b) except as set forth below, the Borrower has fulfilled its obligations under the Credit Documents and all representations made therein continue to be true and correct in all material respects;

Exceptions: _____
_____
_____
_____;

(c) except as set forth below, no Event of Default under or within the meaning of the Reimbursement Agreement has occurred and continuing:

Exceptions: _____
_____
_____
_____;

(d) the financial statements of the Borrower delivered to you with this Certificate are true, correct and complete in all material respects and have been prepared in accordance with accounting principles generally accepted in the United States of America or, in the case of any interim financial

statements, on a basis substantially consistent with the audited financial statements (subject, in the case of any interim financial statements, to normal year-end adjustments and absence of footnote disclosures);

(e) Schedule I to this Certificate contains computations evidencing the Borrower's compliance with the financial covenants set forth in Section 4.22 of the Reimbursement Agreement as of and for the period ending December 31, 2014, in each case calculated for the requested periods and in accordance with the requirements of the Reimbursement Agreement and the Master Indenture; and

(f) any other financial or other details, information and material as you have requested to evidence such compliance delivered herewith are true and correct.

Very truly yours,

MOUNTAIN STATES HEALTH ALLIANCE

By: Lynn Krutak
Name: Lynn Krutak
Title: Senior Vice President, CFO

Schedule I to Compliance Certificate

Mountain States Health Alliance

Compliance Certificate - Schedule I
For the Period Ended 12/31/2014

Section 4.22 - Financial Covenants

(a) Debt Service Coverage

	Trailing 12-Month
Excess Revenue Over Expenses	$ 28,210
Plus:	
Depreciation and amortization	$ 51,524
Interest Expense	$ 42,765
Unrealized losses (gains)	$ 22,696
Extraordinary expenses	$ -
(LOC fees included in interest expense)	$ (2,245)
(Interest on Trusteed Funds)	$ (451)
Net Income Available for Debt Service	$ 142,499
Maximum Annual Debt Service on all Outstanding Indebtedness	$ 67,240
Debt Service Coverage Calculated	2.12x
Debt Service Coverage Required	1.30x

(b) Liquidity Covenant
(Required with June and December Reporting Periods)

Unrestricted Cash and Investments	$ 426,396
Operating Expenses	$ 820,364
Less:	
Depreciation and Amortization	$ 51,524
Other excluded expenses	$ -
Total Cash Expenses (TTM)	$ 768,840
Day of Cash Operating Expenses	$ 2,106
Days Cash on Hand Calculated	202 Days
Minimum Days Cash on Hand Required	100 Days

Exhibit 11.4

Attachment E

Mountain States Officer's Certificates

PYA
Pershing Yoakley & Associates
CERTIFIED PUBLIC ACCOUNTANTS

Pershing Yoakley & Associates, P.C.
One Cherokee Mills, 2220 Sutherland Avenue
Knoxville, TN 37919
(p) (865) 673-0844 (f) (865) 673-0173
(w) www.pyapc.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mountain States Health Alliance:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Mountain States Health Alliance and subsidiaries for the year ended June 30, 2010, and have issued our report thereon dated October 25, 2010. We have also audited the accompanying schedule of the historical debt service coverage ratio and historical maximum annual debt service coverage ratio of the Mountain States Health Alliance Obligated Group (the Group) for the year ended June 30, 2010 as defined by the Amended and Restated Master Trust Indenture dated February 1, 2000. This schedule is the responsibility of the Group's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit of the schedule in accordance with auditing standards generally accepted in the United States of America. Those standard require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents fairly, in all material respects, the historical debt service coverage ratio and the historical maximum annual debt service coverage ratio of the Group for the year ended June 30, 2010, in conformity with the Amended and Restated Master Trust Indenture dated February 1, 2000.

This report is intended solely for the information and use of the board of directors and management of Mountain States Health Alliance and the Bank of New York, as Master Trustee under the Amended and Restated Master Trust Indenture dated February 1, 2000, and is not intended to be and should not be used by anyone other these those specified parties.

Knoxville, Tennessee
October 25, 2010

Pershing Yoakley & Associates, P.C.

OFFICER'S CERTIFICATE

TO: The Bank of New York, Master Trustee

In accordance with Article Six, Section 6.6 (b) of the Amended and Restated Master Trust Indenture dated February 1, 2000 between Mountain States Health Alliance and The Bank of New York, the Master Trustee, all insurance required by Article 5 of the Amended and Restated Master Trust Indenture has been obtained and is in full force and effect. To the best of our knowledge, neither Mountain States Health Alliance nor any other Obligated Issuer, its members as defined in the Amended and Restated Master Trust Indenture, is in default in the performance of any debt covenant contained in the Amended and Restated Master Trust Indenture dated February 1, 2000 The Historical Debt Service Coverage Ratio of the Obligated Group for the year ended June 30, 2010 is 2.08 to 1 00. The Historical Maximum Annual Debt Service Coverage ratio of the Obligated Group for the year ended June 30, 2010 is 1.83 to 1.00.

A report from the independent auditor whose report accompanies the audited financial statements of the Obligated Group and who has audited the schedule of historical debt service coverage ratio and historical maximum annual debt service coverage ratio is attached hereto.

Marvin Eichorn, Senior Vice President and
Chief Financial Officer
Mountain States Health Alliance
The Obligated Group Agent

HISTORICAL DEBT SERVICE COVERAGE RATIO
and
HISTORICAL MAXIMUM ANNUAL DEBT SERVICE COVERAGE RATIO

MOUNTAIN STATES HEALTH ALLIANCE OBLIGATED GROUP
(Dollars in Thousands)

Year Ended June 30, 2010

Income available for debt service - Historical	$ 136,023
Income available for maximum annual debt service	$ 141,077
Historical debt service requirement	$ 65,285
Historical maximum annual debt service requirement	$ 77,187
Historical debt service coverage ratio	2.08
Historical maximum annual debt service coverage ratio	1.83

PERSHING YOAKLEY & ASSOCIATES

PERSHING YOAKLEY & ASSOCIATES, P.C.
Certified Public Accountants
One Cherokee Mills, 2220 Sutherland Avenue
Knoxville, TN 37919

p: (865) 673-0844 | f: (865) 673-0173
www.pyapc.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mountain States Health Alliance:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Mountain States Health Alliance for the year ended June 30, 2011, and have issued our report thereon dated October 26, 2011. We have also audited the accompanying schedule of the historical debt service coverage ratio and historical maximum annual debt service coverage ratio of the Mountain States Health Alliance Obligated Group (the Group) for the year ended June 30, 2011 as defined by the Amended and Restated Master Trust Indenture dated February 1, 2000. This schedule is the responsibility of the Group's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit of the schedule in accordance with auditing standards generally accepted in the United States of America. Those standard require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents fairly, in all material respects, the historical debt service coverage ratio and the historical maximum annual debt service coverage ratio of the Group for the year ended June 30, 2011, in conformity with the Amended and Restated Master Trust Indenture dated February 1, 2000.

This report is intended solely for the information and use of the Board of Directors and management of Mountain States Health Alliance and the Bank of New York Mellon Trust Company, N.A., as Master Trustee under the Amended and Restated Master Trust Indenture dated February 1, 2000, and is not intended to be and should not be used by anyone other these those specified parties.

Pershing Yoakley & Associates PC

Knoxville, Tennessee
October 26, 2011

MOUNTAIN STATES
HEALTH ALLIANCE

OFFICER'S CERTIFICATE

TO: The Bank of New York, Master Trustee

In accordance with Article Six, Section 6.6. (b) of the Amended and Restated Master Trust Indenture dated February 1, 2000 between Mountain States Health Alliance and The Bank of New York, the Master Trustee, all insurance required by Article 5 of the Amended and Restated Master Trust Indenture has been obtained and is in full force and effect. To the best of our knowledge, neither Mountain States Health Alliance nor any other Obligated Issuer, its members as defined in the Amended and Restated Master Trust Indenture, is in default in the performance of any debt covenant contained in the Amended and Restated Master Trust Indenture dated February 1, 2000. The Historical Debt Service Coverage Ratio of the Obligated Group for the year ended June 30, 2011 is 2.17 to 1.00. The Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group for the year ended June 30, 2011 is 2.26 to 1.00.

A report from the independent auditor whose report accompanies the audited consolidated financial statements and who has audited the schedule of historical debt service coverage ratio and historical maximum annual debt service coverage ratio is attached hereto.

Marvin Eichorn, Senior Vice President and
Chief Financial Officer
Mountain States Health Alliance
The Obligated Group Agent

HISTORICAL DEBT SERVICE COVERAGE RATIO
and
HISTORICAL MAXIMUM ANNUAL DEBT SERVICE COVERAGE RATIO

MOUNTAIN STATES HEALTH ALLIANCE OBLIGATED GROUP
(Dollars in Thousands)

Year Ended June 30, 2011

Income available for debt service - Historical	$ 145,340
Income available for maximum annual debt service	$ 148,528
Historical debt service requirement	$ 67,129
Historical maximum annual debt service requirement	$ 65,678
Historical debt service coverage ratio	2.17
Historical maximum annual debt service coverage ratio	2.26

PYA
Certified Public Accountants

PERSHING YOAKLEY & ASSOCIATES, P.C.
One Cherokee Mills, 2220 Sutherland Avenue
Knoxville, TN 37919
p: (865) 673-0844 | f: (865) 673-0173
www.pyapc.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mountain States Health Alliance:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Mountain States Health Alliance for the year ended June 30, 2012, and have issued our report thereon dated October 26, 2012. We have also audited the accompanying schedule of the historical debt service coverage ratio and historical maximum annual debt service coverage ratio of the Mountain States Health Alliance Obligated Group (the Group) for the year ended June 30, 2012 as defined by the Amended and Restated Master Trust Indenture dated February 1, 2000. This schedule is the responsibility of the Group's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit of the schedule 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 schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents fairly, in all material respects, the historical debt service coverage ratio and the historical maximum annual debt service coverage ratio of the Group for the year ended June 30, 2012, in conformity with the Amended and Restated Master Trust Indenture dated February 1, 2000.

This report is intended solely for the information and use of the Board of Directors and management of Mountain States Health Alliance and the Bank of New York Mellon Trust Company, N.A., as Master Trustee under the Amended and Restated Master Trust Indenture dated February 1, 2000, and is not intended to be and should not be used by anyone other these those specified parties.

Pershing Yoakley & Associates PC

Knoxville, Tennessee
October 26, 2012

OFFICER'S CERTIFICATE

TO: The Bank of New York Mellon Trust Company, N.A., Master Trustee

In accordance with Article Six, Section 6.6. (b) of the Amended and Restated Master Trust Indenture dated February 1, 2000 between Mountain States Health Alliance and The Bank of New York Mellon Trust Company, N.A., the Master Trustee, all insurance required by Article 5 of the Amended and Restated Master Trust Indenture has been obtained and is in full force and effect. To the best of our knowledge, neither Mountain States Health Alliance nor any other Obligated Issuer, its members as defined in the Amended and Restated Master Trust Indenture, is in default in the performance of any debt covenant contained in the Amended and Restated Master Trust Indenture dated February 1, 2000. The Historical Debt Service Coverage Ratio of the Obligated Group for the year ended June 30, 2012 is 1.33 to 1.00. The Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group for the year ended June 30, 2012 is 1.89 to 1.00.

A report from the independent auditor whose report accompanies the audited consolidated financial statements and who has audited the schedule of historical debt service coverage ratio and historical maximum annual debt service coverage ratio is attached hereto.



Marvin Eichorn, Senior Vice President and
Chief Financial Officer
Mountain States Health Alliance
The Obligated Group Agent

HISTORICAL DEBT SERVICE COVERAGE RATIO
and
HISTORICAL MAXIMUM ANNUAL DEBT SERVICE COVERAGE RATIO
MOUNTAIN STATES HEALTH ALLIANCE OBLIGATED GROUP
(Dollars in Thousands)
Year Ended June 30, 2012

Income available for debt service - Historical	$	145,011
Income available for maximum annual debt service	$	145,732
Historical debt service requirement	$	61,573
Historical maximum annual debt service requirement	$	77,211
Historical debt service coverage ratio		2.36
Historical maximum annual debt service coverage ratio		1.89

OFFICER'S CERTIFICATE

TO: The Bank of New York Mellon Trust Company, N.A., Master Trustee

In accordance with Article Six, Section 6.6. (b) of the Amended and Restated Master Trust Indenture dated February 1, 2000 between Mountain States Health Alliance and The Bank of New York Mellon Trust Company, N.A., the Master Trustee, all insurance required by Article 5 of the Amended and Restated Master Trust Indenture has been obtained and is in full force and effect. To the best of our knowledge, neither Mountain States Health Alliance nor any other Obligated Issuer, its members as defined in the Amended and Restated Master Trust Indenture, is in default in the performance of any debt covenant contained in the Amended and Restated Master Trust Indenture dated February 1, 2000. The Historical Debt Service Coverage Ratio of the Obligated Group for the year ended June 30, 2013 is 2.02 to 1.00. The Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group for the year ended June 30, 2013 is 1.80 to 1.00.

A report from the independent auditor whose report accompanies the audited consolidated financial statements and who has audited the schedule of historical debt service coverage ratio and historical maximum annual debt service coverage ratio is attached hereto.

Marvin Eichorn, Senior Vice President and
Chief Financial Officer
Mountain States Health Alliance
The Obligated Group Agent

HISTORICAL DEBT SERVICE COVERAGE RATIO
and
HISTORICAL MAXIMUM ANNUAL DEBT SERVICE COVERAGE RATIO
MOUNTAIN STATES HEALTH ALLIANCE OBLIGATED GROUP
(Dollars in Thousands)
Year Ended June 30, 2013

Income available for debt service - Historical	$	132,740
Income available for maximum annual debt service	$	133,035
Historical debt service requirement	$	65,870
Historical maximum annual debt service requirement	$	73,739
Historical debt service coverage ratio		2.02
Historical maximum annual debt service coverage ratio		1.80

OFFICER'S CERTIFICATE

TO: The Bank of New York Mellon Trust Company, N.A., Master Trustee

In accordance with Article Six, Section 6.6. (b) of the Amended and Restated Master Trust Indenture dated February 1, 2000 between Mountain States Health Alliance and The Bank of New York Mellon Trust Company, N.A., the Master Trustee, all insurance required by Article 5 of the Amended and Restated Master Trust Indenture has been obtained and is in full force and effect. To the best of our knowledge, neither Mountain States Health Alliance nor any other Obligated Issuer, its members as defined in the Amended and Restated Master Trust Indenture, is in default in the performance of any debt covenant contained in the Amended and Restated Master Trust Indenture dated February 1, 2000. The Historical Debt Service Coverage Ratio of the Obligated Group for the year ended June 30, 2014 is 1.82 to 1.00. The Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group for the year ended June 30, 2014 is 1.75 to 1.00.

A report from the independent auditor whose report accompanies the audited consolidated financial statements and who has audited the schedule of historical debt service coverage ratio and historical maximum annual debt service coverage ratio is attached hereto.

Lynn Krutak

Lynn Krutak, Chief Financial Officer
Mountain States Health Alliance
The Obligated Group Agent