In the opinion of Quarles & Brady LLP, Bond Counsel, under present law and assuming compliance with certain covenants, interest on the Series 2017A Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The interest on the Series 2017A Bonds is, however, included in adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. See “TAX EXEMPTION” herein for a more detailed discussion of some of the federal income tax consequences of owning the Series 2017A Bonds. The interest on the Series 2017A Bonds is not exempt from present Wisconsin income taxes.

$34,425,000
WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
Revenue Bonds, Series 2017A
(Franciscan Sisters of Christian Charity Sponsored Ministries, Inc.)

PRICE OR YIELD
As shown on the inside cover

DATED
Date of delivery

INTEREST PAYMENT DATES
March 1, 2018 and semiannually thereafter on each September 1 and March 1

MATURITY
Maturities, Principal Amounts, Interest Rates
Prices or Yields and CUSIPs as set forth on the inside cover

ISSUANCE
The Wisconsin Health and Educational Facilities Authority (the “Authority”) will issue the Series 2017A Bonds through a book-entry system of The Depository Trust Company, New York, New York (“DTC”) under a Bond Trust Indenture dated as of August 1, 2017 between the Authority and U.S. Bank National Association, as bond trustee (the “Bond Trustee”). The Series 2017A Bonds will be issued in authorized denominations of $5,000 or any multiple thereof, and no physical delivery of the Series 2017A Bonds will be made to beneficial owners, except as described herein. Payments with respect to the Series 2017A Bonds shall be made by the Bond Trustee to Cede & Co., as nominee of DTC which will, in turn, remit such payments to DTC Participants for disbursement to the beneficial owners of the Series 2017A Bonds. See “BOOK-ENTRY SYSTEM” herein.

REDEMPTION
The Series 2017A Bonds are subject to optional redemption, extraordinary optional redemption and mandatory purchase in lieu of redemption under certain circumstances. See “THE SERIES 2017A BONDS – Optional Redemption,” “– Extraordinary Optional Redemption” and “– Purchase in Lieu of Redemption” herein.

USES
The Authority will lend the proceeds from the sale of the Series 2017A Bonds to Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. (the “Corporation”) in order to (i) currently refund the Series 2007 Bonds (as defined herein) and (ii) finance or reimburse the Corporation, or any applicable Obligated Issuer (as defined herein), for certain costs of the acquisition, construction, renovation and equipping of the Project (as defined herein). See “PLAN OF FINANCE” herein.

LIMITED OBLIGATION
THE SERIES 2017A BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT A DEBT OR LIABILITY OF THE STATE OF WISCONSIN OR OF ANY POLITICAL SUBDIVISION OR AGENCY THEREOF OTHER THAN THE AUTHORITY. THE SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2017A BONDS ARE MORE FULLY DESCRIBED HEREIN. THE AUTHORITY HAS NO TAXING POWER.

This cover page contains information for general reference only. It is not intended as a summary of this transaction. Investors are advised to read the entire Official Statement, including the Appendices, to obtain information essential to making an informed investment decision.

The Series 2017A Bonds are offered when, as and if issued by the Authority and received by the Underwriter, subject to prior sale and to the approval of legality by Quarles & Brady LLP, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by Quarles & Brady LLP, as its general counsel. Certain legal matters will be passed upon for the Corporation and the other Obligated Issuers by its counsel, Hall, Render, Killian, Heath & Lyman, P.C. Certain legal matters will be passed upon for the Underwriter by Nixon Peabody LLP, its counsel. It is expected that the Series 2017A Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about August 11, 2017.

Barclays
The date of this Official Statement is August 1, 2017.
### SERIES 2017A BONDS
MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS®

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<tr>
<th>Maturity (September 1)</th>
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<th>Interest Rate</th>
<th>Price</th>
<th>Yield</th>
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*CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association, which is not affiliated with the Corporation and is included solely for the convenience of the registered owners of the applicable bonds. Neither the Authority, the Underwriters nor the the Obligated Group are responsible for the selection or use of the CUSIP data, and no representation is made as to the correctness of the CUSIP data on the applicable bonds or as included herein. The CUSIP number for a specific maturity of the Series 2017A Bonds is subject to being changed after the issuance of the Series 2017A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2017A Bonds.

*C Yield to September 1, 2027 Call Date.
REGARDING USE OF THIS OFFICIAL STATEMENT

The information contained herein under the caption “THE AUTHORITY” and “LITIGATION – The Authority” has been furnished by the Wisconsin Health and Educational Facilities Authority (the "Authority"). The information under the caption “BOOK-ENTRY SYSTEM” herein has been obtained from The Depository Trust Company (“DTC”). All other information contained herein has been obtained from Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. (the “Corporation”), and the other Obligated Issuers (as defined herein) and other sources (other than the Authority) which are believed to be reliable. Such other information is not guaranteed as to its accuracy or completeness by, and is not to be relied upon as or construed as a promise or representation by, the Authority or Barclays Capital Inc. (the "Underwriter"). The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of this information.

The Authority does not assume any responsibility for the accuracy or completeness of any information contained in this Official Statement, except such information relating specifically to the Authority under the captions, “THE AUTHORITY” and “LITIGATION – The Authority.” Neither the Authority, its counsel, nor any of its officers, members, agents, employees or representatives have reviewed this Official Statement or investigated the statements or representations contained herein, except for those statements relating to the Authority set forth under the captions, “THE AUTHORITY” and “LITIGATION – The Authority.” Except with respect to the information contained under such captions, neither the Authority, its counsel, nor any of its officers, members, agents, employees or representatives make any representation as to the completeness, sufficiency and truthfulness of the statements set forth in this Official Statement. Officers, members, employees and agents of the Authority and any other person executing the Series 2017A Bonds are not subject to personal liability by reason of the issuance of the Series 2017A Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Obligated Group or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be a sale of Series 2017A Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the Obligated Group since the date hereof.

The CUSIP numbers included in this Official Statement are for the convenience of the holders and potential holders of the Series 2017A Bonds (the “Bondholders”). No assurance can be given that the CUSIP numbers for the Series 2017A Bonds will remain the same after the date of issuance and delivery of the Series 2017A Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association, which is not affiliated with the Corporation and is included solely for the convenience of the Registered Owners of the applicable bonds. These numbers are not intended to create a database and do not serve in any way as a substitute for the CUSIP Service. Neither the Authority, the Underwriter nor the Obligated Issuers are responsible for the selection of the CUSIP numbers, nor is any representation made as to their correctness on the Series 2017A Bonds or as indicated herein.
IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY UPON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2017A BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2017A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.


Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute projections or estimates of future events, generally known as forward-looking statements. These statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. These forward-looking statements include, but are not limited to, the information under the caption “BONDHOLDERS’ RISKS” in the forepart of this Official Statement and the information in APPENDIX A to this Official Statement.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The Obligated Issuers do not plan to issue any updates or revisions to those forward-looking statements if or when changes in their expectations, or events, conditions or circumstances on which such statements are based, occur.
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## APPENDIX A
INFORMATION REGARDING FRANCISCAN SISTERS OF CHRISTIAN CHARITY SPONSORED MINISTRIES, INC. AND THE OTHER OBLIGATED ISSUERS

## APPENDIX B
FRANCISCAN SISTERS OF CHRISTIAN CHARITY SPONSORED MINISTRIES, INC. AND AFFILIATES CONSOLIDATED FINANCIAL REPORT WITH ADDITIONAL INFORMATION FOR FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015

## APPENDIX C
SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE

## APPENDIX D
SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE AND THE LOAN AGREEMENT

## APPENDIX E
FORM OF OPINION OF BOND COUNSEL
OFFICIAL STATEMENT

$34,425,000

Wisconsin Health and Educational Facilities Authority
Revenue Bonds, Series 2017A
(Franciscan Sisters of Christian Charity Sponsored Ministries, Inc.)

INTRODUCTION

Purpose of this Official Statement. This Official Statement, including the cover page and Appendices, is furnished in connection with the offering of $34,425,000 in aggregate principal amount of Revenue Bonds, Series 2017A (Franciscan Sisters of Christian Charity Sponsored Ministries, Inc.) (the “Series 2017A Bonds”) of the Wisconsin Health and Educational Facilities Authority (the “Authority”), a public body politic and corporate organized under the laws of the State of Wisconsin (the “State”). The Series 2017A Bonds are being issued pursuant to and secured by a Bond Trust Indenture dated as of August 1, 2017 (the “Bond Indenture”) between the Authority and U.S. Bank National Association, as bond trustee (the “Bond Trustee”), and are being issued in accordance with the provisions of Chapter 231 of the Wisconsin Statutes, as from time to time amended (the “Act”). Certain capitalized terms used in this Official Statement and not otherwise defined are defined in APPENDIX C and APPENDIX D hereto.

Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. Obligated Group. The proceeds to be received by the Authority from the sale of the Series 2017A Bonds will be loaned to Franciscan Sisters of Christian Charity Sponsored Ministries, Inc., a Wisconsin nonstock nonprofit corporation (the “Corporation”), pursuant to a Loan Agreement dated as of August 1, 2017 (the “Loan Agreement”) by and between the Authority and the Corporation. Holy Family Convent of the Franciscan Sisters of Christian Charity, Inc. (the “Convent”) is the sole corporate member of the Corporation. The Corporation is the sole corporate member of several affiliates, including Holy Family Memorial, Inc. (“Holy Family Memorial”), St. Paul Elder Services, Inc. (“St. Paul”), Franciscan Care Services, Inc. (“Franciscan Care”) and St. Joseph Elder Services Inc. (“St. Joseph” and together with the Corporation, Holy Family Memorial, St. Paul and Franciscan Care, each an “Obligated Issuer” and collectively, the “Obligated Group” or the “Obligated Issuers”). See APPENDIX A hereto for a more detailed description of the history, organization, facilities, operations and financial performance of the Obligated Group. As of the date of issuance of the Series 2017A Bonds, the Corporation, Holy Family Memorial, St. Paul, Franciscan Care and St. Joseph are the Obligated Issuers under the Master Trust Indenture dated as of March 1, 1987 between the Obligated Group created thereby (of which the Corporation is a member) and U.S. Bank National Association, as current trustee thereunder (together with any successor to its rights, duties and obligations under the Master Indenture, the “Master Trustee”), as amended and restated by a Fifteenth Supplemental Master Trust Indenture dated as of April 1, 2007, as previously supplemented and amended and as currently being supplemented and amended by a Twenty-Sixth Supplemental Master Trust Indenture dated as of August 1, 2017 (the “Twenty-Sixth Supplement”) between the Obligated Group and the Master Trustee, and as it may from time to time be further amended or supplemented in accordance with its terms (collectively, the “Master Indenture”). For an organizational chart identifying the Obligated Group and certain other affiliates, see “HISTORY AND ORGANIZATION – Organizational Chart” in APPENDIX A hereto.

Purpose of the Series 2017A Bonds. The proceeds of the sale of the Series 2017A Bonds will be used together with certain other funds for the following: (i) currently refund the Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2007 (Franciscan Sisters of Christian Charity HealthCare Ministry, Inc.) originally issued in the principal amount of $47,510,000 (the “Series 2007 Bonds”) and (ii) finance or reimburse the Corporation, or any applicable Obligated Issuer, for certain
costs relating to the acquisition, construction, renovation and equipping of new clinic facilities to be owned and operated by Holy Family Memorial (the “Project”). See “PLAN OF FINANCE” herein.

Security. To evidence the loan under the Loan Agreement, the Corporation, on its behalf and on behalf of the other Obligated Issuers, will issue its $34,425,000 Promissory Note, Series 2017A (the “Series 2017A Obligation”) payable to the Authority providing for payments sufficient to pay principal of and premium, if any, and interest on the Series 2017A Bonds. The Series 2017A Obligation will be issued pursuant to the Master Indenture. The Authority will pledge and assign the Series 2017A Obligation and certain of its rights under the Loan Agreement to the Bond Trustee as security for the Series 2017A Bonds.

The Obligated Issuers are the only entities which are obligated to make payments with respect to the Series 2017A Bonds. Each Obligated Issuer is jointly and severally liable for the payment of principal and interest on all Obligations outstanding under the Master Indenture. The Master Indenture permits other entities to become Obligated Issuers under certain circumstances. See the caption “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – The Obligated Group” in APPENDIX C. The Obligated Group has no present intention of adding additional Obligated Issuers in the near future. Notwithstanding uncertainties as to enforceability of the covenant of each Obligated Issuer in the Master Indenture to jointly and severally guaranty each promissory note issued under the Master Indenture (hereinafter referred to as an “Obligation”) (as described under “BONDHOLDERS’ RISKS – Matters Relating to Enforceability of the Master Indenture”), the accounts of the Obligated Issuers and each of their respective affiliates, and any future Obligated Issuers may be combined for financial reporting purposes, but will not be used in determining whether various covenants and tests contained in the Master Indenture (including tests relating to the incurrence of Additional Indebtedness) are met. While such affiliates are included in the financial statements of the Corporation and affiliates, certain affiliates are not Obligated Issuers and are not liable for the Obligations issued under the Master Indenture. The Obligations of each Obligated Issuer under the Master Indenture are secured by a uniform commercial code security interest in the Revenues (as defined in APPENDIX C) of each Obligated Issuer. See “BONDHOLDERS’ RISKS – Certain Matters Relating to Security for the Series 2017A Bonds” herein.

The Bond Indenture requires the Bond Trustee, upon the request of the Corporation, to surrender the Series 2017A Obligation in exchange for one or more substitute obligations. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017A BONDS - Possible Substitution of Series 2017A Obligation” herein and “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE – Replacement of Series 2017A Master Note with Note Issued Under a Separate Master Indenture” in APPENDIX D hereto.

Outstanding and Additional Indebtedness. Upon issuance of the Series 2017A Bonds and the application of the proceeds thereof to the refunding of the Series 2007 Bonds, the amount of Obligations outstanding will be approximately $70.7 million, excluding an outstanding balance on a line of credit discussed below. Obligations other than the Series 2017A Bonds include the Housing Authority of the City of Kaukauna, Wisconsin Revenue Bonds in the outstanding principal amount of $1,025,000 (the “Series 1999A Bonds”); the Authority’s Variable Rate Revenue Bonds, Series 2014A in the outstanding principal amount of $7,000,000 and the Authority’s Variable Rate Demand Revenue Bonds, Series 2014B in the outstanding principal amount of $9,502,000 (collectively, the “Series 2014 Bonds”); and the Authority’s Variable Rate Revenue Bonds, Series 2016 in the outstanding principal amount of $9,250,000 (the “Series 2016 Bonds”). There will also be approximately $9,500,000 outstanding of the Hospital Authority of Cuming County, Nebraska, Bonds Payable, Series 2010 in the form of Loan Funding Revenue Notes (Franciscan Care Services, Inc. Project) (the “2010 Notes”). The 1999A Bonds, the 2014 Bonds, the 2016 Bonds and the 2010 Notes are held by commercial banks.
The Corporation has provided a guarantee on a promissory note to a bank on behalf of Silver Lake College, a non-Obligated Group Member affiliate. This guarantee is not secured by an Obligation issued under the Master Indenture. The note was issued in December 2016 in the amount of $3,500,000 with semi-annual principal payments of $175,000 over ten years. The current balance is $3,325,000. The Corporation has also provided certain advances and equity transfers to Silver Lake College. See “OPERATIONAL AND FINANCIAL INFORMATION OF THE OBLIGATED GROUP – Advances to a Non-Obligated Group Affiliate” in APPENDIX A attached hereto.

The Corporation has issued certain Obligations under the Master Indenture to secure (a) its obligations arising in connection with a $5,000,000 line of credit on behalf of the Obligated Group (the “Line of Credit”), and (b) its obligations under a certain existing swap transaction. See “Interest Rate Swaps” below. The Obligation securing this swap transaction is not included in the total amount of outstanding Obligations shown above. As of the date of this Official Statement, there is $4,000,000 outstanding on the Line of Credit.

The Corporation has entered into agreements with the bank that issued the Line of Credit and with the banks that purchased the 2010 Notes, the Series 2014 Bonds and the Series 2016 Bonds, which agreements contain certain covenants and restrictions solely for the benefit of such banks. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017A BONDS – Covenants Related to Other Indebtedness” herein.

In certain circumstances, the Corporation or any other Obligated Issuer may issue additional Obligations under the Master Indenture to the Authority or to persons other than the Authority, that will not be pledged under the Bond Indenture but will be equally and ratably secured with the Series 2017A Obligation by the Master Indenture and may be secured by security in addition to that provided to the Series 2017A Obligation. In addition, under certain circumstances, the Obligated Issuers may issue additional indebtedness not secured by Obligations. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017A BONDS” herein.

**Interest Rate Swaps.** The Corporation has an interest rate swap outstanding with a notional amount of $7,000,000, which matures on December 1, 2024, subject to extensions through 2034. The Obligated Group has not been required to date to post any collateral to secure its obligations under such swap. See “BONDHOLDERS’ RISKS – Interest Rate Swap and Other Hedge Risk” herein for further information regarding risks related thereto.

**Continuing Disclosure.** The Corporation, on behalf of the Obligated Group, will enter into an undertaking for the benefit of the Bondholders to provide certain information quarterly and annually, and to provide notice of certain events to the Electronic Municipal Market Access repository (“EMMA”). For further information, see “CONTINUING DISCLOSURE AGREEMENT” herein.

**Bondholders’ Risks.** There are risks associated with the purchase of the Series 2017A Bonds. See the information under the caption “BONDHOLDERS’ RISKS” herein for a discussion of certain of these risks.

**General.** The following descriptions and summaries of the Series 2017A Bonds, the Bond Indenture, the Loan Agreement, the Continuing Disclosure Agreement, the Series 2017A Obligation and the Master Indenture in this Official Statement are qualified by reference to the complete text of the documents being described or summarized. Following the issuance of the Series 2017A Bonds, copies of such documents will be available for inspection at the principal corporate trust office of the Bond Trustee.
PLAN OF FINANCE

Purpose of the Series 2017A Bonds

The proceeds of the sale of the Series 2017A Bonds, together with other funds, will be used to (i) currently refund the Series 2007 Bonds and (ii) finance or reimburse the Corporation, or any applicable Obligated Issuer, for certain costs relating to the Project.

The Project

A portion of the proceeds of the Series 2017A Bonds will be used to finance or reimburse the Corporation or applicable Obligated Issuer for a portion of the costs related to the acquisition, construction, renovation and equipping of a new physician clinic and diagnostic treatment facility to be owned and operated by Holy Family Memorial in Two Rivers, Wisconsin (the “Project”). For further information regarding the Project, see “CERTAIN INFORMATION CONCERNING THE OBLIGATED ISSUERS – Holy Family Memorial, Inc.” in APPENDIX A hereto.

The Series 2007 Bonds

A portion of the proceeds of the Series 2017A Bonds will be deposited with the Bond Trustee and held in a Transfer Fund (as defined in the Bond Indenture) under the Bond Indenture for the current refunding of the Series 2007 Bonds. The proceeds deposited in the Transfer Fund, when added to the funds currently on deposit with the bond trustee for the Series 2007 Bonds, will be an amount which is sufficient to pay the outstanding principal of, and accrued interest, if any, on the Series 2007 Bonds to the redemption date. On or prior to the September 1, 2017 redemption date for the Series 2007 Bonds, such funds shall be transferred to the bond trustee for the Series 2007 Bonds in order to optionally redeem and refund the Series 2007 Bonds.

THE AUTHORITY

Powers

The Authority has, among other powers, the statutory power to make loans to certain health care, educational, research and other nonprofit institutions in Wisconsin, to finance the cost of projects and refinance or refund outstanding indebtedness and to assign loan agreements, notes, mortgages and other securities of health care, educational, research and other nonprofit institutions to which the Authority has made loans, and the revenues therefrom, for the benefit of the holders of bonds issued to finance or refinance such projects.

Members of the Authority

The Authority consists of seven members, all of whom must be Wisconsin residents, appointed by Wisconsin’s Governor by and with the consent of the Wisconsin State Senate. Members of the Authority serve staggered seven-year terms and continue to serve until their successors are appointed. The members of the Authority receive no compensation for the performance of their duties but are paid their necessary expenses while engaged in the performance of such duties. No member, officer, agent or employee of the Authority may, directly or indirectly, have any financial interest in any bond issue or in any loan or any property to be included in, or any contract for property or materials to be furnished or used in connection with, any project of the Authority, under penalty of law. Members of the Authority, however, may serve as directors or officers of institutions for which the Authority is providing financing, but they may not vote or take part in the Authority’s deliberations concerning such financings.
The present members of the Authority are:

James Dietsche, Chairperson
Chief Financial Officer
Bellin Health Systems
Green Bay, Wisconsin

Tim Size, Vice-Chairperson
Executive Director
Rural Wisconsin Health Cooperative
Sauk City, Wisconsin

Kevin Flaherty
VP/Relationship Manager, Asset-Based Lending Division
Associated Bank, National Association
Milwaukee, Wisconsin

Paul Mathews
President/CEO
Marcus Center for the Performing Arts
Milwaukee, Wisconsin

Jim Oppermann
Senior Vice President for Business and Management
Alverno College
Milwaukee, Wisconsin

Pamela Stanick
Associate Vice President, Finance & Treasury
The Medical College of Wisconsin
Milwaukee, Wisconsin

Robert Van Meeteren
President/CEO
Reedsburg Area Medical Center
Reedsburg, Wisconsin

Term Expires (June 30)
2019
2018
2017*(1)
2021
2023*
2022*
2020

* Mr. Oppermann and Ms. Stanick were appointed by the Governor of the State of Wisconsin and serve pending Wisconsin State Senate confirmation.

(1) Mr. Flaherty continues to serve pending reappointment or the appointment of a replacement by the Governor of the State of Wisconsin.

Authority Counsel

Quarles & Brady LLP serves as general counsel to the Authority.

Financing Program of the Authority

The following summary outlines the principal amount of revenue bonds and notes issued during each of the Authority’s fiscal years. Except for the other series of bonds previously issued by the Authority for the benefit of the Corporation or any other Obligated Issuer, such bonds and notes are secured by instruments separate and apart from the Master Indenture. All such bonds and notes are secured by instruments separate and apart from the Bond Indenture.
<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Number of Public Issues</th>
<th>Amount</th>
<th>Number of Private Placements</th>
<th>Amount</th>
<th>Number of Total</th>
<th>Amount</th>
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<td>--</td>
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<td>$ 4,484,000</td>
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<td>3</td>
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<td>4</td>
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<td>$ 46,675,000</td>
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<td>3</td>
<td>$ 34,100,000</td>
<td>4</td>
<td>$ 12,575,000</td>
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<td>1</td>
<td>$ 600,000</td>
<td>2</td>
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<td>6</td>
<td>$ 196,505,000</td>
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<td>$ 198,705,000</td>
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<td>5</td>
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<td>$ 45,737,000</td>
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<td>$ 233,590,000</td>
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<td>$ 37,500,000</td>
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<td>$ 43,500,000</td>
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<td>$ 724,750,000</td>
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<td>$ 36,000,000</td>
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<td>$ 746,960,000</td>
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<td>$ 17,736,450</td>
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<td>$ 26,589,000</td>
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<td>$ 8,000,000</td>
<td>20</td>
<td>$ 823,100,000</td>
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<td>$ 312,830,000</td>
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<td>4</td>
<td>$ 25,980,000</td>
<td>30</td>
<td>$ 938,225,000</td>
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<td>$ 923,038,430</td>
<td>2</td>
<td>$ 23,067,000</td>
<td>34</td>
<td>$ 946,105,430</td>
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<td>2</td>
<td>$ 6,570,000</td>
<td>27</td>
<td>$ 712,805,000</td>
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<td>$ 29,090,000</td>
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<td>$ 114,746,851</td>
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<td>$ 1,453,441,851</td>
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<td>$ 75,330,531</td>
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<td>$ 1,709,604,801</td>
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<td>$ 326,220,000</td>
<td>19</td>
<td>$ 468,391,000</td>
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<td>$ 794,611,000</td>
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<td>26</td>
<td>$ 752,236,098</td>
<td>37</td>
<td>$ 1,478,417,098</td>
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<td>$ 1,219,215,000</td>
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<td>23</td>
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<td>18</td>
<td>$ 700,681,416</td>
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<td>$ 1,369,011,416</td>
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<tr>
<td>TOTAL</td>
<td>559</td>
<td>21,099,863,730*</td>
<td>280</td>
<td>4,343,921,6277</td>
<td>839</td>
<td>25,443,785,357</td>
</tr>
</tbody>
</table>

1Includes $8,249,365,308 which was refinanced by subsequent Authority bond issues.
2Includes $1,938,663,648 which was refinanced by subsequent Authority bond issues.
In its fiscal year beginning July 1, 2017, the Authority has issued and authorized the issuance of additional issues of bonds. The Authority plans to issue other obligations from time to time to finance and refinance additional health, educational, research and other nonprofit facilities. Such other obligations will be issued pursuant to and secured by instruments separate and apart from the Bond Indenture and the security for the Series 2017A Bonds.

Bonds of the Authority

The Authority may from time to time issue bonds for any corporate purpose described in the Act and, pursuant to the Act, these bonds are negotiable for all purposes notwithstanding their payment from a limited source. The bonds are payable solely out of revenues of the Authority specified in the resolution under which they are issued or in a related trust indenture or mortgage. The Authority must pledge the revenues to be received on account of each financing as security for the bonds issued in that financing.

Interest on the Series 2017A Bonds Not Exempt from Wisconsin Income Taxes

Interest on the Series 2017A Bonds is not exempt from present Wisconsin state income taxes.

State of Wisconsin Not Liable on the Series 2017A Bonds

The Series 2017A Bonds and the interest payable thereon do not constitute a debt or liability of the State of Wisconsin or of any political subdivision thereof other than the Authority, but shall be payable solely from the funds pledged for the Series 2017A Bonds in accordance with the Bond Indenture. The issuance of the Series 2017A Bonds does not, directly, indirectly or contingently, obligate the State of Wisconsin or any political subdivision thereof to levy any form of taxation for the payment thereof or to make any appropriation for their payment. The State of Wisconsin shall not in any event be liable for the payment of the principal of or interest on the Series 2017A Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever which may be undertaken by the Authority. No breach by the Authority of any such pledge, obligation or agreement may impose any pecuniary liability upon the State of Wisconsin or any charge upon its general credit or against its taxing power. The Authority has no taxing power.

The Act provides that the State of Wisconsin pledges to, and agrees with, holders of any obligations issued under the Act that it will not limit or alter the rights vested in the Authority by the Act until such obligations, together with the interest thereon, are fully met and discharged, provided nothing in the Act precludes such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such obligations.
BOOK-ENTRY SYSTEM

THE INFORMATION PROVIDED IN THIS SECTION HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE AUTHORITY, THE OBLIGATED ISSUERS, THE BOND TRUSTEE OR THE UNDERWRITER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE OF THIS OFFICIAL STATEMENT.

The Depository Trust Company (“DTC”) New York, New York, will act as securities depository for the Series 2017A Bonds. The Series 2017A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2017A Bond certificate will be issued for each maturity of the Series 2017A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTCC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (“SEC”). More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2017A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2017A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2017A Bonds, except in the event that use of the book-entry system for the Series 2017A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may
be requested by an authorized representative of DTC. The deposit of Series 2017A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2017A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2017A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017A Bonds, such as redemptions, defaults and proposed amendments to the Bond Indenture, the Loan Agreement or the Master Indenture. For example, Beneficial Owners of Series 2017A Bonds may wish to ascertain that the nominee holding Series 2017A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2017A Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2017A Bonds unless authorized by a Direct Participant in accordance with DTC’s Money Market Instrument Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Series 2017A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal, interest and redemption prices, respectively, on the Series 2017A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Authority or the Bond Trustee, on a payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Bond Trustee, the Authority, or the Obligated Group, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption prices to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Authority or the Obligated Group. 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 depository with respect to the Series 2017A Bonds at any time by giving reasonable notice to the Authority and the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2017A Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers of the Series 2017A Bonds through DTC (or a successor securities depository). In that event, Series 2017A Bond certificates will be printed and delivered.
Neither the Authority, the Underwriter, any Obligated Issuer nor the Bond Trustee has any responsibility or obligation to Participants or the persons for whom Participants act as nominees with respect to the payments or the providing of notice to Participants, indirect Participants or beneficial owners or the selection of portions of the Series 2017A Bonds for redemption.

Neither the Bond Trustee, the Underwriter, any Obligated Issuer nor the Authority will have any responsibility or obligation to any participant of a depository, any person claiming a beneficial ownership interest in any Series 2017A Bond under or through a depository or any participant of a depository, or any other person not shown on the registration books of the Bond Trustee as being a registered owner, with respect to the accuracy of any records maintained by a depository or any participant of a depository, the payment by a depository or any participant of a depository of any amount in respect of principal or premium, if any, or interest on any Series 2017A Bond, any notice which is required to be given to registered owners under the Bond Indentures, the selection by a depository or any participant of a depository of any person to receive payment in the event of a partial redemption of the Series 2017A Bonds, or any consent given or other action taken by DTC or its nominee as the registered owner of the Series 2017A Bonds.

In reviewing this Official Statement it should be understood that while the Series 2017A Bonds are in the book-entry system, reference in other sections of this Official Statement to owners of the Series 2017A Bonds should be read to include any person for whom a Participant acquires an interest in the Series 2017A Bonds, but (i) all rights of ownership, as described herein, must be exercised through DTC and the book-entry system and (ii) notices that are to be given to Registered Owners by the Bond Trustee will be given only to DTC. DTC is required to forward (or cause to be forwarded) the notices to the Participants by its usual procedures so that such Participants may forward (or cause to be forwarded) such notices to the Beneficial Owners.

The Series 2017A Bonds

Description of the Series 2017A Bonds

The Series 2017A Bonds as initially issued will be dated their date of issuance, will bear interest at the rates and will mature (subject to the redemption provisions described below) in the amounts and on the dates set forth on the inside cover page of this Official Statement. Interest will be payable on March 1, 2018 and semiannually on each September 1 and March 1 thereafter. Interest on the Series 2017A Bonds will be computed on the basis of a 360-day year consisting of twelve, 30-day months.

Denominations and Places of Payment

The Series 2017A Bonds are issuable as fully registered bonds in denominations of $5,000 and any multiple thereof (an “Authorized Denomination”).

For a description of the method of payment of principal, premium, if any, and interest on the Series 2017A Bonds while in the book-entry system, see the information herein under the caption...
“BOOK-ENTRY SYSTEM.” In the event the book-entry system is discontinued, the following provisions would apply.

The principal of and premium, if any, on the Series 2017A Bonds when due will be payable to the Registered Owners (as defined in APPENDIX D hereto) upon presentation and surrender of the Series 2017A Bonds to be paid at the Principal Trust Office (as defined in APPENDIX D hereto) of the Bond Trustee located in Saint Paul, Minnesota or its successor as Bond Trustee, or at the designated office of any alternate paying agent. Payment of any installment of interest on the Series 2017A Bonds will be made to the person who is the Registered Owner as of the close of business on the applicable Record Date (as defined in APPENDIX D hereto) without the necessity of surrendering the Series 2017A Bond on which payment is being made (i) by check mailed by first-class mail on the applicable Bond Interest Payment Date (as defined in APPENDIX D hereto) by the Bond Trustee to the Registered Owner at the Registered Owner’s Address (as defined in APPENDIX D hereto) as of such Record Date or (ii) by wire transfer on the applicable Bond Interest Payment Date to any Depository or any bank in the United States that is a member of the Federal Reserve System for any securities depository or for any Registered Owner of $1,000,000 or more in aggregate principal amount of Series 2017A Bonds who, by written request delivered to the Bond Trustee no later than the Record Date for the payment, has requested the Bond Trustee to make any payments of interest due to it by wire transfer at a specified wire transfer address (which request needs to be given only once unless the Registered Owner wishes to change the wire transfer address).

Registration, Transfers and Exchanges

For a description of the method of payment and of matters pertaining to transfers and exchanges of the Series 2017A Bonds while in the book-entry system, see the information herein under the caption “BOOK-ENTRY SYSTEM.” In the event the book-entry system is discontinued, the following provisions would apply.

The Bond Trustee is the bond registrar of the Authority for the purpose of registering, transferring, exchanging or replacing Series 2017A Bonds and shall keep the registration books for the Series 2017A Bonds. Subject to the further conditions contained in the Bond Indenture, the Series 2017A Bonds may be transferred or exchanged for one or more Series 2017A Bonds which are in an Authorized Denomination and have the same form, terms, interest rate, maturity and aggregate principal amount of the Series 2017A Bonds being transferred or exchanged upon presentation and surrender thereof at the Principal Trust Office of the Bond Trustee by the Registered Owners or their duly authorized legal representative. The exchange or transfer shall be made without charge; provided that the Authority and the Bond Trustee may require payment by the person requesting an exchange or transfer of Series 2017A Bonds of a sum sufficient to cover any resulting tax or other governmental charge.

The Bond Trustee shall not be required to register, transfer, exchange or replace any Series 2017A Bond after notice calling such Series 2017A Bond or portion thereof for redemption has been made in accordance with the Bond Indenture, or during the 10-day period immediately preceding the first mailing or publication of a notice of redemption of any Series 2017A Bonds of the same maturity. The Authority and the Bond Trustee may treat the Registered Owner of any Series 2017A Bond as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and shall not be affected by any notice to the contrary.

Optional Redemption

The Series 2017A Bonds maturing on or after September 1, 2028 shall be subject to redemption by the Authority (upon direction of the Corporation) on or after September 1, 2027 in whole or in part on
any date at a redemption price equal to 100% of the principal amount of the Series 2017A Bonds being redeemed plus the full amount of the unpaid interest that has accrued on the Series 2017A Bonds and will accrue to the date the Series 2017A bonds are so redeemed.

Extraordinary Optional Redemption

The Series 2017A Bonds are also subject to redemption in the event of (i) damage to or destruction of the Facilities (as defined in APPENDIX C hereto) or any part thereof of any Obligated Issuer or the condemnation of the Facilities or any part thereof of any Obligated Issuer, if the proceeds of insurance, condemnation or sale received in connection therewith exceeds 5% of the Book Value (as defined in APPENDIX C hereto) of property, plant and equipment of the Obligated Group at the end of the most recent fiscal year for which audited financial statements are available; or (ii) the Corporation files with the Bond Trustee a certified copy of a resolution of its board of directors to the effect that as a result of a federal or state statute or regulation or a final determination by a court of competent jurisdiction, the Corporation is legally required, by reason of the issuance of the Series 2017A Bonds, to operate its health care facilities in a manner that the board of directors of the Corporation believes is contrary to the religious principles and beliefs or the morals and teachings of the Roman Catholic Church (including, without limitation, the Ethical and Religious Directives for Catholic Health Facilities of the National Conference of Catholic Bishops).

If called for redemption in the events described in (i) above, the Series 2017A Bonds shall be subject to redemption prior to their respective stated maturity dates by the Authority, at the direction of the Corporation, in whole or in part, in Authorized Denominations, on any date, at a redemption price equal to the principal amount thereof to be redeemed plus accrued but unpaid interest to the redemption date, without premium. If called for redemption in the events described in (ii) above, the Series 2017A Bonds shall be subject to redemption prior to their respective stated maturity dates by the Authority, at the direction of the Corporation, in whole, but not in part, in Authorized Denominations, on any date, at a redemption price equal to the principal amount thereof to be redeemed plus accrued but unpaid interest to the redemption date, without premium.

Selection of Series 2017A Bonds for Partial Redemption

In the case of any partial optional redemption or partial extraordinary optional redemption as described above, the Series 2017A Bonds must be redeemed in Authorized Denominations, in the amounts and of the maturities (and portions thereof within a maturity) as designated by the Corporation in accordance with the Bond Indenture or, if the Corporation has not provided adequate direction within 45 days of the redemption date, in the inverse of the order of their maturity. So long as the Series 2017A Bonds are held in book-entry form through DTC, the beneficial interests of the Series 2017A Bonds to be selected for redemption in part shall be in accordance with DTC’s procedures.

Purchase in Lieu of Redemption

The Authority and, by their acceptance of the Series 2017A Bonds, the Bondholders, irrevocably grant to the Corporation and any assigns of the Corporation with respect to this right, the option to purchase, at any time and from time to time, any Series 2017A Bond that is subject to optional redemption described under the caption “THE SERIES 2017A BONDS – Optional Redemption” at a purchase price equal to the optional redemption price therefor. To exercise such option, the Corporation shall give the Bond Trustee a written request exercising such option within the time period specified in the Bond Indenture and the Loan Agreement as though such written request were a written request of the Authority for optional redemption, and the Bond Trustee shall thereupon give the Bondholders of the Series 2017A Bonds to be purchased notice of such mandatory tender and purchase in the same manner as
a notice of redemption described under the caption “THE SERIES 2017A BONDS – Notice of
Redemption or Purchase in Lieu of Redemption.” The purchase of such Series 2017A Bonds shall be
mandatory and enforceable against the Bondholders and Bondholders will not have the right to retain
their Series 2017A Bonds. On the date fixed for purchase pursuant to any exercise of such option, the
Corporation shall pay or cause to be paid the purchase price of the Series 2017A Bonds then being
purchased to the Bond Trustee in immediately available funds not later than 10:00 a.m. CDT, on the
purchase date, and the Bond Trustee shall pay the same to the sellers of such Series 2017A Bonds against
delivery thereof. Following such purchase, the Bond Trustee shall cause such Series 2017A Bonds to be
registered in the name of the Corporation or its nominee or as otherwise directed by the Corporation and
shall deliver them to the Corporation or its nominee or as otherwise directed by the Corporation. In the
case of the purchase of less than all of the Series 2017A Bonds, the particular Series 2017A Bonds to be
purchased shall be selected in accordance with the Bond Indenture. No purchase of the Series 2017A
Bonds pursuant to the provisions of the Bond Indenture described in this paragraph shall operate to
extinguish the indebtedness of the Authority evidenced thereby. Notwithstanding the foregoing, no
purchase shall be made pursuant to the provisions of the Bond Indenture described in this paragraph
unless the Corporation shall have delivered to the Bond Trustee and the Authority concurrently with such
purchase an Opinion of Bond Counsel to effect that such purchase and any resale thereof will not
adversely affect the validity of the Series 2017A Bonds or any exemption from gross income for federal
income tax purposes to which the interest on the Series 2017A Bonds or any exemption from gross income for federal
income tax purposes to which the interest on the Series 2017A Bonds would otherwise be entitled.

Redemption or Defeasance of the Series 2017A Bonds

If any recalculation of the weighted average reasonably expected economic life of the Project and
all capital expenditures financed or refinanced by the Series 2007 Bonds is required under the Loan
Agreement in connection with any permitted change in the Project or the delivery of a completion
certificate for the Project, and such recalculation causes the weighted average maturity of the Series
2017A Bonds to exceed 120% of the weighted average reasonably expected economic life of the Project
and all capital expenditures financed or refinanced by the Series 2007 Bonds, calculated in accordance
with Section 147 of the Code, the Corporation has agreed in the Loan Agreement to redeem or defease a
portion, if necessary, of one or more maturities of the Series 2017A Bonds at the time the recalculation is
made in an amount that will be sufficient, in the Opinion of Bond Counsel obtained at the time the
recalculation is made, to cause the weighted average maturity of the Series 2017A Bonds to be no more
than 120% of the weighted average reasonably expected economic life of the Project and all capital
expenditures financed or refinanced by the Series 2007 Bonds, all calculated in accordance with Section
147 of the Code.

Notice of Redemption or Purchase in Lieu of Redemption

When any Series 2017A Bonds are to be redeemed or purchased in lieu of redemption, the Bond
Trustee will mail a notice by registered or certified mail to the Registered Owner of each Series 2017A
Bond that will be redeemed or purchased in whole or in part at the address for the Registered Owner
shown in the Registration Books. The notice will be mailed at least 30 days but not more than 60 days
prior to the date fixed for the redemption or purchase of the Series 2017A Bonds.

Such notice of redemption or purchase shall also state that any redemption or purchase in lieu of
redemption, as applicable, is conditional on funds being on deposit with the Bond Trustee on the
applicable redemption or purchase date and that failure to make such a deposit shall not constitute an
Event of Default under the Bond Indenture. If sufficient funds are not so deposited by such date, such
Series 2017A Bonds shall not be subject to redemption or purchase and the Registered Owners thereof
shall have the same rights as if no such notice had been given. In such event, the Bond Trustee shall
promptly give notice thereof to the Registered Owners of such Series 2017A Bonds by first class mail, postage prepaid.

Failure to give such notice of redemption or purchase, or any defect in such notice as to any Series 2017A Bond, shall not affect the validity of any proceedings for redemption or purchase of a Series 2017A Bond if the Registered Owner of it receives actual notice of the redemption or purchase from any source or as to any other Series 2017A Bond for which proper notice was given. All Series 2017A Bonds so called for redemption or purchase will cease to bear interest on the specified redemption or purchase date, provided sufficient funds for their redemption are on deposit with the Bond Trustee on the applicable redemption or purchase date. The foregoing notwithstanding, so long as the book-entry system is in place, notices will only be given to Cede & Co. See “BOOK-ENTRY SYSTEM.”

Retained Call Rights


SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017A BONDS

General

The Series 2017A Bonds are limited obligations of the Authority and are payable solely from (i) all payments, income and revenues derived pursuant to the terms of the Loan Agreement (except to the extent included in the Unassigned Rights, as defined in APPENDIX D hereto) including all payments made by the Corporation in respect of the Series 2017A Obligation, (ii) all amounts realized upon recourse to the Loan Agreement or any collateral given by the Corporation to secure its obligations under the Loan Agreement, (iii) all amounts realized upon recourse to the Master Indenture which are available pursuant to the Master Indenture to pay amounts due on the Series 2017A Obligation, and (iv) the money and securities (including the earnings from the investment of them) held by the Bond Trustee in the trust funds established under the Bond Indenture. Certain moneys deposited with the Bond Trustee will be held in a Rebate Fund (as defined in APPENDIX D hereto) established pursuant to an agreement among the Corporation, the Authority and the Bond Trustee. Amounts held in the Rebate Fund are not part of the “trust estate” pledged to secure the Series 2017A Bonds and consequently will not be available to make payments on the Series 2017A Bonds.

The Loan Agreement

The rights of the Authority in and to the Series 2017A Obligation, the amounts payable thereon and the amounts payable to the Authority under the Loan Agreement (other than the Authority’s Unassigned Rights, as defined in APPENDIX D, which include fees and expenses and the Authority’s right to indemnification in certain circumstances) have been assigned to the Bond Trustee to provide for and to secure the payment of principal of, premium, if any, and interest on the Series 2017A Bonds. The Corporation agrees under the Loan Agreement to make its payments on the Series 2017A Obligation directly to the Bond Trustee. The Loan Agreement imposes certain restrictions on the Corporation’s actions for the benefit of the Authority and the holders of the Series 2017A Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT” in APPENDIX D.
The Master Indenture and the Series 2017A Obligation

The Series 2017A Obligation is an obligation of the Corporation jointly and severally guaranteed by the Obligated Issuers and any future Obligated Issuer and secured by a uniform commercial code security interest in Revenues (as defined in APPENDIX C) of each Obligated Issuer. The Master Indenture permits other entities to become Obligated Issuers of, or to withdraw from, the Obligated Group under certain circumstances. See the caption “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – The Obligated Group” in APPENDIX C.

Notwithstanding uncertainties as to enforceability of the covenant of each Obligated Issuer in the Master Indenture to be jointly and severally liable for each Obligation (as described under “BONDHOLDERS’ RISKS – Matters Relating to Enforceability of the Master Indenture”), the accounts of the Corporation, its affiliates, and all then-current Obligated Issuers may be combined for financial reporting purposes, but will not be used in determining whether various covenants and tests contained in the Master Indenture are met.

Under certain conditions specified in the Master Indenture, the Obligated Issuers may issue additional Obligations, which additional Obligations will not be pledged under the Bond Indenture, but will be equally and ratably secured by the Master Indenture with the Series 2017A Obligation. Upon the issuance of the Series 2017A Bonds and after giving effect to the optional redemption on March 1, 2018 of the Series 2007 Bonds, the Obligated Group will have approximately $70.7 million in aggregate principal amount of Obligations outstanding under the Master Indenture.

The Master Indenture permits such additional Obligations to be secured by security in addition to that provided for the Series 2017A Obligation, including liens on certain property of Obligated Issuers, or letters or lines of credit or insurance or security interests in depreciation reserve, debt service or interest reserve or similar funds. In addition, the Master Indenture permits each Obligated Issuer to issue other indebtedness and to enter into guaranties either secured or not secured by Obligations issued under the Master Indenture, all upon the terms and conditions specified therein. See APPENDIX C for a description of certain terms of the Master Indenture, including those which impose restrictions on actions of the Obligated Group for the benefit of all holders of Obligations issued under the Master Indenture. The Master Indenture provides that Supplemental Master Indentures pursuant to which one or more Series of Obligations entitled to additional security is issued may provide for such amendments to the 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 Obligations entitled thereto.

Covenants Related to Other Indebtedness

The Obligated Group has entered into a credit agreement with a bank relating to a revolving line of credit, which contains certain additional covenants and restrictions (the “Bank Covenants”) solely for the benefit of such bank. The Obligated Group’s obligations under such credit agreement is secured by an Obligation issued under the Master Indenture. The Bank Covenants include, among others, maintaining an annual Fixed Charge Coverage Ratio of at least 1.15 to 1.00; a Maximum Leverage (Debt to Worth Ratio) of less than 1.00 to 1.00, and a reserve of at least 100 Days Cash on Hand, each measured as of December 31. The Bank Covenants may be waived, modified or amended by the bank in its sole discretion and without notice to or consent by the bond trustee of any outstanding bonds, the Bond Trustee, the Master Trustee, the holders of outstanding bonds, including the Series 2017A Bonds, the holders of any Obligations or any other Person. Violation of any Bank Covenant may result in an Event of Default under the Master Indenture, which could result in acceleration of all of the Obligations, including the Series 2017A Obligation.
Possible Substitution of Series 2017A Obligation

The Bond Indenture requires the Bond Trustee to surrender the Series 2017A Obligation to the Master Trustee in exchange for a replacement obligation issued under a replacement master trust indenture if the Corporation and, if applicable, other then-current Obligated Issuers have become members of an obligated group under a replacement master indenture, if certain conditions are met, including, but not limited to, confirmation from each rating agency then maintaining a rating on the Series 2017A Bonds at the request of the Corporation that the replacement of the Series 2017A Obligation will not, by itself, result in a reduction in, or withdrawal of, the then-current rating on the Series 2017A Bonds and the receipt by the Bond Trustee of an opinion of Bond Counsel addressed to the Bond Trustee and the Authority to the effect that the action proposed to be taken is authorized or permitted by the Bond Indenture and will not adversely affect the validity of the Series 2017A Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Series 2017A Bonds would otherwise be entitled. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE – Replacement of Series 2017A Master Note with Note Issued Under a Separate Master Indenture” in APPENDIX D hereto.

If a substitution occurs, all references in the Loan Agreement and the Bond Indenture to the Series 2017A Obligation shall refer to the replacement obligation issued under the replacement master trust indenture, all references to the Master Indenture and the Twenty-Sixth Supplement shall refer to the supplement to the replacement master trust indenture pursuant to which the substitute obligation was issued, all references to the Obligated Group and Obligated Issuers shall refer to the obligated group and members of the obligated group under the replacement master trust indenture, and all related references to the Master Indenture shall refer to the replacement master trust indenture.
ESTIMATED SOURCES AND USES OF FUNDS*

The following table sets forth the estimated sources and uses of funds of the Series 2017A Bonds.

**Sources of Funds:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Amount of Series 2017A Bonds</td>
<td>$34,425,000</td>
</tr>
<tr>
<td>Net Premium</td>
<td>4,425,892</td>
</tr>
<tr>
<td>Release of Funds under Series 2007 Indenture</td>
<td>3,802,972</td>
</tr>
<tr>
<td>Equity Contribution for Costs of Issuance</td>
<td>456,510</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td><strong>$43,110,374</strong></td>
</tr>
</tbody>
</table>

**Uses of Funds:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refunding of Series 2007 Bonds</td>
<td>$37,602,125</td>
</tr>
<tr>
<td>Deposit to Project Fund(1)</td>
<td>5,051,739</td>
</tr>
<tr>
<td>Equity Contribution for Costs of Issuance(2)</td>
<td>456,510</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td><strong>$43,110,374</strong></td>
</tr>
</tbody>
</table>

*Includes de minimis rounding adjustments.

(1) Approximately $4.0 million will be reimbursed to the Corporation from the Project Fund at closing.

(2) Includes certain fees and expenses of various legal counsel, financial advisors, accountants, trustees, fees of rating agencies, Underwriter’s fees and expenses, costs of printing and other costs, including costs related to the refunding of the Series 2007 Bonds.
The following table sets forth for each fiscal year ending December 31, the amounts required in each such year for the payment of principal at maturity for the Series 2017A Bonds and other outstanding long-term indebtedness of the Obligated Group after giving effect to the issuance of the Series 2017A Bonds and the refunding of the Series 2007 Bonds.

<table>
<thead>
<tr>
<th>Fiscal Year Ending December 31</th>
<th>Series 2017A Bonds</th>
<th>Other Debt</th>
<th>Aggregate Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
<td>Interest</td>
<td>Service**</td>
</tr>
<tr>
<td>2018</td>
<td>$345,000</td>
<td>$1,813,233</td>
<td>$3,163,515</td>
</tr>
<tr>
<td>2019</td>
<td>445,000</td>
<td>1,704,000</td>
<td>3,171,082</td>
</tr>
<tr>
<td>2020</td>
<td>460,000</td>
<td>1,681,750</td>
<td>3,176,036</td>
</tr>
<tr>
<td>2021</td>
<td>490,000</td>
<td>1,658,750</td>
<td>3,169,524</td>
</tr>
<tr>
<td>2022</td>
<td>520,000</td>
<td>1,634,250</td>
<td>3,165,666</td>
</tr>
<tr>
<td>2023</td>
<td>550,000</td>
<td>1,608,250</td>
<td>3,162,365</td>
</tr>
<tr>
<td>2024</td>
<td>580,000</td>
<td>1,580,750</td>
<td>3,156,611</td>
</tr>
<tr>
<td>2025</td>
<td>675,000</td>
<td>1,551,750</td>
<td>3,093,869</td>
</tr>
<tr>
<td>2026</td>
<td>765,000</td>
<td>1,518,000</td>
<td>3,039,200</td>
</tr>
<tr>
<td>2027</td>
<td>1,065,000</td>
<td>1,479,750</td>
<td>2,772,872</td>
</tr>
<tr>
<td>2028</td>
<td>1,890,000</td>
<td>1,426,500</td>
<td>2,005,476</td>
</tr>
<tr>
<td>2029</td>
<td>1,990,000</td>
<td>1,332,000</td>
<td>1,998,816</td>
</tr>
<tr>
<td>2030</td>
<td>2,320,000</td>
<td>1,232,500</td>
<td>1,768,221</td>
</tr>
<tr>
<td>2031</td>
<td>3,110,000</td>
<td>1,116,500</td>
<td>1,090,957</td>
</tr>
<tr>
<td>2032</td>
<td>3,275,000</td>
<td>961,000</td>
<td>1,083,689</td>
</tr>
<tr>
<td>2033</td>
<td>3,445,000</td>
<td>797,250</td>
<td>1,077,222</td>
</tr>
<tr>
<td>2034</td>
<td>3,625,000</td>
<td>625,000</td>
<td>1,071,543</td>
</tr>
<tr>
<td>2035</td>
<td>3,810,000</td>
<td>443,750</td>
<td>1,065,636</td>
</tr>
<tr>
<td>2036</td>
<td>5,065,000</td>
<td>253,250</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$34,425,000</td>
<td>$24,418,233</td>
<td>$42,232,301</td>
</tr>
</tbody>
</table>

**Includes debt service on the outstanding Series 1999A Bonds, 2010 Notes, Series 2014 Bonds, and Series 2016 Bonds. The interest rate assumptions used to determine debt service herein are calculated in accordance with the provisions of the Master Indenture. There can be no assurance that assumed rates will approximate the actual interest rates on the indebtedness of the Obligated Group going forward.
BONDHOLDERS’ RISKS

The following is a discussion of certain risks that could affect payments to be made with respect to the Series 2017A Bonds. Such discussion is not exhaustive, should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2017A Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Official Statement.

General

The Series 2017A Bonds will be special limited obligations of the Authority, payable solely from the Revenues derived from the Corporation under the Loan Agreement and from the Obligated Group on the Series 2017A Obligation pledged under the Bond Indenture. No representation or assurance can be made that revenues will be realized by the Obligated Group or any future Obligated Issuer in amounts sufficient to pay principal of, and premium, if any, and interest on, the Series 2017A Bonds when due.

None of the provisions of the Bond Indenture, the Loan Agreement or the Master Indenture that have been heretofore described nor any other provisions, covenants, terms and conditions of the Bond Indenture, the Loan Agreement or the Master Indenture will afford the Bondholders any assurance that the obligations of the Corporation or the Obligated Group will be paid as and when due, if the financial condition of the Corporation or the Obligated Group deteriorates to the point where the Corporation or the Obligated Group is unable to pay its debts as they come due or the Corporation or the Obligated Group otherwise becomes insolvent.

The ability of the Corporation to meet its obligations under the Loan Agreement and the ability of the Obligated Group to meet its obligations on the Series 2017A Obligation may be limited by many factors. Among other things, skilled nursing care, senior residential housing and healthcare institutions are subject to laws and regulations administered by federal, state and local authorities. Changes in such laws or regulations in the future, particularly in laws and regulations relating to state support of the Obligated Group or reimbursement under the Medicare and Medicaid programs, could adversely affect the operations or financial results of the Obligated Group.

Economic Conditions and Financial Markets

The disruption of the credit and financial markets several years ago led to volatility in the securities markets, significant volatility in investment portfolios, increased business failures and consumer and business bankruptcies, and was a major cause of the economic recession in 2008 and 2009. As a direct consequence, the financial condition of the Obligated Group were adversely affected.

The healthcare sector, including the Obligated Group, was adversely affected by these developments. The consequences of these developments generally included, among other things, realized and unrealized investment portfolio losses, increased borrowing costs and periodic disruption of access to the capital markets. During 2008 and 2009, unemployment rates increased, but have since stabilized and greatly improved both nationally and in market areas in which the Obligated Group owns and operates healthcare facilities. This resulted in increases in self-pay admissions, increased levels of bad debt and uncompensated care, reduced demand for elective procedures, and reduced availability and affordability of private health insurance. In response to these operational pressures, the Corporation implemented loss reducing and revenue improving measures that have reduced costs, improved revenue cycle results and broadened service capabilities.
In response to that economic recession in 2008 and 2009, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Financial Reform Act”) was enacted in 2010. The Financial Reform Act included broad changes to the existing financial regulatory structure, including the creation of new federal agencies to identify and respond to risks to the financial stability of the United States. Additional legislation is now pending or under active consideration by Congress and regulatory action is being considered by various federal agencies and the Federal Reserve Board, which is intended to decrease the regulation of domestic and global credit markets. The effects of the Financial Reform Act and of these legislative, regulatory and other governmental actions, if implemented, are unclear.

The American Recovery and Reinvestment Act of 2009 (“ARRA”) included several provisions that were intended to provide financial relief to the healthcare sector, including a requirement that states promptly reimburse healthcare providers and a subsidy to the recently unemployed for health insurance premium costs. ARRA also established a framework for the implementation of a nationally-based health information technology program, including incentive payments which commenced in 2011 to eligible healthcare providers to encourage implementation of health information technology and electronic health records. Assuming federal funding is available, such incentive payments are payable to eligible healthcare providers that comply with the applicable federal requirements, including demonstrating “meaningful use” of electronic health records, in each period over a four year period. Pursuant to ARRA, as of January 1, 2015, Medicare eligible providers that do not demonstrate “meaningful use” of electronic health records are receiving downward adjustments in their Medicare reimbursement. The Obligated Group has demonstrated “meaningful use” of electronic health records at all of its healthcare facilities and has received incentive payments available under ARRA. The Centers for Medicare & Medicaid Services (“CMS”), an agency of the HHS, has commenced audits of providers that have received meaningful use payments.


Interest Rate Swap and Other Hedge Risk

The Obligated Group has utilized an interest rate swap to manage its exposure to interest volatility. The interest rate swap is designed to hedge variable rate indebtedness and are structured so that the Obligated Group pays a fixed rate. The swap agreement may require the Obligated Group to secure its obligations in certain circumstances including without limitation a downgrade of the Obligated Group’s long-term debt rating and the occurrence of certain other events. In the event of an early termination of any swap for any reason by either party in accordance with the related swap agreement, the Obligated Group may owe a payment to the related swap provider, and such amount, may be substantial.

The payment obligations of the Obligated Group under the swap agreement will not alter the obligations of the Obligated Group to pay or make payments with respect to principal of, redemption price and purchase price of, and interest on any other indebtedness. The obligations of the Obligated Group pursuant to the swap agreement are secured by Obligations issued under the Master Indenture. See the audited consolidated financial statements of the Corporation and its affiliates included in APPENDIX B for additional information on the interest rate swap.
Additional Debt; Dilution

The Master Indenture permits the issuance of additional Obligations on parity with the Series 2017A Obligation and the other outstanding Obligations and also permits incurrence of Additional Indebtedness by the Corporation and other Obligated Issuers which are not issued under the Master Indenture or secured by an Obligation. See the information in APPENDIX C under the caption “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Restrictions as to Incurrence of Additional Indebtedness.”

Additions to or Withdrawal from Obligated Group; Dilution

The Corporation has no present intention of adding or removing any Obligated Issuers; however, it may do so at any time provided that it satisfies the conditions set forth in the Master Indenture. See “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE – The Obligated Group in APPENDIX C. The accounts of the Corporation and the then-Obligated Issuers may be combined for financial reporting purposes, and the combined accounts will be used in determining whether various covenants and financial tests contained in the Master Indenture have been met (including financial tests which must be met as conditions to transactions such as the incurrence of additional debt, the consummation of a merger or the transfer of assets to third parties). It is possible, therefore, that the addition or removal of Obligated Issuers could weaken the financial condition of the Obligated Group and diminish the financial performance of the Obligated Group to the minimum levels permitted by the Master Indenture.

Affordable Care Act

In March 2010, the Patient Protection and Affordable Care Act of 2010 (the “Affordable Care Act”) was enacted. The content and implementation of the Affordable Care Act have been, and remain, highly controversial. Several attempts to amend and repeal provisions of the Affordable Care Act have been made since its passage.

The discussion herein describes risks associated with certain existing federal and state laws, regulations, rules, and governmental administrative policies promulgated pursuant to the Affordable Care Act, to which opposition has been expressed by President Trump and the Secretary of HHS as well as the majority leaders of each chamber of Congress and members of their caucuses. It is not possible to predict with any certainty whether or when the Affordable Care Act or any specific provision or implementing measure will be repealed, withdrawn or modified in any significant respect, but a unified administration and majority in both chambers of Congress could enact legislation, withdraw, modify or promulgate rules, regulations and policies, or make determinations affecting the health care industry and the Obligated Group any of which individually or collectively could have a material adverse effect on the operations, financial condition and financial performance of the Obligated Group.

President Trump and certain Congressional leaders have included a repeal of all or a portion of the Affordable Care Act in 2017 statements concerning their respective legislative agendas, and Congress has already taken steps to repeal and replace the Affordable Care Act. The repeal effort, to date, has focused on individual and employer mandates, exchanges, insurance industry regulations, Medicaid expansion, and the taxes to pay for these elements of the Affordable Care Act. The timing of such repeal and whether it would be in whole or in part is unclear. It is also unclear when or if a replacement plan would be implemented. A repeal could result in additional pressure on Medicaid and Medicare funding and could have the effect of reducing the availability of health insurance to individuals who were previously insured, resulting in greater numbers of uninsured individuals, and could otherwise materially adversely affect the Obligated Group.
In May 2017, the U.S. House of Representatives adopted legislation to replace the Affordable Care Act, the American Health Care Act of 2017 ("AHCA") (H.R. 1628), which, if signed into law, would partially repeal the Affordable Care Act and would make significant changes to the Medicaid program. On June 22, 2017, the U.S. Senate Budget Committee released draft legislation known as the Better Care Reconciliation Act of 2017 ("BCRA"). BCRA is different than AHCA but also partially repeals the Affordable Care Act and makes significant changes to the Medicaid program. With this pending legislation, there is uncertainty regarding whether, when, and how the Affordable Care Act will be changed, what alternative provisions, if any, will be proposed or enacted, the timing of enactment and implementation of alternative provisions, and the impact of alternative provisions on providers as well as other health care industry participants. Congress or executive agencies could eliminate or alter provisions beneficial to the Obligated Group while leaving in place provisions reducing reimbursement for health care providers, including the Obligated Group. Government efforts to repeal or modify the Affordable Care Act may have an adverse effect on the Obligated Group’s business, result of operations, cash flow, capital resources, and liquidity.

Also, there can be no assurances that any current health care laws and regulations, in addition to the Affordable Care Act, will remain in the current form. There can be no assurances that any potential changes to the laws and regulations governing health care would not have a material adverse financial or operational impact on the Obligated Group.

Therefore, the following discussion should be read with the understanding that significant changes could occur in 2017 and beyond in many of the statutory and regulatory matters discussed.

In March 2010, the Patient Protection and Affordable Care Act of 2010 (the “Affordable Care Act”) was enacted. The Affordable Care Act was designed, in substantial part, to make available, or subsidize the premium costs of, healthcare insurance for millions of uninsured (or underinsured) consumers, and specifically those who fall below certain income levels. To achieve this objective, the Affordable Care Act set off the promulgation of substantial regulation that has significantly impacted the healthcare industry and third-party payors. The following represents a summary of some of the Affordable Care Act’s key provisions related to the performance and financial condition of the Obligated Group. This listing is not intended to be, nor should it be considered to be, comprehensive. The Affordable Care Act is complex and the effects of its mandated programs and initiatives, and changes to existing programs, policies, practices and laws, or the effects of the repeal or modification of its various components, cannot be predicted with certainty.

Several reforms derived from the Affordable Care Act have a disproportionately negative effect upon those providers with relatively high dependence upon Medicare managed care revenues. For example, annual Medicare market basket updates for hospitals and skilled nursing facilities are being reduced through September 30, 2019, and are subject to productivity adjustments. The combination of reductions to the market basket updates and the imposition of the productivity adjustments may, in some cases and in some years, result in reductions in Medicare payments per discharge on a year-to-year basis. Payments under “Medicare Advantage” programs (Medicare managed care) are also being periodically reduced through September 30, 2019. The reduction in payments to Medicare Advantage programs may lead to decreased payments to providers by managed care companies operating Medicare Advantage programs. The Hospital Readmissions Reduction Program, which began in October 2012, reduces Medicare payments to hospitals that have a high rate of potentially preventable readmissions of Medicare patients for certain clinical conditions by specified percentages to account for such excess and “preventable” hospital readmissions. An Independent Payment Advisory Board ("IPAB") was established to develop proposals to improve the quality of care and to limit cost increases. If, beginning in 2019, the growth in per capita Medicare program spending exceeds the target growth rate as
determined by the CMS Office of the Actuary, IPAB is required to develop proposals, which the Secretary of HHS will be required to implement) to reduce the growth rate. To date, there have been unsuccessful Congressional efforts to repeal the IPAB. While the IPAB has not been repealed, members to the IPAB have yet to be appointed by either of then-President Obama or President Trump.

Other cost cutting measures under the Affordable Care Act include the value-based purchasing program that was established under Medicare to provide incentive payments to hospitals based on performance on quality and efficiency measures. These incentive payments are to be funded through a pool of money collected from all hospital providers, and could result in a decrease in the Obligated Group’s revenues. The Affordable Care Act also decreased funds available for Medicare disproportionate share hospital (“DSH”) payments through 2019 and Medicaid DSH payments from 2018 through 2025. See “BONDHOLDERS’ RISKS – Payment for Healthcare Services –Disproportionate Share Adjustments herein. The American Taxpayer Relief Act of 2012 (the “Taxpayer Relief Act”), which was signed into law on January 2, 2013, has further reduced Medicare DSH payments to hospitals. The Affordable Care Act also created a Center for Medicare and Medicaid Innovation (the “Innovation Center”) to test innovative payment and delivery models. The law charges the Innovation Center with identifying, developing, assessing, supporting, and applying new models to further reduce expenditures under Medicare and Medicaid. The outcomes of these projects and programs, including their effect on payments and financial performance of healthcare providers like the Obligated Issuers, cannot be predicted.

The Affordable Care Act provides for the expansion of Medicaid programs to a broader population with incomes up to 133% of federal poverty levels. However, in its decision in National Federation of Independent Business v. Sebelius, the U.S. Supreme Court determined that any expansion of Medicaid must be at the option of individual states, and not a mandatory obligation. The Court reasoned that permitting the federal government to condition the availability of current Medicaid funding on participation in the expanded Medicaid program equated to a mandate that States participate in the expanded Medicaid program. Although the federal government is expected to almost entirely fund the expanded Medicaid program through 2020, some state officials have expressed reluctance to participate, citing concerns that the administrative and other costs associated with enrolling and managing potentially millions of new individuals would add further stress to already depleted state resources. In the event a state chooses not to participate in the expanded program, the net effect of the Medicaid-related reforms contained in the Affordable Care Act could be significantly reduced. The States of Wisconsin and Nebraska have decided not to expand their respective Medicaid programs and thus have declined the additional federal funding tied to such expansion.

Affordable Care Act-related regulation has placed significant demands on the resources of the Obligated Group, including an increase in the fixed costs associated with providing healthcare services, which may or may not be offset by increased revenues. For example, the law imposes additional requirements upon tax-exempt hospitals, including obligations to adopt and publicize a financial assistance policy; limits to charges applicable to patients who qualify for financial assistance to the lowest amount charged to insured patients; and controls on billing and collection processes. Tax-exempt hospitals must conduct a community needs assessment and adopt an implementation strategy to meet those identified needs. Failure to satisfy these conditions may result in the imposition of fines and the loss of tax-exempt status. The Affordable Care Act also introduced a requirement that requires healthcare insurers to include quality improvement covenants in their contracts with hospital providers and report their progress on such actions to the Secretary of HHS. Healthcare insurers participating in the health insurance exchanges are allowed to contract only with hospitals that have implemented programs designed to ensure patient safety and enhance quality of care. The effect of these provisions upon the
Obligated Group’s ability to negotiate contracts with insurers or the costs of implementing such programs cannot be predicted.

**Taxpayer Relief Act**

The Taxpayer Relief Act contains extensions of a number of Medicare policies, including special provisions for some low-volume hospitals and charges for ambulance and physical therapy costs. The $30 billion cost of these provisions is expected to be partially offset by a reduction in payments to hospitals over the next decade, including an estimated $10.5 billion reduction in the projected Medicare hospital payments over ten years for inpatient or overnight care (through a downward adjustment in annual base payment increases), and a reduction in the Medicaid DSH payments to hospitals by an additional $4.2 billion over the same period. These cuts are in addition to those made with respect to hospitals as part of the Affordable Care Act.

**Budget Control Act of 2011**

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

The Budget Control Act also created a Joint Select Committee on Deficit Reduction (the “Committee”), which was tasked with making recommendations to further reduce the federal deficit by $1.5 trillion on or before November 23, 2011. After several months of negotiations, the Committee was unable to reach agreement on spending reductions, putting into motion $1.2 trillion in spending cuts (known as sequestration). Provisions of the Budget Control Act, as modified by the Taxpayer Relief Act, set in place a protocol for the sequestration resulting in an automatic 2% reduction in Medicare program payments for all healthcare providers effective March 27, 2013. The Consolidated and Further Continuing Appropriations Act of 2013 was signed into law on March 26, 2013, providing funds for operation of the federal government through September 30, 2013 and off-setting some of the sequestration mandated reductions for federal fiscal year 2014. The spending reductions for federal fiscal year 2013 were approximately $85.4 billion with similar cuts for federal fiscal years 2014 through 2021. In December 2013, then-President Obama signed the Bipartisan Budget Act of 2013 that increased the sequestration caps for federal fiscal years 2014 and 2015 by $45 billion and $18 billion, respectively, but extended the caps into 2023. On November 2, 2015, then-President Obama signed into law the Bipartisan Budget Act of 2015, increasing the discretionary spending caps imposed by the Budget Control Act for fiscal years 2016 and 2017 and authorizing $80 billion in increased spending over the two years. The Bipartisan Budget Act of 2015 also extended the 2% reduction to Medicare providers and insurers for another year (to at least March 31, 2025) and suspended the limit on the federal government’s debt until March 2017. On March 16, 2017, the debt limit reset to account for all debt issued while it was suspended. Certain “extraordinary measures”, which are accounting maneuvers the government can use to temporarily keep the debt under the “limit” are being taken, which are expected to keep the federal debt below the debt ceiling until fall of 2017. The appropriations bill providing for federal funding also expires at the end of September of 2017.

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

Other legislative proposals which could have an adverse effect on the Obligated Issuers include:
(i) any changes in the taxation of not for profit corporations or in the scope of their exemption from income, sales or property taxes; (ii) limitations on the amount or availability of tax-exempt financing for corporations recognized under the Internal Revenue Code of 1986, as amended (the “Code”); (iii) regulatory limitations affecting the Obligated Group’s ability to undertake capital projects or develop new services; (iv) mandating certain levels of free or substantially reduced care that must be provided to low income uninsured and underinsured populations; and (v) placing ceilings on executive compensation of not for profit corporations.

Legislative bodies have considered proposed legislation on the charity care standards that nonprofit, charitable hospitals must meet to maintain their federal income tax-exempt status under the Code and legislation mandating nonprofit, charitable hospitals to have an open-door policy toward Medicare and Medicaid patients as well as to offer, in a non-discriminatory manner, qualified charity care and community benefits. Excise tax penalties on nonprofit, charitable hospitals that violate these charity care and community benefit requirements could be imposed or their tax-exempt status under the Code could be revoked. As described above, because of the complexity of health reform generally, additional legislation is likely to be considered and enacted over time. The scope and effect of any such legislation cannot be predicted. Enactment of any such legislation may have the effect of subjecting a portion of the Obligated Group’s income to federal or state income taxes or to other tax penalties.

Payment for Healthcare Services

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

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

The purpose of much of the past and current statutory and regulatory activity has been to reduce the rate of increase in healthcare costs, particularly costs paid under the Medicare and Medicaid programs. Diverse and complex mechanisms to limit the amount of money paid to healthcare providers
under both the Medicare and Medicaid programs have been enacted, some of which are being implemented and some of which will be or may be implemented in the future. Management of the Obligated Group is unable to predict what effect, if any, current and future legislative initiatives related to Medicare and Medicaid may have on operations of the Obligated Group.

**Medicare.** For the fiscal year ended December 31, 2016, approximately 26% of the gross revenues of the Corporation was derived from Medicare. As a consequence, any adverse development or change in Medicare reimbursement could have a material adverse effect on the financial condition and results of operations of the Obligated Group.

**Inpatient Operating Reimbursement under PPS.** For acute care hospitals, Medicare Part A pays for most inpatient services under a Prospective Payment System (“PPS”). The inpatient PPS payment is based on two national base payment rates or standardized amounts: one that provides for operating expenses and another for capital expenses. The following discussion on Medicare reimbursement relates to hospitals that are reimbursed on a PPS basis.

Acute care hospitals, including that operated by the Obligated Group, that are reimbursed on a PPS basis are paid a specified amount toward their operating costs based on the Diagnosis Related Group (“DRG”) to which each Medicare hospitalization is assigned, which is determined by the diagnosis and procedure and other factors for each particular inpatient stay. The amount paid for each DRG is established prospectively by CMS based on the estimated intensity of hospital resources necessary to furnish care for each principal diagnosis and is not directly related to a hospital’s actual costs. For certain Medicare beneficiaries who have unusually costly hospital stays (“outliers”), CMS will provide additional payments above those specified for the DRG. Outlier payments cease to be available upon the exhaustion of such patient’s Medicare benefits or a determination that acute care is no longer necessary, whichever occurs first. There is no assurance that any of these payments will cover the actual costs incurred by a hospital. In addition, revisions to the outlier regulations could be implemented to curb outlier payment abuse, which may adversely affect hospitals’ ability to receive such subsidies. In addition to outlier payments, DRG payments are adjusted for area wage differentials. These change on a yearly basis.

DRG payments are adjusted each federal fiscal year (which begins October 1) based on the hospital “market basket” index, or the cost of providing healthcare services. For nearly every year since 1983, Congress has modified the increases and given substantially less than the increase in the “market basket” index. In federal fiscal year 2008, CMS also implemented a documentation and coding adjustment to account for changes in payments under the Medicare Severity Diagnosis Related Group, or MS-DRG system that are not related to changes in case mix. CMS was given the authority to retrospectively determine if the documentation and coding adjustments were adequate to account for changes in payments not related to changes in case mix. The Taxpayer Relief Act required CMS to recover $11 billion by 2017 to fully recoup documentation and coding overpayments related to the transition to the MS-DRG system. Accordingly, the CMS’ fiscal year 2017 payment policies reflected a 1.5% reduction for documentation and coding required by the Taxpayer Relief Act for rates paid under the inpatient PPS.

The Affordable Care Act will reduce the annual Medicare market basket updates each federal fiscal year through federal fiscal year 2019. The Affordable Care Act also provides that annual Medicare market basket updates will be subject to productivity adjustments, further reducing Medicare payments to hospitals. The reductions in market basket updates and the productivity adjustments will have a disproportionately negative effect upon those providers that rely more upon Medicare. Moreover, certain reductions in market basket updates take effect prior to the expansion of insurance coverage and the number of insured consumers. This sequence of events is expected to have an interim negative effect on revenues and operating income. The combination of reductions to the market basket updates and the
imposition of the productivity adjustments may, in some cases and in some years, result in reductions in Medicare payments per discharge on a year-to-year basis. Changes in the payments received for all services, including specialty services, could have an adverse effect on the Obligated Group. For further information regarding the Affordable Care Act and its provisions, see “BONDHOLDERS’ RISKS – Affordable Care Act” herein.

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

The Affordable Care Act established a value-based purchasing program that rewards hospitals with incentive payments for the quality of care they provide to Medicare patients. The program works by reducing the amount of inpatient PPS payments for all discharges by two percent each year, and then distributing those savings to hospitals that meet certain quality performance standards established by HHS. For payments made for federal fiscal year 2017, CMS scores each hospital based on achievement (relative to other hospitals) and improvement ranges (relative to the hospital’s own past performance) across each quality performance standard. The quality performance standards take into account a broad range of factors designed to measure quality of care, how closely best clinical practices are followed and the overall experience of the patients. Because the Affordable Care Act provides that the pool will be fully distributed, hospitals that meet or exceed the quality performance standards will receive greater reimbursement under the value-based purchasing program than they would have otherwise. Hospitals that do not achieve the necessary quality performance will receive reduced Medicare inpatient hospital payment. The Obligated Group is unable to predict how value-based purchasing will affect its results of operations, however the program could negatively impact the revenues of the Obligated Group.

For federal fiscal year 2017, CMS increased acute care hospital based payment rates by 0.95%. This increase reflects: (i) a market basket increase of 2.7%; (ii) a multi-factor productivity reduction of 0.3%; (iii) an additional reduction of 0.75% for cuts mandated under the Affordable Care Act; (iv) a 1.5% reduction for documentation and coding recoupment adjustment required by the Taxpayer Relief Act; and (v) an increase of approximately 0.8% to remove the adjustment to offset the estimated costs of the two-midnight rule (described below).

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

On August 19, 2013, CMS issued the 2014 Final Inpatient Prospective Payment Rule for hospitals, which adopted a “two-midnight” benchmark to be used to determine the medical necessity of an inpatient admission and made changes to the certification and order requirements for inpatient hospital admission. Under this rule, Medicare Part A payment is presumed to be appropriate only if the physician certifies that a patient will require a stay in the hospital lasting at least two midnights and clearly documents in the medical record that he or she is admitting the patient to the hospital on that expectation. Effective October 1, 2015, responsibility for enforcement of the two-midnight rule shifted from Medicare administrative contractors to quality improvement organizations (“QIO”) and recovery audit contractors will only conduct reviews for providers that have been referred by the related QIO. In the hospital
outpatient PPS rule for calendar year 2016, several revisions to the two-midnight rule allow some physician discretion in determining the necessity for an inpatient admission of less than two midnights.

The American Hospital Association, joined by several other healthcare associations and hospital plaintiffs, filed two lawsuits against HHS challenging the two-midnight rule. The lawsuits contend that several provisions included in the 2014 Final Inpatient Prospective Payment Rule burden hospitals with unlawful arbitrary standards and documentation requirements and deprive hospitals of proper Medicare reimbursement for caring for patients. Faced with a legal challenge of the two-midnight rule, CMS released a proposed rule on April 18, 2016 that would forego the inpatient payment cuts. On August 2, 2016, in its 2017 Medicare Inpatient Prospective Payment System final rule, CMS eliminated the inpatient pay cuts associated with the two-midnight rule. In addition, the final rule instituted an increase of approximately 0.8 percent points in fiscal year 2017 to offset the estimated cost of the two-midnight rule policy in fiscal years 2014, 2015 and 2016. Obligated Group management is unable to predict whether the inpatient pay cuts associated with the two-midnight rule will be reinstated in the future, the outcome of the ongoing lawsuits or what effect, if any, the two-midnight rule will have on future hospital revenues.

Critical Access Hospitals. Franciscan Care owns St. Francis Memorial Hospital (“St. Francis”), a facility designated by CMS as a critical access hospital. Medicare reimbursement to critical access hospitals is cost-based and is not based on Medicare’s PPS payment methodology.

Regulations limit a critical access hospital to operating 25 beds to provide inpatient services. All 25 beds may be used interchangeably to provide “swing-bed” or post-acute care service to patients. Additionally, the average length of stay is limited to 96 hours and the critical access hospital is required to provide 24-hour emergency care.

For inpatient services, reimbursement is set at 101% of the reasonable costs of the critical access hospital in providing those services. For outpatient services, a critical access hospital may elect an All-Inclusive Rate for Outpatient Payments, which allows it to be paid an all-inclusive rate that incorporates the cost-based facility payment and a professional fee based on 115% of the Medicare physician fee schedule on a single claim. In the alternative, a critical access hospital could be paid on the basis of its reasonable costs. (Note, however, that sequestration has effectively reduced these reimbursement rates further.)

Rehabilitation. CMS reimburses inpatient rehabilitation facilities (“IRFs”) on a PPS basis. Under IRF PPS, patients are classified into case mix groups based on impairment, age, comorbidities and functional capability. IRFs are paid a predetermined amount per discharge that reflects the patient’s case mix group and is adjusted for area wage levels, low-income patients, rural areas and high-cost outliers.

The final IRF rule issued by CMS for federal fiscal year 2012 (the “2012 IRF Rule”) implemented a new quality reporting program required by the Affordable Care Act, which reduced the annual IRF PPS rates by 2% for facilities that fail to report quality data, beginning in federal fiscal year 2014. Under the 2012 IRF Rule, IRFs submit quality data related to urinary catheter-associated urinary tract infection, pressure ulcers that are new or have worsened, rates of influenza vaccination, and 30-day readmission rates.

On August 5, 2016, CMS published its IRF PPS final rule for federal fiscal year 2017 (the “2017 IRF Rule”). CMS estimates that, based on the 2017 IRF Rule, payments to IRFs will increase by 1.9% (or $145 million) compared to 2016 levels. The 2017 IRF Rule provides for a market basket increase of 2.7%, with a 0.3% multi-factor productivity downward adjustment and a 0.75% reduction, each as
mandated by the Affordable Care Act. An additional 0.3% increase will be added to aggregate payments due to updating the outlier threshold.

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

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

**Disproportionate Share Adjustments.** Under PPS, hospitals that serve a disproportionate share of low-income patients may receive an additional DSH adjustment. A hospital may be classified as a DSH hospital based upon any of several circumstances related to the number of beds, the hospital’s location, and its disproportionate patient percentage. The DSH adjustment is calculated under one of several methods, depending upon the basis for the hospital’s classification as a DSH hospital. Under the Affordable Care Act, in response to the expected decrease in the uninsured population, DSH payments were reduced by 75% in federal fiscal year 2014. The 75% reduction in DSH payments that would have otherwise been paid through Medicare was effectively pooled. DSH payments were and continue to be reduced further each year using a formula that reflects reductions in the national level of uninsured who are under 65 years of age. Each DSH hospital is paid from the reduced DSH payment pool an amount allocated based upon its level of uncompensated care. It is difficult to predict the full impact of future Medicare DSH reductions. For the fiscal year ended December 31, 2016, the Obligated Group received DSH payments totaling approximately $83,000. There is no assurance that the Obligated Group will receive DSH payments in the future.

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

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

Certain provisions of the Affordable Care Act relating to OPPS services have been implemented that may impact the reimbursement and operations of hospitals across the country. Some of the specific reforms that have the potential to impact hospitals are: (i) reduction of the OPPS market basket increase factor by a productivity adjustment (effective 2012) and an additional adjustment for payments to hospital outpatient departments (from 2010 through 2019); (ii) application of similar productivity adjustments for payment for ambulatory surgical center (“ASC”) services, which began with calendar year 2011; (iii) new provisions relating to the prohibition against referrals to a hospital by a physician who has an
ownership or investment interest in the hospital; (iv) adjustments to the area wage adjustment factor for outpatient department services; and (v) changes related to payment for graduate medical education and indirect medical education.

**Skilled Nursing Facility Payments.** Medicare reimbursement to skilled nursing facilities ("SNFs") depends on several factors, including the character of the facility, the beneficiary’s circumstances, and the type of items and services provided. Extended care services furnished by SNFs are covered only if the patient spent at least three consecutive days as a hospital inpatient prior to admission to the SNF and if the patient was admitted to the SNF within thirty (30) days of discharge from a qualifying hospital stay. Medicare Part A covers nursing services furnished by or under the supervision of a registered professional nurse, as well as physical, occupational, and speech therapy provided by the SNF. “Ancillary” services furnished to the non-Medicare Part A SNF patients are also covered under Medicare Part B. SNF services for Medicare Part A inpatient stays are reimbursed for up to 100 days for each spell of illness. Medicare payments are subject to coinsurance and deductibles from the patient.

Payments of Medicare patients in SNFs are based on a Prospective Payment System ("PPS"). Under the PPS, SNFs are paid a single per diem rate per resident according to the Resource Utilization Group ("RUG") to which the patient is assigned. RUG rates are based on the expected resource needs of patients and cover routine services, therapy services, and nursing costs. SNF PPS payment rates are adjusted annually based on the skilled nursing facility “market basket” index, or the cost of providing SNF services. There is no guarantee that the SNF rates, as they may change from time to time, will cover the actual costs of providing care to Medicare SNF patients. The Protecting Access to Medicare Act of 2014 required the Secretary of HHS to develop a “value based” purchasing program (based on performance and quality measures and other factors) for Medicare payments to skilled nursing facilities. Beginning in October 2018, all SNF Medicare Part A rates will be decreased by a 2% withhold to fund an incentive payment pool. Quality measures have been selected and a SNF’s performance (achievement and improvement) under those measures will determine whether the SNF earns incentive payments from the pool. Current planned measures focus on unplanned return hospitalizations. Subsequent laws, regulations and guidance documents may be issued which provide additional information on how the value-based purchasing program will operate, or which will add additional measures and performance requirements.

**Physician Payment.** Certain physician services are reimbursed on the basis of a national fee schedule called the “resource based-relative value scale” ("RB-RVS"). The RB-RVS fee schedule establishes payment amounts for all physician services, including services of provider-based physicians, and is subject to annual updates.

In April 2015, the Medicare Access and Children’s Health Insurance Program Reauthorization Act ("MACRA") provided for annual 0.5% payment increases through 2019. Thereafter, payments rates will be frozen at 2019 levels through 2025 but there will be a budget-neutral opportunity to earn additional reimbursement based on quality and performance measures and meaningful use targets. Beginning in 2026, physicians and other professionals paid under the Medicare physician fee schedule will receive an annual update of 0.75% for participating in eligible alternative payment models, while all other professionals will receive annual updates of 0.25%. It is possible that future legislative action will be taken that would once again trigger physician payment reductions.

**Provider-Based Standards.** Some healthcare providers bill for services as “provider-based entities” and, as such, are subject to CMS’ provider-based regulations. CMS has stated that prior approval of provider-based status by CMS is not required for an entity to bill as provider-based. Rather, a provider may provide an optional attestation of its status as a provider-based entity. Although such attestation is not required to bill as a provider-based entity, it may provide some overpayment protection
in the event that CMS subsequently makes a determination that an entity is not provider-based, assuming accurate representation by the provider to CMS. Any reclassification by CMS may adversely affect the entity’s reimbursement under the Medicare program. The Obligated Group believes all of its current facilities that bill for services as provider-based entities qualify as “provider-based” entities under the current regulations.

The Bipartisan Budget Act of 2015 reduces Medicare payments to newly enrolled provider-based, off-campus hospital outpatient departments (“HOPDs”) by excluding such facilities from payment under the OPPS beginning January 1, 2017. While this change does not affect existing and enrolled provider-based, off-campus HOPDs that were billing for services prior to November 2, 2015, newly enrolled provider-based, off-campus HOPDs will receive lower payments than in previous years for providing the same services, including the Holy Family Memorial clinic being relocated to its new lakefront campus in August 2017. See “INFORMATION CONCERNING THE OBLIGATED ISSUERS – Holy Family Memorial, Inc. – Recent Construction” in APPENDIX A attached hereto for more information on the Lakefront Campus.

**Medicare Advantage.** Medicare beneficiaries may obtain Medicare coverage through a managed care Medicare Advantage plan. A Medicare Advantage plan may be offered by a coordinated care plan (such as an HMO or PPO), a provider sponsored organization (“PSO”) (a network operated by healthcare providers rather than an insurance company), a private fee-for-service plan, or a combination of a medical savings account (“MSA”) and beneficiary-contributions to a Medicare Advantage plan. Each Medicare Advantage plan, except an MSA plan, is required to provide benefits approved by the Secretary of HHS. A Medicare Advantage plan will receive a monthly capitated payment from HHS for each Medicare beneficiary who has elected coverage under the plan. Healthcare providers such as the Obligated Group must contract with Medicare Advantage plans to treat Medicare Advantage enrollees at agreed upon rates or may form a PSO to contract directly with HHS as a Medicare Advantage plan. Covered inpatient and emergency services rendered to a Medicare Advantage beneficiary by a hospital that is an out-of-plan provider (i.e., that has not entered into a contract with a Medicare Advantage plan) will be paid at Medicare fee-for-service payment rates as payment in full.

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

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

**RAC Audits.** The Recovery Audit Contractor Program (“RAC Program”) is a CMS program that began in 2003 as a pilot program and became permanent in 2006. The Affordable Care Act expanded the RAC Program to include Medicare Part C (Medicare Advantage plans), Medicare Part D (prescription drug coverage) and the Medicaid program. The goal of the RAC Program is to identify and correct improper payments made to providers. RAC Program activities are executed by contractors selected by CMS, who are compensated on a contingency basis. Contractors have three years from the time a claim is paid to review that claim. Obligated Group management cannot anticipate the amount or volume of the Obligated Group’s past Medicare claims that will be reviewed under the RAC program or predict the results of any such audits.

**Medicaid.** Medicaid (Title XIX of the federal Social Security Act) is a health insurance program for certain low-income and needy individuals that is jointly funded by the federal government and the states. It covers approximately 75 (Medicaid and CHIP) million people, including children, the aged, blind, and/or disabled, and individuals who are eligible to receive federally assisted income maintenance payments. Pursuant to broad federal guidelines, the states and the United States territories (Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands) each (i) establish their own eligibility standards; (ii) determine the type, amount, duration, and scope of services; (iii) set the payment rates for services; and (iv) administer their own programs. Some states operate certain Medicaid programs under a waiver of some of the basic Medicaid requirements. Pursuant to the Medicaid program, the federal government supplements funds provided by the various states for medical assistance to the medically indigent. Payment for such medical and health services is made to hospitals in an amount determined in accordance with procedures and standards established by state law under federal guidelines.

Fiscal considerations of both the federal and state governments in establishing their budgets will directly affect the funds available to providers for payment of services rendered to Medicaid beneficiaries.

**Wisconsin Medicaid Program.** In Wisconsin, Medicaid is administered by the Wisconsin Department of Health Services (the “WDHS”). Payments made to health care providers under the Medicaid program are subject to change as a result of federal or state legislative and administrative actions, including changes in the methods for calculating payments, the amount of payments that will be made for covered services and the types of services that will be covered under the program. Such changes have occurred in the past and may be expected to occur in the future, particularly in response to federal and state budgetary constraints. For the fiscal year ended December 31, 2016, approximately 11.3% of the gross revenues of the Obligated Group was derived from the Wisconsin Medicaid program. As described under the “BONDHOLDERS’ RISKS – Affordable Care Act” above, one component of the Affordable Care Act is designed to incentivize states to expand their Medicaid programs to individuals earning up to 133% of the federal poverty level by offering additional Medicaid funding to participating states. The State has decided not to expand its Medicaid programs to cover such individuals and thus has declined the additional federal funding tied to such expansion. Instead, Wisconsin’s Medicaid program is limited to individuals earning 100% of the federal poverty level.

**Wisconsin Medicaid Inpatient Hospital Services.** Wisconsin Medicaid payments for inpatient services are based on a DRG system. While the Wisconsin Medicaid DRG system is similar to the Medicare DRG system, certain differences apply. Separate Medicaid base rates are paid for hospitals located in Milwaukee County and those located elsewhere in the state. The base rate is adjusted for a
Medicaid DRG factor (different from the Medicare DRG factor) for each patient. As with the Medicare system, there is also an adjustment to the base rate for regional wage differences. There are also adjustments for indirect medical education, disproportionate share hospitals, rural hospitals, and cost outliers. There are additional payments for direct medical education and capital costs. A Wisconsin hospital with a total cost of treating Medicaid patients that exceeds the prospective payment rate will incur a loss on such services.

**Wisconsin Medicaid Outpatient Hospital Services.** Under the Wisconsin Medicaid program, outpatient services are paid at an interim rate per visit, subject to a retrospective final settlement based on the hospital’s audited cost report for that fiscal year as determined according to applicable Medicare and Medicaid standards and principles of reimbursement. The settlement amount is further limited by the lesser of the following amounts: (i) the hospital’s customary outpatient charges; (ii) the sum of the allowable payment rates per outpatient visit effective for the settlement year (such rates are based on the hospital’s 1987 costs, subject to an adjustment factor), multiplied by the number of Medicaid visits for the period; (iii) the sum of the interim clinical diagnostic laboratory reimbursement plus the lesser of (a) total outpatient charges for other services, or (b) total audited costs for other services; or (iv) allowable outpatient costs determined in accordance with Medicare and Medicaid principles. There is also an adjustment for rural hospitals.

**Wisconsin Medicaid Physician Payments.** In Wisconsin physicians are reimbursed for Medicaid covered services the lesser of the physician’s usual and customary charge or the maximum allowable fee established by WDHS. The maximum allowable fees are based on various factors, including a review of the Wisconsin Legislature’s medical expense budgetary constraints and other relevant economic information. Maximum allowable fees may be adjusted to reflect reimbursement limits on the availability of state and federal funding as specified in federal law.

**Wisconsin Medicaid Nursing Facility Payments.** The per diem rate for operating costs is set prospectively and paid on a class basis, reflecting reported allowable costs, inflation, adjustment for the facility’s level of occupancy, and cost of complying with standards of Medicaid participation. Components of a facility’s rate include: (i) support costs including laundry, food, housekeeping, utility, and administrative expenses limited to actual allowable costs up to specified ceilings and allowing a profit for facilities that operate below the ceilings; (ii) nursing costs, nursing salaries and related benefits that relate to patient classification, utilization review expenses, costs of nursing, activity and related programs (determined through annual assessments of each resident by level of care); (iii) capital costs depreciation, rent, and property taxes; and (iv) therapy costs (physical, occupational and speech therapists are paid retrospectively). Certain facilities may be eligible for incentive programs.

**Nebraska Medicaid Program.** In Nebraska, Medicaid is administered by the Division of Medicaid and Long-Term Care (“MLTC”) of the Nebraska Department of Health & Human Services (the “NDHHS”). Payments made to health care providers under the Medicaid program are subject to change as a result of federal or state legislative and administrative actions, including changes in the methods for calculating payments, the amount of payments that will be made for covered services and the types of services that will be covered under the program. Such changes have occurred in the past and may be expected to occur in the future, particularly in response to federal and state budgetary constraints. Beginning in 2017, Nebraska Medicaid has transitioned to a managed care program called Heritage Health, with three payors managing benefits under contracts with the State. These managed care payors negotiate with providers regarding the rates they will pay in the same manner as they do for commercial insurance plans. Nearly all Medicaid patients must be enrolled as members of these MCOs and almost all Medicaid services will be funneled through the MCOs, except for long-term services and supports (i.e., institutionalized patients). For the fiscal year ended December 31, 2016, approximately 0.4% of the
gross revenues of the Obligated Group was derived from the Nebraska Medicaid program. As described under the “BONDHOLDERS’ RISKS – Affordable Care Act” above, one component of the Affordable Care Act was designed to incentivize states to expand their Medicaid programs to individuals earning up to 133% of the federal poverty level by offering additional Medicaid funding to participating states. The State of Nebraska did not to expand its Medicaid programs to cover such individuals and thus has declined the additional federal funding tied to such expansion. Instead, Nebraska’s Medicaid program is limited to individuals earning a set percentage of the federal poverty level (which percentage varies based on the individual’s eligibility category), and who are: (i) over age 65 or are blind, or disabled, and receive Federal or State Supplemental Security Income payments; (ii) pregnant; (iii) under age 19; or (iv) otherwise meet NDHHS eligibility requirements.

**Nebraska Medicaid Reimbursement.** Payment for healthcare services under Nebraska Medicaid is now made to hospitals and other provider types in accordance with their participating provider agreements with the three Heritage Health MCOs. Because part of the State’s goals for transitioning to managed care was to control cost growth, it is unclear how many reimbursement cuts will be passed through to providers as part of this transition now and in the future, or what the net effect will be on providers who treat large amounts of Medicaid patients or on the operations and financial conditions of the Obligated Group.

**State Legislation and Regulation**

Hospitals in the Obligated Group are subject to regulation and approval by WDHS and NDHHS. Generally, a hospital may have its approval suspended or revoked for substantial failure to comply with applicable regulatory requirements. However, a hospital may also have its approval suspended or revoked for mere failure to comply with certain regulatory requirements, including failure to pay taxes as certified by the Wisconsin or Nebraska Departments of Revenue or acquisition of a hospital without obtaining required regulatory approvals. Hospitals in Wisconsin are not subject to a certificate of need (“CON”) requirement.

Nebraska’s CON statute applies only to the establishment of long-term care and rehabilitation beds, increases in the number of such beds, and conversion of existing hospital beds to long term care or rehabilitation beds. A moratorium on long-term care beds is currently in place. However, an exception exists for the transfer or relocation of long-term care beds from one facility to another entity so long as the receiving entity obtains a license for the transferred or relocated beds within two years after the transfer or relocation, or an extension of such time granted by NDHHS if the receiving entity is making progress toward the licensure of such beds. The Management of the Obligated Group is not aware of any proceeding or investigation in which a violation of the Nebraska CON law is alleged or suspected, and St. Joseph intends to acquire the right to operate its long-term care beds through such a transfer or relocation of long-term care beds from another facility.

Nonprofit corporations are subject to regulation under state nonprofit corporation codes and other state statutes. In addition, state attorneys general are increasingly asserting oversight over the actions of nonprofit corporations, including matters of internal governance, business strategy and mergers and acquisitions. The legal rationale for the assertion of such oversight powers are varied, ranging from express statutory grants to common law fiduciary and charitable constructive trust theories. In addition, state attorneys general have asserted arguments that nonprofit corporations in fact hold their assets in trust for their local communities, and cannot freely move assets or funds between facilities, communities or states in which the nonprofit corporations may operate. It is possible that the development and exercise of such oversight powers could interfere with the ability of governing boards and management of nonprofit corporations to exercise independent business judgment, cross-subsidize operations in different locations, reallocate assets to meet the needs of the communities served by nonprofit corporations, or liquidate
assets to satisfy creditors’ claims. Such restrictions, if sustained by court authority, could impede the ability of the Obligated Group to utilize proceeds from divestitures of certain facilities or undertake certain other actions.

**Commercial Insurance and Other Third-Party Plans**

Many commercial insurance plans, including group plans, reimburse their customers or make direct payments to the Obligated Group for charges at rates established by agreement. Generally, these plans pay per diem rates plus ancillary service charges, which are subject to various limitations and deductibles depending on the plan. To the extent allowed by law, patients carrying such coverage are responsible to the hospital for any deficiency between the commercial insurance proceeds and total billed charges.

**Regulation of the Healthcare Industry**

*General.* The health care industry is highly dependent on a number of factors which may limit the ability of the Obligated Issuers and any future Obligated Issuers to meet their obligations under the Master Indenture and the Series 2017A Obligation. Among other things, participants in the health care industry (such as the Obligated Issuers) are subject to significant regulatory requirements of federal, state and local governmental agencies and independent professional organizations and accrediting bodies, technological advances and changes in treatment modes, various competitive factors and changes in third-party reimbursement programs. Discussed below are certain of these factors which could have a significant effect on the future operations and financial condition of the Obligated Group.

*Licensing, Surveys, Audits and Investigations.* Hospitals and health facilities, including those of the Obligated Issuers, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements relating to Medicare Conditions of Participation, requirements for participation in Medicaid, state licensing agencies, private payors and the accreditation standards of The Joint Commission or other nationally recognized accreditation agencies. Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews, some of which may require affirmative actions by the Obligated Issuers. Management of the Obligated Group anticipates that it will be able to periodically renew currently-held licenses, certifications or accreditations when required. Nevertheless, adverse actions in any of these areas could occur and result in the loss of utilization, revenue or the ability of the Obligated Issuers to operate all or a portion of its hospitals and/or health facilities and, consequently, could have a material and adverse effect on the financial condition of the Obligated Group.

*Federal Privacy Laws.* The Health Insurance Portability and Accountability Act of 1996, as amended, (“HIPAA”) added two prohibited practices, the commission of which may lead to civil monetary penalties: (i) the practice or pattern of presenting a claim for an item or service on a reimbursement code that the person knows or should know will result in greater payment than appropriate (i.e., upcoding); and (ii) the practice of submitting claims for payment for medically unnecessary services. Violation of such prohibited practices due to civil neglect could amount to civil monetary penalties ranging from $50,000 to $1.5 million for all identical violations in a calendar year and/or imprisonment. Management of the Obligated Group does not expect that the prohibited practices provisions of HIPAA will affect the Obligated Issuers in a material respect.

HIPAA also includes administrative simplification provisions intended to facilitate the processing of health care payments by encouraging the electronic exchange of information and the use of standardized formats for health care information. Congress recognized, however, that standardization of
information formats and greater use of electronic technology presents additional privacy and security risks due to the increased likelihood that databases of personally identifiable health care information will be created and the ease with which vast amounts of such data can be transmitted. Therefore, HIPAA requires the establishment of distinct privacy and security protections for individually identifiable health information (“Protected Health Information” or “PHI”).

HHS promulgated privacy regulations under HIPAA (the “Privacy Rule”) that protect the privacy of PHI maintained by health care providers (including hospitals), health plans, and health care clearinghouses (collectively, “Covered Entities”) and provide individuals with certain rights regarding their PHI (including, for example, access to PHI, amending PHI, and receiving an accounting of disclosures of PHI). Security regulations have also been promulgated under HIPAA (the “Security Rule”). The Security Rule requires Covered Entities to have certain administrative, technical and physical safeguards in place to ensure the confidentiality, integrity and availability of all electronic PHI they create, receive, maintain or transmit. Additionally, HHS promulgated regulations to standardize the electronic transfer of information pursuant to certain enumerated transactions (the “Transactions and Code Sets Rule”).

The 2009 Health Information Technology for Economic and Clinical Health (“HITECH”) Act significantly changed the landscape of federal privacy and security laws regarding PHI. The HITECH Act (i) extended the reach of HIPAA, certain provisions of the Privacy Rule, and the Security Rule; (ii) imposed a breach notification requirement on HIPAA Covered Entities and their business associates; (iii) limited certain uses and disclosures of PHI; (iv) increased individuals’ rights with respect to PHI; and (v) increased enforcement of, and penalties for, violations of the privacy and security of PHI.

The HITECH Act also created a federal breach notification requirement that mirrors protections that many states have passed in recent years. This requirement provides that the Obligated Issuers must notify patients of any unauthorized access, acquisition or disclosure of their unsecured PHI that poses more than a very low probability that the PHI was compromised. In addition, a new breach notification requirement was established requiring reporting to the Secretary of HHS and, in some cases, local media outlets, of certain unauthorized access, acquisition or disclosure of unsecured PHI that poses more than a very low probability that the PHI was compromised.

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

Any violation of HIPAA, the HITECH Act or the regulations promulgated thereunder is subject to HIPAA civil and criminal penalties, including monetary penalties and/or imprisonment. Management of the Obligated Issuers believes that all of its health care facilities are in substantial compliance with HIPAA, the HITECH Act, and the rules promulgated thereunder.

Federal “Fraud and Abuse” Laws and Regulations. The federal health care program anti-kickback statute (the “Anti-Kickback Statute”) is a broad criminal statute that prohibits one person from “knowingly and willfully” giving (or offering to give) “remuneration” to another person if the payment is intended to “induce” the recipient to: (i) refer an individual to a person for the furnishing, or arranging for the furnishing, of any item or service for which payment may be made, in whole or in part, under a federal health care program (i.e., a “covered item or service”); (ii) purchase, order, or lease any covered item or service; (iii) arrange for the purchase, order, or lease of any covered item or service; or (iv) recommend the purchase, order, or lease of any covered item or service. The Anti-Kickback Statute also prohibits the solicitation or receipt of remuneration for any of these purposes.
Because the Anti-Kickback Statute is so broad, it covers a variety of common and non-abusive arrangements. Recognizing this overbreadth, Congress and the HHS Office of Inspector General (“OIG”) – the lead enforcement agency with respect to the Anti-Kickback Statute – have established a large number of statutory exceptions and regulatory safe harbors (collectively, “safe harbors”). An arrangement that fits squarely into a safe harbor is immune from prosecution under the Anti-Kickback Statute. The safe harbors tend to be narrow, however, and OIG takes the position that immunity is afforded only to those arrangements that “precisely meet” all of the conditions of a safe harbor. Moreover, safe harbors do not exist for every type of arrangement that does (or may) implicate the Anti-Kickback Statute. Failure to meet a safe harbor is not a per se violation.

Where the Anti-Kickback Statute has been violated, the government may proceed criminally or civilly. If the government proceeds criminally, a violation of the Anti-Kickback Statute is a felony punishable by up to five years imprisonment, a fine of up to $25,000 and mandatory exclusion from participation in all federal health care programs. If the government proceeds civilly, it may impose a civil monetary penalty (“CMP”) of $50,000 per violation and an assessment of not more than three times the total amount of “remuneration” involved, and may even exclude the offering or receiving party from participation in all federal health care programs. Many states, including Wisconsin, have enacted laws similar to, and in some cases broader than, the Anti-Kickback Statute.

Management of the Obligated Group has taken and is taking steps it believes are reasonable to ensure that its contracts with physicians and other referral sources are in material compliance with the Anti-Kickback Statute. However, in light of the narrowness of the safe harbors and the scarcity of case law interpreting the Anti-Kickback Statute, there can be no assurances that the Obligated Group will not be found to have violated the Anti-Kickback Statute and, if so, whether any sanction imposed would have a material adverse effect on the operations of the Obligated Issuers.

The Federal False Claims Act. The FCA provides that any person who “knowingly presents, or causes to be presented” a “false or fraudulent claim for payment or approval” to the United States, and its agents and contractor is liable for a civil penalty ranging from $5,500 to $11,000 per claim, plus treble damages sustained by the government. Under the FCA’s so-called “reverse false claims,” liability also could arise for “using” a false record or statement to “conceal,” “avoid” or “decrease” an “obligation to pay or transmit money or property to the Government.” The FCA also empowers and provides incentives to private citizens (commonly referred to as qui tam relator or whistleblower) to file suit on the government’s behalf. The qui tam relator’s share of the recovery can be between 15% and 25% in cases in which the government intervenes, and 25% to 30% in cases in which the government does not intervene. The government may use the FCA to prosecute Medicare and other government program fraud in areas such as coding errors, billing for services not provided and submitting false cost reports.

Amendments to the FCA in the Fraud Enhancement and Recovery Act of 2009 (“FERA”) and the Affordable Care Act amend and expand the reach of the FCA. FERA expanded the FCA’s reverse false claims provision, imposing liability on any person who “knowingly conceals” or “knowingly and improperly avoids or decreases” an “obligation to pay or transmit money or property to the Government,” whether or not the person uses a false record in doing so. FERA also clarified that an “obligation” can arise from the retention of an overpayment. Section 6402 of the Affordable Care Act further addresses the retention of overpayments by defining the term overpayment and the circumstances and timing under which an overpayment must be returned to the government before it becomes an “obligation” under the FCA. FERA and the Affordable Care Act also amend certain jurisdictional bars to the FCA, effectively narrowing the public disclosure bar and expanding the definition of “original source,” thus potentially broadening the field of potential whistleblowers. While the Obligated Issuers make every effort to be in
compliance with applicable federal health care program requirements, there can be no assurance that the Obligated Group will not be subject to an investigation.

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

An entity that submits a claim for reimbursement in violation of the Stark Law must refund any amounts collected and may be subject to civil penalties and exclusion from participation in federal health care programs. In addition, a physician or entity that has participated in a “scheme” to circumvent the operation of the Stark Law is subject to civil penalties and possible exclusion from participation in federal health care programs.

CMS has established a voluntary self-disclosure program under which hospitals and other entities may report Stark violations and seek a reduction in potential refund obligations. However, the program is relatively new and therefore it is difficult to determine at this time whether it will provide significant monetary relief to hospitals that discover inadvertent Stark law violations.

Although the Stark Law only applies to Medicare, a number of states (including Wisconsin) have passed similar statutes pursuant to which similar types of prohibitions are made applicable to all other health plans or third-party payors.

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

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

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

Accreditation. The Obligated Issuers and their operations are subject to regulation and certification by various federal, state and local government agencies and by certain nongovernmental agencies such as The Joint Commission. No assurance can be given as to the effect on current and future operations of the Obligated Issuers of existing laws, regulations and standards or the application thereof for certification or accreditation or of any future changes in such laws, regulations and standards.

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

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

International Classification of Disease, 10th Revision Coding System. In 2009, CMS published the final rule for adopting the International Classification of Disease, 10th Revision coding system (“ICD-10”), pursuant to which health care organizations were required to implement ICD-10 by October 1, 2015. The Obligated Group successfully transitioned to ICD-10 prior to the stated deadline, but remains dependent upon the ability of Medicare, Medicaid and other payors to process and pay claims under ICD-10.

Managed Care and Integrated Delivery Systems

The Obligated Issuers have entered into contractual arrangements with PPOs, HMOs, and other similar MCOs, pursuant to which they agree to provide or arrange to provide certain healthcare services for these organizations’ eligible enrollees. In certain instances, revenues received under such contracts have not been sufficient to cover all costs of services provided. Failure of the revenues received under such contracts to cover all costs of services provided may have a material adverse effect on the operations or financial condition of the Obligated Group.

State Laws. States are increasingly regulating the delivery of healthcare services in response to the federal government’s failure to adopt comprehensive healthcare reform measures. Much of this increased regulation has centered around the managed care industry. State legislatures have cited their right and obligation to regulate and oversee healthcare insurance and have enacted sweeping measures that aim to protect consumers and, in some cases, providers. For example, a number of states have
enacted laws mandating a minimum coverage of 48 hour hospital stays for women after delivery; laws prohibiting “gag clauses” (contract provisions which prohibit providers from discussing various issues with their patients); laws defining “emergencies,” which provide that a healthcare plan may not deny coverage for an emergency room visit if a lay person would perceive the situation as an emergency; and laws requiring direct access to obstetrician-gynecologists without the requirement of a referral from a primary care physician.

Due to this increased state oversight, the Obligated Group could be subject to a variety of state healthcare laws and regulations, affecting both MCOs and healthcare providers. In addition, the Obligated Group could be subject to state laws and regulations prohibiting, restricting, or otherwise governing PPOs, third-party administrators, physician-hospital organizations, independent practice associations or other intermediaries; fee-splitting; the “corporate practice of medicine”; selective contracting (“any willing provider” laws and “freedom of choice” laws); coinsurance and deductible amounts; insurance agency and brokerage; quality assurance, utilization review, and credentialing activities; provider and patient grievances; mandated benefits; rate increases; and many other areas.

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

Dependence Upon Third-Party Payors. The Obligated Group’s ability to develop and expand its services and, therefore, its profitability, is dependent upon the Obligated Group’s ability to enter into contracts with MCOs, PPOs, HMOs and other third-party payors at competitive rates. For the fiscal year ended December 31, 2016, approximately 33% of the managed care portion of the Obligated Group’s payor mix was derived from Anthem/Blue Cross and approximately 21% was derived from United Health Care. No current managed care third-party payor contracts are in jeopardy of expiration. However, there can be no assurance that the Obligated Group will be able to attract and maintain third-party payors in the future, and where it does, no assurance that it will be able to renew contracts or contract with such payors on advantageous terms. The inability of the Obligated Group to contract with a sufficient number of such payors on advantageous terms would have a material adverse effect on the Obligated Group’s operations and financial results. Further, while the Obligated Group employs a variety of systems to control healthcare service utilization and increase quality, the Obligated Group cannot predict changes in utilization patterns or the system’s effect on healthcare providers.

Physician Contracting and Relations. The Obligated Group may wish to contract with physician organizations (“POs”) (e.g., independent physician associations, physician-hospital organizations) to arrange for the provision of physician and ancillary services. Because POs are separate legal entities with their own goals, obligations to shareholders, financial status, and personnel, there are risks involved in contracting with the POs.

The success of the Obligated Group will be partially dependent upon its ability to attract a sufficient number of qualified physicians to meet the needs of the patients and the communities in which it operates. See “INFORMATION CONCERNING THE OBLIGATED ISSUERS – Holy Family Memorial, Inc. – Medical Staff/Employed Physicians,” “Franciscan Care Services Inc., – Medical Staff/Employed Physicians” and “OTHER INFORMATION – Employees” in APPENDIX A to this Official Statement.

Capitated Payments. Under the traditional fee-for-service method of health care delivery, hospitals, physicians and other providers are reimbursed on a per-service basis and thus have a financial
incentive to provide more services, which, in turn, generate more revenue. Under a capitated payment arrangement, in contrast, providers are reimbursed on a “per member, per month” basis; the provider bears some or all of the risk if the cost of services provided exceeds the amount of the capitation payments. This creates an incentive to control utilization of services.

Capitated contracts may cover hospital and professional services separately, or together as “full-risk” contracts. In either case, the provider assumes financial responsibility for the provision of covered health care services to enrollees under such contracts. The financial risk of such arrangements for a hospital is increased by a variety of factors, including, but not limited to, the following: utilization of facilities and services by enrollees above expected levels; increases in the hospital’s cost of providing health care services; increases in the cost of emergency care provided by out-of-area providers; increases in the cost of tertiary care provided by providers other than the hospital; and the size or demographic makeup of the enrollee pool. Insufficient information regarding historical costs, utilization or other factors or inability to manage care jointly with other providers (including physicians) may adversely affect a network’s ability to manage the risks of a capitated payment arrangement.

Risks Related to Long-Term Care Facilities

**Federal Laws.** In order to participate in the Medicare and Medicaid programs, long term care facilities must meet certain requirements for participation. On September 28, 2016, CMS issued a final rule updating such requirements, which had not been comprehensively updated since 1991. The finalized provisions reflect advances in the theory and practice of service delivery and safety, and implement sections of the Affordable Care Act. The regulations became effective as of November 28, 2016, but are being implemented through a phased approach, with full implementation expected by November 28, 2019.

**Failure to Achieve or Maintain Occupancy or Turnover.** The economic feasibility of the Project depends in part upon the ability of Franciscan Care and St. Joseph to attract sufficient numbers of residents to the Project facilities and to achieve and maintain substantial occupancy throughout the term of the Series 2017A Bonds. This depends to some extent on factors outside management’s control such as the resident’s right and Franciscan Care’s and St. Joseph’s right to terminate their respective residency agreements, subject to the conditions provided in such residency agreements. If market changes result in a decrease in occupancy or the aggregate fees payable by new residents of the Project facilities, the Obligated Group’s revenues may be impaired. Such impairment would also result if either Franciscan Care or St. Joseph are unable to remarket independent living or assisted living units becoming available when residents die, withdraw, or are transferred to the assisted living units or a nursing facility.

**Rights of Residents.** Although under the residency contracts relating to the Obligated Issuers’ long term care facilities (the “Facilities”), residents of the Facilities are not expected to have a lien on or claim against any property of the Obligated Group, there can be no certainty that residents of the Facilities could not successfully claim or otherwise restrict the use of the Obligated Group’s property in bankruptcy proceedings or other disputes. In the event that the Trustee seeks to enforce any of the remedies provided by the Loan Agreement upon the occurrence of a default thereunder, it is impossible to predict any judicial resolution of competing claims between the Trustee and the residents of the Facilities who have fully complied with all the terms and conditions of their residency contracts.

**The Nature of the Income of the Elderly.** A large percentage of the monthly income of some of the residents of the Facilities is expected to be fixed income derived from pensions and social security. In addition, some residents of the Facilities may liquidate assets in order to pay the charges for occupancy at the Facilities. If, due to inflation or otherwise, substantial increases in other charges are required to cover increases in operating costs, wages, benefits and other expenses, without a corresponding costs of living
increase in retirement pay, pensions and social security, some residents may have difficulty paying or may be unable to pay such increased charges. Furthermore, investment income of the residents may be adversely affected by declines in market interest rates, also resulting in payment difficulties.

*Fair Housing and Anti-Discrimination Laws.* There are a number of federal and state laws governing discrimination on the basis of age, disability, familial status, religion, race, gender and national origin, including the Age Discrimination Act of 1975, the Americans with Disabilities Act, the Rehabilitation Act of 1973, the Fair Housing Amendments Act of 1989, the Fair Housing Act of 1968 and the Affordable Care Act. There are no assurances that the Obligated Group will not be subject to regulatory action to enforce these laws with respect to residents and the Facilities or legal action by residents to enforce their rights under these laws.

*Organized Resident Activity.* The Obligated Group may, from time to time, be subject to pressure from organized groups of residents seeking, among other things, to raise the level of services or to maintain the level of charges without increase. While such pressure from small groups of residents is not unusual, no assurance can be given that such pressure will not escalate into more serious organized activity such as a general payment strike. Moreover, management of the Obligated Group may be subject to conflicting pressures from different groups of residents, some of whom may seek an increase in the level of services while others may wish to hold down monthly service fees and other charges. In such event, no assurance can be given that management of the Obligated Group will be able to satisfactorily meet the needs of such residents and dissatisfied residents may choose to terminate their residency contracts.

*Risks Associated with Residents’ Financial Position.* There can be no assurance that residents will have sufficient assets and income in all cases to pay their obligations to the Obligated Issuers during their lifetime. Such Obligated Issuer may assist residents who become unable to pay fees and other charges of such Obligated Issuer by reason of circumstances beyond their control. However, the increased cost of care resulting from cost increase generally and financial assistance to a significant number of residents could adversely affect the financial condition of the Obligated Group.

**Antitrust**

Enforcement of the antitrust laws against healthcare providers is becoming more common, and antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, third-party contracting, physician relations, and joint venture, merger, affiliation and acquisition activities. In some respects, the application of federal and state antitrust laws to healthcare is still evolving, and enforcement activity by federal and state agencies appears to be increasing. At various times, healthcare providers may be subject to an investigation by a governmental agency charged with the enforcement of antitrust laws, or may be subject to administrative or judicial action by a federal or state agency or a private party. Violation of the antitrust laws could be subject to criminal and civil enforcement by federal and state agencies, as well as by private litigants.

The ability to consummate mergers, acquisitions or affiliations may also be impaired by the antitrust laws, potentially limiting the ability of healthcare providers to fulfill their strategic plans. Liability in any of these or other antitrust areas of liability may be substantial, depending on the facts and circumstances of each case.

**Cybersecurity**

Healthcare providers are highly dependent upon integrated electronic medical record and other information technology systems to deliver high quality, coordinated and cost-effective care. These
systems necessarily hold large quantities of highly sensitive protected health information that is highly valued on the black market for such information. As a result, the electronic systems and networks of healthcare providers are considered likely targets for cyberattacks and other potential breaches of their systems. In addition to regulatory fines and penalties, the healthcare entities subject to the breaches may be liable for the costs of remediating the breaches, damages to individuals (or classes) whose information has been breached, reputational damage and business loss, and damage to the information technology infrastructure. The Obligated Group has taken, and continues to take measures to protect its information technology system against such cyberattacks, but there can be no assurance that the Obligated Group will not experience a significant breach. If such a breach occurs, the financial consequences of such a breach could have a materially adverse impact on the Obligated Group.

Issues Related to the Healthcare Markets of the Obligated Group

Affiliation, Merger, Acquisition and Divestiture. Significant numbers of affiliations, mergers, acquisitions and divestitures have occurred in the healthcare industry in recent years. As part of its ongoing strategic planning process, the Corporation considers potential joint ventures, affiliations, acquisitions and similar transactions with entities which may become affiliated with or become part of the Obligated Group in the future, and also considers the divestiture of certain of its operations or properties. As a result, it is possible that certain newly acquired or affiliated organizations and their assets and liabilities may be added to the Obligated Group, existing service lines or affiliate relationships may be expanded, renovations may be made to existing facilities, or certain existing facilities may no longer be part of the Obligated Group, although the Obligated Group may continue to be responsible for any remaining liabilities attributable to the divested facilities, if the consideration received for the divested property would be insufficient to pay any related liabilities.

In addition to relationships with other hospitals or physician groups, the Obligated Group may consider investments, ventures, affiliations, development and acquisition of other health-care related entities. These may include other health care entities that support the overall operations of the Obligated Group. In addition, the Obligated Group may pursue transactions with health insurers, third-party administrators and other health insurance related businesses. Because of the integration occurring throughout the health care field, management will consider these arrangements if they may have strategic or operational benefits for the Obligated Group. Any initiative may involve significant capital commitments and/or capital or operating risk (including, potentially, insurance risk) in a business in which the Obligated Group may have less expertise than in hospital operations. There can be no assurance as to the impact that any such transaction would have on the financial results of the Obligated Group.

While the income received from certain joint venture activities of an Obligated Issuer would contribute to the operating income of the Obligated Group, the sale of the underlying assets of those joint ventures or an Obligated Issuer’s interest in those joint ventures may not be available as a source of payment for the Series 2017A Obligation, since under the governing documents of such joint ventures the applicable Obligated Issuer may not be able to force such sale. See APPENDIX A – “HISTORY AND ORGANIZATION – The Non-Obligated Affiliates – Genesis HealthCare System.” In addition, the Obligated Issuers may not compel such joint ventures to contribute funds as necessary to make payments on the Series 2017A Obligation, because such joint ventures are not Obligated Issuers. Joint ventures activities of an Obligated Issuer may also involve a requirement to contribute capital or make other investments, and, in some instances, such contributions or investments may be material. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Definitions of Certain Terms - Income Available for Debt Service,” for more information on the Master Indenture; and Note 14 in APPENDIX B hereto for a description of certain joint ventures.
**Possible Increased Competition.** The Obligated Group could face increased competition in the future from other hospitals and from other forms of healthcare delivery that offer healthcare services to the populations which the Obligated Group currently serves. This could include the construction of new or the renovation of existing hospitals, ambulatory surgery centers, free standing emergency facilities, private laboratory and radiological services, intermediate nursing home care, preventive care and drug and alcohol abuse programs. Specifically, the emergence of groups of physician-investors could erode premium medical services from the Obligated Group, and such physician-investor groups could also recruit physicians and staff from the Obligated Group’s hospitals.

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

**Nonprofit Healthcare Environment**

Each Obligated Issuer is a nonprofit corporation, exempt from federal income taxation as organizations described in the Code. As a nonprofit tax-exempt organization, each Obligated Issuer is subject to federal, state and local laws, regulations, rulings and court decisions relating to its organizations and operations, including its operation for charitable purposes. At the same time, several of the Obligated Issuers conduct large-scale complex business transactions and the Obligated Group’s hospitals are major employers in their geographic areas. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex healthcare organization.

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

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

**Litigation Relating to Billing and Collection Practices.** Lawsuits have been filed in both federal and state courts alleging, among other things, that hospitals have failed to fulfill their obligations to provide charity care to uninsured patients and have overcharged uninsured patients. The cases are proceeding in various courts around the country with inconsistent results. While it is not possible to make general predictions, some hospitals and health systems have incurred substantial costs in defending such lawsuits and in some cases have entered into substantial settlements. As of the date of this Official Statement, none of the Obligated Issuers are named or anticipate being served as a defendant in litigation relating to billing and collection practices.

**Challenges to Real Property Tax Exemptions in Wisconsin.** Recently, the real property tax exemptions afforded to certain nonprofit healthcare providers by certain state and local taxing authorities have been challenged on the grounds that the healthcare providers were not engaged in charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices and excessive financial margins. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements. In July 2011, the Wisconsin Supreme Court affirmed that off-campus hospital outpatient facilities qualify for Wisconsin property tax exemption. Specifically, the Wisconsin Supreme Court held that a hospital outpatient facility operated by Wheaton Franciscan Healthcare in Wauwatosa, Wisconsin is exempt from the property tax under the same statute that exempts hospitals. Although this decision will allow Wisconsin hospitals to maintain property tax exemption for off-campus facilities that provide hospital-based outpatient services, there can be no assurance that future disputes challenging property tax exemption of other healthcare facilities will not arise within the State or other states. As a result, while the Obligated Group is not aware of any current challenge to the tax exemption afforded to any of its material real property, there can be no assurance that these types of challenges will not occur in the future.

**Form 990 and Instructions.** The IRS Form 990 is used by most 501(c)(3) not-for-profit organizations exempt from federal income taxation to submit information required by the federal government. The Form 990 now requires detailed disclosure of compensation practices, corporate governance, loans to management and others, joint ventures and other types of transactions, political campaign activities, and other areas the IRS deems to be compliance risk areas. The Form 990 also requires the disclosure of information on community benefit as well as reporting of information related to tax-exempt bonds, including compliance with the arbitrage rules and rules limiting private use of bond-financed facilities, including compliance with the safe harbor guidance in connection with management contracts and research contracts. The Form 990 is intended to provide enhanced transparency as to the operations of exempt organizations. It is likely that the IRS will use the detailed information to assist in its enhanced enforcement efforts.

**Risks Related to Tax-Exempt Status**

**Tax Exemption for Nonprofit Hospitals.** Loss of tax-exempt status, i.e., status as an organization described in Section 501(c)(3) of the Code, by the Corporation or by any owner or user of property financed or refinanced with the proceeds of the Series 2017A Bonds could result in loss of tax exemption of the Series 2017A Bonds and of other tax-exempt debt issued therefor, and defaults in covenants regarding the Series 2017A Bonds and such other related tax-exempt debt would likely be triggered. Such an event would have material adverse consequences on the financial condition of the Obligated Group. Management of the Obligated Group is not aware of any transactions or activities currently ongoing that are likely to result in the revocation of the tax exempt status of any Obligated Issuer.
Joint Ventures. The maintenance by an entity of its tax-exempt status depends, in part, upon its maintenance of its status as an organization described in Section 501(c)(3) of the Code. The maintenance of tax-exempt status is contingent upon compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including its operation for charitable and educational purposes and its avoidance of transactions which may cause its assets to inure to the benefit of private individuals. The IRS has announced that it intends to closely scrutinize transactions between nonprofit hospitals and for-profit entities, and in particular has issued revised audit guidelines for tax-exempt hospitals. Although specific activities of hospitals, such as medical office building leases and compensation arrangements and other contracts with physicians, have been the subject of interpretations by the IRS in the form of Private Letter Rulings, many activities have not been addressed in any official opinion, interpretation or policy of the IRS. Because Obligated Issuers conduct large-scale and diverse operations involving private parties, including joint ventures, there can be no assurance that certain of its transactions would not be challenged by the IRS which could adversely affect the tax-exempt status of the Obligated Issuers or its affiliates.

Certain Obligated Issuers are and will be participants in a variety of joint ventures and transactions with physicians and certain other entities for ambulatory and ancillary services. Management of the Obligated Group believes that the joint ventures and transactions to which Obligated Issuers are and will be a party are consistent with the requirements of its tax-exempt status and that the income derived from such joint ventures has been reported correctly.

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

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of nonprofit corporations. There can be, therefore, no assurance that future changes in the laws and regulations of the federal, state or local governments will not materially and adversely affect the operations and revenues of the Obligated Group by requiring them to pay income or real estate taxes.

Tax-Exempt Status of the Series 2017A Bonds. The tax-exempt status of the Series 2017A Bonds is based on the continued compliance by the Authority, the Obligated Issuers and any other owners or users of property financed or refinanced with proceeds of the Series 2017A Bonds with certain covenants relating generally to restrictions on the use of the facilities financed or refinanced with the proceeds of the Series 2017A Bonds, arbitrage limitations and rebate of certain excess investment earnings to the federal government and status of users of the properties financed or refinanced with the proceeds of the Series 2017A Bonds as organizations described in Section 501(c)(3) of the Code (See “Tax Exemption for Nonprofit Hospitals” above). In the event that the Series 2017A Bonds become subject to federal income taxation retroactive to the date of issuance, such Series 2017A Bonds are not subject to redemption solely as a consequence thereof, although the principal thereof may be accelerated. No additional interest or penalty is payable in the event of the taxability of interest on any of the Series 2017A Bonds.

For the past several years, the IRS has increased the frequency and scope of its examination and other enforcement activity regarding tax-exempt organizations and tax-exempt bonds. Currently, the primary penalties available to the IRS under the Code are the revocation of tax-exempt status of an organization and a determination that interest on tax-exempt bonds is subject to federal income taxation. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit corporations, it could do so in the future. Loss of tax-exempt status by the Obligated Issuers or any other owner or user
of property financed or refinanced with proceeds of the Series 2017A Bonds could potentially result in loss of the tax exemption of the interest on the Series 2017A Bonds, and defaults in covenants regarding the Series 2017A Bonds could be triggered. Loss of such tax-exempt status could also result in substantial tax liabilities on income of the Obligated Group.

In addition, although the IRS has only infrequently taxed the interest received by holders of bonds that were represented to be tax-exempt, the IRS has examined a number of bond issues and concluded that such bond issues did not comply with applicable provisions of the Code and related regulations. No assurance can be given that the IRS will not examine the purchaser, a Bondholder, any of the Obligated Issuers or the Series 2017A Bonds. If the Series 2017A Bonds are examined, it may have an adverse impact on their marketability and price. Based on the use of proceeds from the sale of the Series 2017A Bonds described herein and in APPENDIX A, and on the representations and warranties of the Obligated Group as to factual matters and the opinions of counsel to the Obligated Group, Bond Counsel will deliver its opinion in the form attached as APPENDIX E to this Official Statement.

Charity Care

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

As further described above under the caption “BONDHOLDERS’ RISKS – Nonprofit Healthcare Environment – Litigation Relating to Billing and Collection Practices,” charity care issues also serve as the basis of certain claims against major hospital systems throughout the United States on behalf of uninsured patients. Past lawsuits that have been filed against nonprofit hospitals allege a number of claims against the hospital defendants, including claims that the defendants, by accepting tax-exempt status, entered into agreements with the federal, state and local governments promising to provide free or reduced care to all those who need it; the uninsured patients are beneficiaries of those agreements and can bring suit on them; the defendants engaged in illegal and oppressive tactics against the uninsured; the defendants engaged in illegal price discrimination by charging the uninsured rates far in excess of the rates charged to such third party payors as Medicare and certain insurers; the defendants violated state consumer fraud statutes; the defendants allowed a portion of their properties to be used by for-profit entities at less than fair value and engaged in other inappropriate transactions with doctors and certain insiders; the defendants transferred monies illegally to their affiliates for other than charitable purposes; and the defendants and the American Hospital Association, another named defendant in many of the lawsuits, conspired with the defendants to charge illegal prices to the uninsured.

Schedule H to the new Form 990 requires the organization to identify if it has a charity care policy and to provide a description of that policy. The schedule also requires an organization to report the community benefits that it provides, including the cost of providing charity care and other benefits. The required reporting of this information on the Form 990 makes the information more readily available and perhaps will lead to additional IRS compliance efforts.
Hospital and Nursing Home Star Ratings

On July 27, 2016, CMS published its overall hospital, nursing home, and other healthcare provider quality star ratings. The ratings are a composite metric consisting of one to five stars (five being the best) and intended to convey the overall quality of nearly 4,000 hospitals, 15,000 nursing homes and other healthcare facilities in the U.S. Ratings are posted to CMS’s website. Each hospital rating summarizes up to 64 quality measures reflecting common conditions that hospitals treat, such as heart attacks or pneumonia, whereas each nursing home rating summarizes up to 24 quality measures reflecting common conditions that nursing homes treat, such as pressure ulcers and injuries resulting from falls. Along with the overall rating, CMS’ Hospital Compare and Nursing Home Compare include information on other aspects of quality, such as rates of infection and complications and patients’ experiences. The overall rating shows how well each provider performed, on average, compared to other applicable providers in the U.S. CMS maintains its star ratings will provide consumers an important tool for comparing providers both locally and nationwide. The hospital facilities owned and operated by Holy Family Memorial and Franciscan Care have each been assigned a rating of four stars. The skilled nursing facility owned and operated by St. Paul has been assigned a rating of five stars. Obligated Group management is unable to determine at this time what impact such ratings may have on utilization rates of the Obligated Group’s hospitals and financial condition of the Obligated Group.

Code Section 501(r)

The provisions of the Affordable Care Act provided for a new Code Section 501(r), which adds certain requirements that not for profit hospital organizations must meet in order to attain or to maintain Code Section 501(c)(3) tax-exempt status. Among other things, a hospital must: (i) establish a written financial assistance policy (“FAP”) and a policy relating to emergency medical care meeting the requirements of Code Section 501(r)(4); (ii) limit the amounts charged for emergency or other medically necessary care provided to individuals eligible for assistance under the hospital’s FAP to not more than the amounts generally billed to individuals who have insurance covering such care (“AGB”); and (iii) make reasonable efforts to determine whether an individual is FAP-eligible before engaging in extraordinary collection actions.

The IRS released final regulations regarding the requirements of Section 501(r) applicable to tax-exempt hospital organizations, which provide guidance regarding Section 501(r)’s requirements for community health needs assessments, financial assistance policies, limitations on charges, and billing and collection policies, and clarify the consequences for failing to meet the various requirements thereunder.

A failure to comply with the provisions of Section 501(r) and the final regulations could result in a loss of Section 501(c)(3) tax-exempt status. Management of the Obligated Group believes that the Obligated Issuers are currently in material compliance with the requirements of Section 501(r). For further information regarding the Affordable Care Act, see “BONDBORERS’ RISKS – Affordable Care Act” herein.

Bond Audits

IRS officials have indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector. Tax-exempt bonds issued on behalf of the Obligated Group may be, from time to time, subject to audits by the IRS. Management of the Obligated Group believes that such bonds properly comply with the tax laws applicable to tax-exempt bonds. There can be no assurance that an audit of such bonds would not adversely affect the Obligated Group.
Risks Related to Variable Rate Indebtedness

Immediately following the issuance of the Series 2017A Bonds and the refunding of the Series 2007 Bonds, indebtedness outstanding under the Master Indenture in the principal amount of approximately $18,750,000 will be subject to variable interest rate exposure. The Obligated Group has certain swaps in place which hedge variable rate indebtedness and are structured so that the Obligated Group pays a fixed rate. See “BONDHOLDERS’ RISKS – Interest Rate Swap and Other Hedge Risk” herein. Variable interest rates vary from time to time and may in certain cases be converted to fixed interest rates. This protection against rising interest rates is limited, however, because the Obligated Group would be required to continue to pay interest at the applicable variable rate until it is permitted to either convert the obligation to a fixed rate pursuant to the terms of the applicable transaction documents or restructure, refinance or pay such obligation. In the event an obligation is converted to a fixed rate, there is no assurance what such fixed rates will be at the applicable time. In addition, there is no assurance that any variable rate debt subject to self-liquidity will not need to be paid in full on short notice by the Obligated Group in accordance with the related documents.

Markets for the Series 2017A Bonds

Subject to prevailing market conditions, the Underwriter intends, but is not obligated, to make a market in the Series 2017A Bonds.

Bond Rating

There is no assurance that the rating assigned to the Series 2017A Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for, and marketability of, the Series 2017A Bonds. See “RATING” herein.

Labor Matters

Not-for-profit healthcare providers and their employees are under the jurisdiction of the National Labor Relations Board (“NLRB”). As of December 31, 2016, the Obligated Issuers collectively had approximately 1,300 full-time equivalent employees. Employees of the Obligated Issuers are not covered by collective bargaining agreements. While management of the Obligated Group believes that its overall employee relations are good, there can be no assurance that unionization will not occur among any of the employees of the Obligated Issuers. Unionization of employees could cause an increase in costs.

Nursing, Technician and Specialty Physician Shortage

During certain periods of time, the healthcare industry may experience a shortage of nurses, technicians, physicians in certain specialties and other related staff, which can result in increased costs and lost revenues due to the need to hire agency nursing personnel at higher rates, to increased compensation levels, and to the inability to use otherwise available beds as a result of staffing shortages. If the Obligated Issuers were to experience shortages of certain staff, it would increase employment costs at certain of its facilities and may adversely affect the Obligated Group’s operations.

Construction Risks

Construction of the Project is subject to the usual risks associated with construction projects including, but not limited to, delays in issuance of required building permits or other necessary approvals or permits, strikes, labor disputes, shortages of materials and/or labor, transportation delays, restrictions related to endangered species, adverse weather conditions, fire, casualties, acts of God, war, acts of public
enemies, terrorism, orders of any kind of federal, state, county, city or local government, insurrections, riots, adverse conditions not reasonably anticipated or other causes beyond the control of the Obligated Group or its contractors. Such events could result in delayed marketing, substantial completion, and/or occupancy of the project facilities and thus the revenue flow therefrom. In addition, substantial completion and occupancy of the project facilities may be extended by reason of changes authorized by Holy Family Memorial, St. Paul or St. Joseph, as applicable; delays due to acts of neglect of Holy Family Memorial, St. Paul or St. Joseph, as applicable, or by independent contractors employed by such applicable Obligated Issuers and their affiliates. Cost overruns could also result in the Obligated Group not having sufficient money to complete construction of the Project, thereby materially affecting the receipt of revenues needed to pay the Series 2017A Bonds.

Other Risk Factors Affecting the Obligated Group

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

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

ii. Decreases in population within the service areas of the Obligated Group’s hospitals and other healthcare facilities;

iii. Increased unemployment or other adverse economic conditions which could increase the proportion of patients or residents, as applicable, who are unable to pay fully for the cost of services provided;

iv. The enactment of additional legislation restricting or regulating the operation of residential care facilities or creating additional residents’ rights;

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

vi. The occurrence of natural disasters, including floods and earthquakes, or terrorist actions, which may damage the facilities of the Obligated Group or any future Obligated Issuer, interrupt utility service to the facilities, or otherwise impair the operation and generation of revenues from said facilities.

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

Certain Matters Relating to Security for the Series 2017A Bonds

See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017A BONDS” for a discussion of certain provisions of the Master Indenture. The facilities of the Obligated Group are not pledged as security for the Series 2017A Bonds. The Obligated Group’s facilities are not comprised of general purpose buildings and generally would not be suitable for industrial or commercial use and consequently, it could be difficult to find a buyer or lessee for such facilities. If it were necessary to proceed against such facilities, whether pursuant to a judgment, if any, against the Obligated Group or otherwise, upon any default which results in the acceleration of the Series 2017A Bonds, an amount may not be realized sufficient to pay in full the Obligations, including the Series 2017A Obligation, from the sale or lease of such facilities.
Certain amendments to the Bond Indenture may be made without the consent of any Holders of the outstanding Series 2017A Bonds and certain other amendments to the Bond Indenture may be made with the consent of the Holders of not less than a majority of the principal amount of the outstanding Series 2017A Bonds. Certain amendments to the Master Indenture may be made without the consent of any Holders of Obligations and certain other amendments to the Master Indenture may be made with the consent of the Holders of not less than a majority of the principal amount of Obligations Outstanding under the Master Indenture. Such amendments may adversely affect the security of the Bondholders.

With respect to amendments to the Master Indenture requiring the consent of the Holders of not less than a majority of the principal amount of Obligations Outstanding under the Master Indenture, the Holders of the requisite percentage of Outstanding Obligations may be composed wholly or partially of the Holders of additional Obligations. Such amendments may adversely affect the security of the Bondholders. See “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE” in APPENDIX C hereto.

Revenues

The Revenues pledge may not be released without the consent of a majority of the Holders of the Obligations outstanding under the Master Indenture. The Master Indenture provides that the Master Trustee’s security interest in the accounts receivable of the Obligated Group, which are included in the Revenues, may under certain circumstances be subordinate to a security interest in such accounts receivable granted to other creditors of an Obligated Issuer. See “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE” in APPENDIX C hereto. In addition, the effectiveness of the security interest in the Revenues of the Obligated Group pursuant to the Master Indenture may be limited by a number of factors, including (i) the absence of an express provision permitting assignment of receivables due any Obligated Issuer under the Medicare and Medicaid programs or under capitated risk contracts, and present or future prohibitions against assignment contained in any federal statutes or regulations; (ii) certain judicial decisions that cast doubt upon the right of the Master Trustee, in the event of the bankruptcy or any Obligated Issuer, to collect and retain accounts receivable from Medicare, Medicaid, general assistance and other governmental programs; (iii) statutory liens; (iv) rights arising in favor of the United States of America or any agency thereof; (v) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (vi) federal bankruptcy laws which may affect the priority of claims against the assets of the Obligated Group and the enforceability of the Bond Indenture or the security interest in the Revenues which are earned by any Obligated Issuer within 90 days preceding and after any effectual institution of bankruptcy proceedings by or against such Obligated Issuer, (vii) rights of third parties in the Obligated Group’s revenues converted to cash and not in the possession of the Bond Trustee or the Master Trustee; and (viii) claims that might gain priority if appropriate financing or continuation statements are not filed in accordance with the Wisconsin and Nebraska Uniform Commercial Code as from time to time in effect.

Matters Relating to Enforceability of the Master Indenture

The accounts of the Corporation, its affiliates (whether or not such affiliates are Obligated Issuers) and the Obligated Issuers may be combined for financial reporting purposes, and the combined accounts will be used in determining whether various covenants and financial tests contained in the Master Indenture have been met (including financial tests which must be met as conditions to transactions such as the incurrence of additional debt, the consummation of a merger or the transfer of assets to third parties). It is possible, therefore, that the addition of Obligated Issuers could weaken the financial condition of the Obligated Group and diminish the financial performance of the Obligated Group to the minimum levels permitted by the Master Indenture. The joint and several obligations described herein of Obligated Issuers to make payments of debt service on Obligations issued under the Master Indenture may not be enforceable to the extent (i) enforceability may be limited by applicable bankruptcy,
moratorium, reorganization or similar laws affecting the enforcement of creditors’ rights and by general equitable principles and (ii) such payments (a) are requested to be made on any Obligations which are issued for a purpose which is not consistent with the charitable purposes of the Obligated Issuers from which such payments are requested or which are issued for the benefit of any entity other than a tax-exempt organization; (b) are requested to be made from any moneys or assets which are donor restricted or which are subject to a direct or express trust which does not permit the use of such moneys or assets for such a payment; (c) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the Obligated Issuer from which such payment is requested; or (d) are requested to be made pursuant to any loan violating applicable usury laws.

An Obligated Issuer may not be required to make any payment to provide for the payment of any Obligation, or portion thereof, the proceeds of which were not loaned or otherwise disbursed to such Obligated Issuer to the extent that such transfer would render the Obligated Issuer insolvent or which would conflict with, not be permitted by or which is subject to recovery for the benefit of other creditors of such Obligated Issuer under applicable fraudulent conveyance, bankruptcy or moratorium laws. There is no clear precedent in the law as to whether such transfers from an Obligated Issuer in order to pay debt service on the Obligations may be voided by a trustee in bankruptcy in the event of bankruptcy of the Obligated Issuer, or by third-party creditors in an action brought pursuant to state fraudulent transfer or fraudulent conveyance statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under state fraudulent transfer or fraudulent conveyance statutes and common law, a creditor of a related guarantor, may avoid any obligation incurred by a related guarantor if, among other basis therefor, (i) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty and (ii) the guarantor renders the guarantor insolvent, as defined in the United States Bankruptcy Code or applicable state fraudulent transfer or fraudulent conveyance statutes, or the guarantor is undercapitalized.

Application by courts of the tests of “insolvency,” “reasonably equivalent value” and “fair consideration” has resulted in a conflicting body of case law. It is possible that, in an action to force an Obligated Issuer to pay debt service on an Obligation for which it was not the direct beneficiary, a court might not enforce such a payment in the event it is determined that the Obligated Issuer is analogous to a guarantor of the debt of the Obligated Issuer who directly benefited from the borrowing and that sufficient consideration for the Obligated Issuer’s guaranty was not received and that the incurrence of such obligation has rendered or will render the Obligated Issuer insolvent or the Obligated Issuer is or will thereby become undercapitalized.

There exist, in addition to the foregoing, common law authority and authority under applicable state statutes pursuant to which the courts may terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court’s own motion pursuant to a petition of the Attorney General or such other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

Potential Effects of Bankruptcy

If an Obligated Issuer were to file a petition for relief (or if a petition were filed against an Obligated Issuer) under the Federal Bankruptcy Code, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such Obligated Issuer, and its property. If the bankruptcy court so ordered, such Obligated Issuer’s property, including its accounts
receivable and proceeds thereof, could be used for the benefit of such Obligated Issuer despite the claims of its creditors.

In a bankruptcy proceeding, such Obligated Issuer could file a plan for the adjustment of its debts which modifies the rights of creditors generally, or the rights of any class of creditors, secured or unsecured. The plan, when confirmed by the court, would bind all creditors who had notice or knowledge of the plan and discharge all claims against the debtor provided for in the plan. No plan may be confirmed unless, among other conditions, the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

**RATING**

S&P Global Ratings has assigned to the Series 2017A Bonds a long-term rating of “BBB+.” The rating and an explanation of their significance may be obtained from S&P Global Ratings. Such rating reflects only the views of S&P Global Ratings.

The Obligated Group has furnished such rating agency with certain information and materials relating to the Series 2017A Bonds and the Obligated Group that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies, and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of S&P Global Ratings, circumstances so warrant. The Underwriter has no responsibility to bring to the attention of the holders of the Series 2017A Bonds any proposed revision or withdrawal of the rating on the Series 2017A Bonds. Any such change in or withdrawal of such rating could have an adverse effect on the market price of the Series 2017A Bonds.

**INDEPENDENT AUDITORS**

The consolidated financial statements for Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. and Affiliates as of December 31, 2016 and 2015, and for the years then ended, included in APPENDIX B to this Official Statement, have been audited by Plante & Moran, PLLC, independent auditors, as stated in their report appearing therein.

**INTERIM FINANCIAL INFORMATION**

Included in APPENDIX A of this Official Statement is certain unaudited interim financial information. Operating results for the five months ended May 31, 2017 are not necessarily indicative of the results that may be expected for the entire fiscal year ending December 31, 2017. See “OPERATIONAL AND FINANCIAL INFORMATION” in APPENDIX A hereto.

**LITIGATION**

The Authority

There is not now pending or, to the knowledge of the Authority, threatened any litigation restraining or enjoining the issuance or delivery of the Series 2017A Bonds or questioning or affecting the validity of the Series 2017A Bonds or the proceedings or authority under which they are to be issued.
Neither the creation, organization or existence of the Authority nor the title of the present members or other officials of the Authority to their respective positions is being contested. There is no litigation pending or, to the Authority’s knowledge, threatened which in any manner questions the right of the Authority to enter into the Bond Indenture or the Loan Agreement or to secure the Series 2017A Bonds in the manner provided in the Bond Indenture and the Act.

The Obligated Group

There is no litigation pending or, to the knowledge of management of the Obligated Group, threatened which in any manner questions the right of the Obligated Group to secure the Series 2017A Bonds in accordance with the provisions of the Bond Indenture, the Loan Agreement or the Master Indenture. There is no litigation, proceeding or investigation pending for which service of process or notice has been received or, to the knowledge of management of the Obligated Group, threatened except litigation, proceedings or investigations in which the probable ultimate recoveries and the estimated costs and expenses of defense, either will be entirely within the applicable insurance policy limits of the Obligated Group (subject to applicable deductibles) or will not have a materially adverse effect on the operations or condition, financial or otherwise, of the Obligated Group.

LEGAL MATTERS

Legal matters incident to the authorization and validity of the Series 2017A Bonds are subject to the approval of Quarles & Brady LLP, Bond Counsel to the Authority, whose approving opinion will be delivered with the Series 2017A Bonds. Certain legal matters will be passed on for the Authority by Quarles & Brady LLP, its general counsel, for the Obligated Group by its counsel, Hall, Render, Killian, Heath & Lyman, P.C., and for the Underwriter by Nixon Peabody LLP, its counsel.

Potential purchasers of the Series 2017A Bonds should not assume that the Authority, the Obligated Group, the Underwriter or their respective affiliates, or other creditors of the Obligated Group or their respective counsel have not previously engaged in, are not currently engaged in or will not, after the issuance of the Series 2017A Bonds, engage in other transactions with each other or with any affiliates of any of them, and no assurances can be given that there are or will be no past or future relationship or transactions between or among any of these parties or these law firms.

TAX EXEMPTION

In General

The opinion of Bond Counsel and the descriptions of the tax laws contained in this Official Statement are based on laws and official interpretations of them that are in existence on the date the Series 2017A Bonds are issued. There can be no assurance that those laws or the interpretations of them will not change or that new laws will not be enacted or regulations issued while the Series 2017A Bonds are outstanding in a manner that would adversely affect the value of any investment in the Series 2017A Bonds or the tax treatment of the interest paid on the Series 2017A Bonds.

Federal Income Tax Opinion of Bond Counsel

Quarles & Brady LLP, Bond Counsel, will deliver a legal opinion with respect to the federal income tax exemption applicable to the interest on the Series 2017A Bonds under existing law in substantially the form in APPENDIX E hereto.
Other Federal Income Tax Considerations

Interest on the Series 2017A Bonds is included in the adjusted current earnings of corporations for purposes of the alternative minimum tax imposed by Section 55 of the Code. The Code also contains numerous other provisions which could adversely affect the value of an investment in the Series 2017A Bonds for particular Bondholders. For example, (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2017A Bonds or, in the case of a financial institution, that portion of a holder’s interest expense allocated to interest on the Series 2017A Bonds, (ii) Section 265 of the Code denies a deduction for expenses that are allocable to the interest on the Series 2017A Bonds, (iii) Section 265 of the Code denies a deduction for otherwise allowable deductions of a regulated investment company that are allocable to distributions of the interest on the Series 2017A Bonds paid during the taxable year (or after the close of the taxable year pursuant to Section 855 of the Code), (iv) interest on the Series 2017A Bonds may affect the federal income tax liabilities of life insurance companies and, with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2017A Bonds, (v) interest on the Series 2017A Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (vi) passive investment income, including interest on the Series 2017A Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of the Subchapter S corporation is passive investment income and (vii) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account receipts or accruals of interest on the Series 2017A Bonds in determining gross income. There may be other provisions of the Code which could adversely affect the value of an investment in the Series 2017A Bonds for particular Bondholders. Investors should consult their tax advisors to determine how the provisions described under this caption, under the captions “Bond Premium” and “Original Issue Discount” below and other provisions of the Code relating to the ownership of tax-exempt obligations apply to them.

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Series 2017A Bonds. Prospective purchasers of the Series 2017A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

Wisconsin Income Tax

The interest on the Series 2017A Bonds is not exempt from present Wisconsin income taxes.

Bond Premium

To the extent that the initial offering prices of certain of the Series 2017A Bonds are more than the principal amount payable at maturity, such Bonds (“Premium Bonds”) will be considered to have bond premium.

Any Premium Bond purchased in the initial offering at the issue price will have “amortizable bond premium” within the meaning of Section 171 of the Code. The amortizable bond premium of each Premium Bond is calculated on a daily basis from the issue date of such Premium Bond until its stated maturity date (or call date, if any) on the basis of a constant instant rate compounded at each accrual period (with straight line interpolation between the compounding dates). An owner of a Premium Bond
that has amortizable bond premium is not allowed any deduction for the amortizable bond premium; rather the amortizable bond premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Bonds. During each taxable year, such an owner must reduce his or her tax basis in such Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the holder held such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Bond.

Owners of Premium Bonds who did not purchase such Premium Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Bonds. Owners of Premium Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Premium Bonds.

Original Issue Discount

To the extent that the initial public offering price of certain of the Series 2017A Bonds is less than the principal amount payable at maturity, such Bonds ("Discounted Bonds") will be considered to be issued with original issue discount. The original issue discount is the excess of the stated redemption price at maturity of a Discounted Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discounted Bonds were sold ("issue price"). With respect to a taxpayer who purchases a Discounted Bond in the initial public offering at the issue price and who holds such Discounted Bond to maturity, the full amount of original issue discount will constitute interest that is not includible in the gross income of the owner of such Discounted Bond for federal income tax purposes and such owner will not, subject to the caveats and provisions herein described, realize taxable capital gain upon payment of such Discounted Bond upon maturity.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Bond, on days that are determined by reference to the maturity date of such Discounted Bond. The amount treated as original issue discount on a Discounted Bond for a particular semiannual accrual period is generally equal to (i) the product of (x) the yield to maturity for such Discounted Bond (determined by compounding at the close of each accrual period) and (y) the amount that would have been the tax basis of such Discounted Bond at the beginning of the particular accrual period if held by the original purchaser; and less (ii) the amount of any interest payable for such Discounted Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If a Discounted Bond is sold or exchanged between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

For federal income tax purposes, the amount of original issue discount that is treated as having accrued with respect to such Discounted Bond is added to the cost basis of the owner in determining gain or loss upon disposition of a Discounted Bond (including its sale, exchange, redemption, or payment at maturity). Amounts received upon disposition of a Discounted Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain.

The accrual or receipt of original issue discount on the Discounted Bonds may result in certain collateral federal income tax consequences for the owners of such Discounted Bonds. The extent of these collateral tax consequences will depend upon the owner’s particular tax status and other items of income or deduction. In the case of corporate owners of Discounted Bonds, a portion of the original issue
discount that is accrued in each year will be included in the calculation of the corporation’s alternative minimum tax liability. Corporate owners of any Discounted Bonds should be aware that such accrual of original issue discount may result in an alternative minimum tax liability although the owners of such Discounted Bonds will not receive a corresponding cash payment until a later year.

The Code contains additional provisions relating to the accrual of original issue discount. Owners who purchase Discounted Bonds at a price other than the issue price or who purchase such Discounted Bonds in the secondary market should consult their own tax advisors with respect to the tax consequences of owning the Discounted Bonds. Under the applicable provisions governing the determination of state and local taxes, accrued interest on the Discounted Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year. Owners of Discounted Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Bonds.

CONTINUING DISCLOSURE AGREEMENT

General

The Obligated Issuers have covenanted for the benefit of the Registered Owners of any Series 2017A Bond (including for purposes of the Continuing Disclosure Agreement any beneficial owners thereof when the Series 2017A Bonds are held in a book-entry system, the “Bondholders”) pursuant to a Disclosure Dissemination Agent Agreement (the “Continuing Disclosure Agreement”) to be executed and delivered by the Corporation to provide or cause to be provided (i) Annual Report; (ii) Quarterly Financial Information; and (iii) notice of any Listed Event, each as described herein. These covenants have been made in order to assist the Underwriter and registered brokers, dealers and municipal securities dealers in complying with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended. Pursuant to the Continuing Disclosure Agreement, the Obligated Group has designated Digital Assurance Certification, L.L.C. to act as disclosure dissemination agent (the “Dissemination Agent”).

Annual Report

Each year, the Corporation, on behalf of the Obligated Issuers, will, while any Series 2017A Bonds are outstanding, provide the Annual Report to the Authority and the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system (“EMMA,” available at http://emma.msrb.org) not later than 150 days after the end of the Obligated Group’s fiscal year (the “Report Date”). Commencing with the Annual Report for the fiscal year ending December 31, 2017, on or before the Report Date, the Corporation will submit the Annual Report to the Dissemination Agent and the Dissemination Agent will file the Annual Report with the Authority and EMMA.

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

i. audited financial statements of the Corporation and Affiliates (provided the Obligated Issuers are broken out in consolidating schedules) including balance sheets, operating statements and cash flow statements on a consolidated and consolidating basis prepared in accordance with generally accepted accounting principles (“GAAP”) certified by an independent firm of certified public accountants; provided, however, that if such audited financial statements are not available by the Annual Filing Date (as defined in the Continuing Disclosure Agreement), they shall be promptly provided when and if available and unaudited financial statements shall be included in the Annual Financial Information; and
ii. an update of the information substantially consistent with the historic annual financial and operating information in APPENDIX A to this Official Statement under the headings “INFORMATION CONCERNING THE OBLIGATED ISSUERS” and the captions thereunder titled “Holy Family Memorial, Inc. – Utilization Statistics,” “St. Paul Elder Services, Inc. – Utilization Statistics,” “Franciscan Care Services, Inc. – Utilization Statistics” and “St. Joseph’s Elder Services, Inc. – Utilization Statistics” and under the heading “OPERATIONAL AND FINANCIAL INFORMATION – Sources of Revenue.”

iii. Any or all of the items to be provided in the Annual Report may be included by specific reference to other documents that have previously been provided to EMMA or filed with the SEC. The Obligated Group will clearly identify each such other document as included by reference. Upon written request, the Corporation, as Obligated Group Representative, will provide any Bondholder with a copy of the most recent Annual Report as filed with EMMA.

**Quarterly Financial Information**

In addition, the Corporation, on behalf of the Obligated Issuers, will, while any Series 2017A Bonds are outstanding, provide the Dissemination Agent with copies of the Quarterly Financial Information (as defined in the Continuing Disclosure Agreement) within 45 days of the end of each of the first three fiscal quarters. The Dissemination Agent will promptly file the Quarterly Financial Information with the Authority and EMMA.

The Quarterly Financial Information will contain, with respect to the prior fiscal quarter, the following items:

i. unaudited quarterly combined financial statements of the Corporation and Affiliates or consolidated financial statements including the Obligated Group, including balance sheets and statements of income and expenses;

ii. a certificate of an authorized officer of the Corporation calculating compliance with all financial ratios required under the Master Indenture to be satisfied as of the end of such fiscal quarter or for any period ending on such date and stating that the Corporation has reviewed the operations of the Obligated Group for the quarter and that in the course of that review, no default under the Master Indenture or the Loan Agreement has come to its attention or, if such a default has appeared, a description of the default and a plan for the remedy of the default; and

iii. an update of the information substantially consistent with the historic annual financial and operating information in APPENDIX A to this Official Statement under the headings “INFORMATION CONCERNING THE OBLIGATED ISSUERS” and the captions thereunder titled “Holy Family Memorial, Inc. – Utilization Statistics,” “St. Paul Elder Services, Inc. – Utilization Statistics,” “Franciscan Care Services, Inc. – Utilization Statistics” and “St. Joseph’s Elder Services, Inc. – Utilization Statistics” and under the heading “OPERATIONAL AND FINANCIAL INFORMATION – Sources of Revenue.”

Such quarterly financial statements shall be prepared in accordance with GAAP. Any deviation from GAAP will be set forth in a quantified explanation of material deviations from GAAP accompanying the Quarterly Financial Information. Upon written request, the Corporation, as Obligated Group disclosure representative, will provide any Bondholder with a copy of the most recent Quarterly Financial Information as filed with EMMA.
Notice of Listed Events

The Corporation, on behalf of the Obligated Issuers, will, while any Series 2017A Bonds are outstanding, provide to the Dissemination Agent in a timely manner, information with respect to the occurrence of any of the following events (each a “Listed Event”) as required by the Rule with respect to the Series 2017A Bonds:

i. principal and interest payment delinquencies;
ii. nonpayment related defaults, if material;
iii. unscheduled draws on debt service reserves reflecting financial difficulties;
iv. unscheduled draws on credit enhancements reflecting financial difficulties;
v. substitution of credit or liquidity providers, or their failure to perform;
v. adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2017A Bonds, or other events affecting the tax status of the Series 2017A Bonds;
v. modifications to rights of Bondholders, if material;
vi. Series 2017A Bond calls, if material;
vii. Series 2017A Bond defeasances;
viii. release, substitution or sale of property securing repayment of the Series 2017A Bonds, if material;
ix. rating changes;
x. tender offers;
xi. bankruptcy, insolvency, receivership or similar event of an Obligated Issuer;
xii. consummation of a merger, consolidation, or acquisition involving an Obligated Issuer or the sale of all or substantially all of the assets of the Obligated Issuers, 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
xiii. appointment of a successor or additional trustee or the change of name of a trustee, if material.

Upon written request, the Corporation, as Obligated Group Representative, will provide any Bondholder with a copy of any notice of a Listed Event as filed with EMMA.
Failure to Comply

In the event of a failure of the Obligated Group to comply with any provision of the Continuing Disclosure Agreement the Dissemination Agent may (and, at the request of the Underwriter or the Bondholders of at least 25% aggregate principal amount of outstanding Series 2017A Bonds and upon being indemnified to its satisfaction, shall), or any Bondholder may seek specific performance by court order to cause the Obligated Group to comply with the obligations under the Continuing Disclosure Agreement. A failure to comply with the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Master Indenture, the Bond Indenture or the Loan Agreement. The sole remedy under the Continuing Disclosure Agreement in the event of any failure of the Obligated Group to comply with the Continuing Disclosure Agreement shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damage thereunder under any circumstances.

Amendment of the Continuing Disclosure Agreement

The provisions of the Continuing Disclosure Agreement, including but not limited to the provisions relating to the accounting principles pursuant to which the financial statements are prepared, may be amended as deemed appropriate by the Obligated Group; but any such amendment must be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretation thereof made from time to time by the SEC. Such interpretations currently include the requirements that (i) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of any Obligated Issuer or the type of activities conducted thereby, (ii) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Series 2017A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the Obligated Group. The foregoing SEC interpretations may be changed in the future.

Prior Undertakings

The Corporation, on behalf of the Obligated Group, has previously entered into undertakings regarding compliance with Rule 15c2-12 with respect to certain outstanding tax-exempt revenue bonds. In the past five years, the Obligated Group has complied in all material respects with the provisions set forth in its existing continuing disclosure agreements.

UNDERWRITING

Pursuant to a purchase contract (the “Purchase Contract”) by and among the Authority, the Obligated Group and Barclays Capital Inc. (the “Underwriter”), the Underwriter will purchase the Series 2017A Bonds at the aggregate purchase price of $38,850,892 (representing the principal amount of the Series 2017A Bonds, plus original issue premium of $4,425,892). The Obligated Group has agreed to pay the Underwriter, upon issuance of the Series 2017A Bonds, a total of $208,848.07, which includes an underwriting fee of $189,337.50, plus reimbursement of expenses of $19,510.57, from sources other than the proceeds of the Series 2017A Bonds. The Purchase Contract will provide that the Underwriter will purchase all of the Series 2017A Bonds if any are purchased, but such obligation is subject to certain conditions. The initial public offering prices of the Series 2017A Bonds set forth on the inside cover page may be changed without notice by the Underwriter. The Underwriter may offer and sell the Series 2017A Bonds to certain dealers (including dealers depositing Series 2017A Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at prices lower than the offering prices set forth on the inside cover page hereof. The Obligated Issuers have agreed to indemnify the
Underwriter and the Authority against certain liabilities arising out of materially incorrect information contained in or material information omitted from this Official Statement. The obligation of the Underwriter to accept delivery of the Series 2017A Bonds will be subject to various conditions of the Purchase Contract.

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 have, from time to time, performed, and may in the future perform, various investment banking services for the Authority and/or the Obligated Issuers, for which they received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Underwriter and its respective affiliates, officers, directors and employees may purchase, sell, make or hold a broad array of investments and actively trade debt or equity securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments (including bank loans) for its own account and for the accounts of its customers and may at any time hold long and short positions in such securities and instruments. Such investment, securities and trading activities may involve or relate to assets, securities and/or instruments of the Authority or the Obligated Issuers or persons and entities with relationships with the Authority and the Obligated Group.

The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas 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 or short term positions in such assets, securities and instruments.

MISCELLANEOUS

The references herein to the Bond Indenture, the Series 2017A Bonds, the Continuing Disclosure Agreement, the Loan Agreement, the Series 2017A Obligation and the Master Indenture and other materials are brief outlines of certain provisions thereof. Such outlines do not purport to be complete, and for full and complete statements of such provisions reference is made to such instruments and other materials, executed counterparts of which will be on file at the principal corporate trust office of the Bond Trustee subsequent to the delivery of the Series 2017A Bonds.

All 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 Obligated Group or the Authority and the purchasers or owners of any of the Series 2017A Bonds. The execution and delivery of this Official Statement have been duly authorized by the Authority. The Authority has not, however, prepared nor made any independent investigation of the information contained in this Official Statement except the information under the captions “THE AUTHORITY” and “LITIGATION – The Authority.”
WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

By: /s/ Dennis P. Reilly
    Executive Director

This Official Statement is approved:

FRANCISCAN SISTERS OF CHRISTIAN CHARITY SPONSORED MINISTRIES, INC.,
as Obligated Group Representative for itself and on behalf of the Obligated Group

By: /s/ James A. Vopat
    Senior Vice President, Finance
APPENDIX A

INFORMATION REGARDING FRANCISCAN SISTERS OF CHRISTIAN CHARITY
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HISTORY AND ORGANIZATION

The Congregation of the Franciscan Sisters of Christian Charity (the “Order”) was founded by Reverend Joseph Fessler, Mother Gabriel Gramlich and Mother Odelia Wahl in Clarks Mills, Manitowoc County, Wisconsin, in 1869. The Order’s original mission was to provide educational opportunities to the Manitowoc community. The Order’s involvement with health care began in response to the need to provide care to the increasing maritime population of Manitowoc, Wisconsin. The Order’s first permanent health care effort was the establishment of Holy Family Hospital in Manitowoc, which opened in 1899. Subsequent outreach to Ohio and Nebraska established the parameters of the existing health apostolate and expanded the scope of services offered to include acute care, senior services and physician practices. The Motherhouse of the Order is located in Manitowoc.

In 1985, the Order formed a holding company to monitor and manage its health care ministry. Franciscan Health Advisory Services, Inc. was incorporated on October 30, 1985 as a Wisconsin nonprofit, nonstock corporation. The name was subsequently changed to “Franciscan Sisters of Christian Charity HealthCare Ministry, Inc.” on September 15, 1993, and to “Franciscan Sisters of Christian Charity Sponsored Ministries, Inc.” (the “Corporation”), on January 6, 2012. Holy Family Convent of the Franciscan Sisters of Christian Charity, Inc. (“Holy Family Convent”), a nonprofit, nonstock Wisconsin corporation controlled solely by the Order, is the sole corporate member of the Corporation and elects the Corporation’s Board of Directors.

The Obligated Issuers

The Corporation and certain of the entities sponsored or controlled by the Corporation have established an obligated group under the terms of the Master Trust Indenture dated March 1, 1987, as amended and restated April 1, 2007 (the “Master Trust Indenture”), between those corporations (collectively, the “Obligated Group” or the “Obligated Issuers” and each an “Obligated Issuer”) and U.S. Bank National Association, as trustee (the “Master Trustee”). Each of the Obligated Issuers is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code.

As further described below, the present Obligated Issuers are the Corporation, Holy Family Memorial, Inc. (“Holy Family Memorial”), St. Paul Elder Services, Inc. (“St. Paul”), Franciscan Care Services, Inc. (“Franciscan Care”), and St. Joseph’s Elder Services, Inc. (“St. Joseph”).

<table>
<thead>
<tr>
<th>Entity Name</th>
<th>Ministry</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holy Family Memorial, Inc.</td>
<td>Acute Care Hospital</td>
<td>Manitowoc, Wisconsin</td>
</tr>
<tr>
<td>St. Paul Elder Services, Inc.</td>
<td>Skilled Nursing and Senior Living</td>
<td>Kaukauna, Wisconsin</td>
</tr>
<tr>
<td>Franciscan Care Services, Inc.</td>
<td>Critical Access Hospital; Retirement Community</td>
<td>West Point, Nebraska</td>
</tr>
<tr>
<td>St. Joseph’s Elder Services, Inc.</td>
<td>Skilled Nursing and Senior Living</td>
<td>West Point, Nebraska</td>
</tr>
</tbody>
</table>

(1) St. Joseph currently has no operations. Following completion of the Villa, Franciscan Care will transfer its interest in the Villa and SJRC, both as defined and described herein, to St. Joseph. See “ST. JOSEPH’S ELDER SERVICES – Background; Services” below for more information.
The Obligated Issuers and their operations are described in more detail under “Information Concerning the Obligated Issuers” herein.

The Non-Obligated Affiliates

In addition, the following entities (the “Non-Obligated Affiliates”) are affiliates of the Corporation but are not Obligated Issuers: Holy Family Health Services, Inc. (“HFHS”), Genesis HealthCare System (“Genesis”), Good Samaritan Medical Center of the Franciscan Sisters of Christian Charity (“Good Samaritan”), Silver Lake College of the Holy Family, Inc. (“Silver Lake College”) and each of their respective direct affiliates.

Holy Family Health Services, Inc.

HFHS provides retail pharmacy services at HFM Pharmacy in Manitowoc, Wisconsin and at Holy Family Memorial’s Harbor Town Campus and currently operates under the name “Meds to Go.”

Genesis HealthCare System

Genesis was formed effective January 1, 1997, as a result of an affiliation between the Corporation and Bethesda Care System (“Bethesda”), an Ohio nonprofit corporation. Pursuant to the affiliation, all right, title and interest of Good Samaritan and Bethesda and their nonprofit and for-profit subsidiaries were transferred to Genesis with the exception of certain real property comprising substantially all the current health facilities of Good Samaritan Medical Center and Bethesda Hospital, and cash and investments totaling approximately $5.7 million for each member. Good Samaritan and Genesis have entered into a 70-year lease agreement pursuant to which Good Samaritan leases the non-transferred real property to Genesis for a nominal amount. Consequently, Good Samaritan is a holding company for the Good Samaritan Medical Center real property and has no operations.

The Corporation and Bethesda are equal co-members of Genesis. The affiliation agreement provides for the integration of Good Samaritan and Bethesda’s operations as a community-based health care delivery system operating a Catholic and community hospital and health care system based in Zanesville, Ohio.

Each member has equal reserved powers including, among others, approval of amendments to Genesis’ Articles of Incorporation; approval of mergers, consolidations, or other affiliations; approval of Board of Trustees membership; approval of mission, vision, and values statements; approval of the incurrence of long-term debt over certain limits; and approval of long-range plans and strategic initiatives.

Under the affiliation agreement, either member may initiate a separation. In such event, the non-initiating member has the option to purchase the other’s membership at a discount or sell its membership at a premium. In either instance, neither member may transfer all or part of its membership to an outside party without the prior written consent of the other member. Neither member has initiated or intends to initiate a separation at this time.

The Corporation accounts for its 50% membership interest in Genesis under the equity method of accounting and as such records its share of Genesis’ earnings as undistributed non-operating income. Genesis’ undistributed earnings cannot be transferred for use by the Corporation without the consent of Bethesda; no such transfers have been made to date. Therefore past and future earnings of Genesis cannot be relied upon as a source of payment for the Series 2017A Bonds. In addition, Genesis is a member of an obligated group (the “Genesis Obligated Group”) separate from the Obligated Group described herein. The Obligated Group has no liability with respect to the indebtedness of the Genesis
Obligated Group, and the Genesis Obligated Group has no liability with respect to the indebtedness of the Obligated Group or with respect to the Series 2017A Bonds.

For more information regarding Genesis and the Genesis Obligated Group, see its continuing disclosure filings which are publicly available by the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system (“EMMA,” available at http://emma.msrb.org).

Good Samaritan Medical Center of the Franciscan Sisters of Christian Charity

Good Samaritan owned the land and buildings which comprised the health care facilities of Good Samaritan Medical Center in Zanesville, Ohio, and were subsequently leased to Genesis pursuant to the affiliation described under “Genesis HealthCare System” above. In 2016, following completion of a project to substantially renovate and expand the facilities at the Bethesda site in order to consolidate operations into one modern campus, the buildings on the Good Samaritan land were razed. The liquid financial assets of Good Samaritan have been transferred to the Corporation and upon recent receipt of the necessary approvals, Good Samaritan ceased its status as an Obligated Issuer.

Silver Lake College of the Holy Family, Inc.

Silver Lake College was formed in 1972 as a Wisconsin nonprofit corporation to operate as a four-year, Catholic Liberal Arts College located in Manitowoc, Wisconsin, on a 30-acre campus adjacent to the Order’s convent. In January 2012, the Order transferred sponsorship of Silver Lake College to the Corporation. Silver Lake College had approximately 430 students for the 2016-2017 academic year in undergraduate and graduate level programs, all of which are accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools. The Obligated Group has provided, and continues to provide, credit and other financial support to Silver Lake College. See “OPERATIONAL AND FINANCIAL INFORMATION OF THE OBLIGATED GROUP – Advances to a Non-Obligated Group Affiliate” herein.

Neither the Order, Holy Family Convent, nor any of the Non-Obligated Affiliates is liable for or obligated to make any payment in connection with the Series 2017A Bonds or pursuant to the Master Indenture or on any Obligations issued thereunder.
Organizational Chart

Set forth below is a diagram illustrating the corporate organization of the Corporation, the other Obligated Issuers and their respective affiliates.
GOVERNANCE AND MANAGEMENT

Governance

The Corporation’s Board of Directors is responsible for the governance of all sponsored health care holdings of the Order. The Corporation’s Board of Directors currently consists of five elected members and three ex officio members. Board members are elected by the sole corporate member of the Corporation to staggered four-year terms of office. The President of the Corporation serves on the Board of Directors of the Corporation and is also an ex officio member of the board of directors of the Corporation-sponsored health care organizations.

Board of Directors

The current members of the Corporation’s Board of Directors, their occupations and terms on the Board are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Occupation</th>
<th>Term on Board (Years Served)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sister Natalie Binversie</td>
<td>Congregational Leader (Community Director of Franciscan Sisters of Christian Charity)</td>
<td>4 years (Ex Officio)</td>
</tr>
<tr>
<td>Chairperson</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sister Adrianna Schouten</td>
<td>Congregational Leader (1st Councilor of Franciscan Sisters of Christian Charity)</td>
<td>20 years (Ex Officio)</td>
</tr>
<tr>
<td>Vice Chairperson / Secretary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Daniel McGinty</td>
<td>President (Corporation)</td>
<td>8 years (Ex Officio)</td>
</tr>
<tr>
<td>President</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sister Myra Jean Sweigart</td>
<td>Congregational Leader (3rd Councilor of Franciscan Sisters of Christian Charity) and Treasurer (Holy Family Convent)</td>
<td>1 year</td>
</tr>
<tr>
<td>Sister Kathryn Klackner</td>
<td>Congregational Member and Superintendent of Catholic Schools (Diocese of Green Bay)</td>
<td>9 years</td>
</tr>
<tr>
<td>Sister Anne Turba</td>
<td>Advanced Practice Nurse Practitioner (Holy Family Convent)</td>
<td>8 years</td>
</tr>
<tr>
<td>Dave Gitter</td>
<td>Managing Director (NEW Capital Management, Inc.)</td>
<td>4 years</td>
</tr>
<tr>
<td>Carol Ricken</td>
<td>Personal Assistant to the Bishop (Diocese of Green Bay)</td>
<td>5 years</td>
</tr>
</tbody>
</table>
Control by Corporation

The Corporation is the sole corporate member of each of the other four Obligated Issuers. Through exercise of certain reserved powers, the Corporation is able to monitor the operations of the facilities and to exercise corporate control over its affiliates.

The major functions and reserved powers of the Corporation with respect to its subsidiaries include, among other things, the following: approval of the philosophy, mission and value statements of the subsidiary; approval of borrowing outside the limits established by the Corporation; approval of purchase, mortgage or sale of real estate; approval of capital and operating budgets; approval of amendments to, or restatements of, corporate articles and by-laws; appointment and removal of members of the Board of Directors; and appointment and approval of subsidiary CEOs.

Each of the Obligated Issuers has an independent board of directors composed of individuals that promote diversity in governance and local community involvement. The Holy Family Memorial Board of Directors is comprised of 17 members, which consists of four Sisters from the Order and 13 representatives from the Manitowoc community, including two physicians, an advanced practice practitioner, and a chiropractor. The St. Paul Board of Directors is comprised of 12 members, including three Sisters from the Order and nine representatives from the Kaukauna area. The Franciscan Care Board of Directors is comprised of 12 members, including one Sister from the Order and 11 representatives from the West Point community and surrounding areas. The St. Joseph Board of Directors is comprised of eight members, including one Sister from the Order and seven representatives from the West Point community.

Executive Officers of the Corporation

The principal officers of the Corporation and their backgrounds are provided below:

President and Chief Executive Officer – Daniel McGinty has served as President and CEO of the Corporation since June 2016. Before assuming this position, Mr. McGinty most recently served as Executive Vice President, Hospital and Specialty Services at Allina Health, a large, integrated health system in the Minneapolis–Saint Paul area. Mr. McGinty joined Allina after seven years at Duluth-based Essentia Health where he worked in various capacities. Prior to his time at Essentia, Mr. McGinty was Senior Vice President, Operations for Benedictine Health System in Duluth for six years. He served as President and CEO of Holy Family Memorial in Manitowoc, Wisconsin, before joining the Benedictine Health System. Mr. McGinty holds a bachelor’s degree in economics from Gustavus Adolphus College, St. Peter, Minnesota and a master’s degree in health care administration from the University of Minnesota. Mr. McGinty has served on the Corporation’s Board of Directors since 2009.

Senior Vice President of Finance and Treasurer – James A. Vopat has served as Senior Vice President of Finance and Treasurer since February 1988. Mr. Vopat is responsible for the coordination, supervision, and reporting of the financial operations of the Corporation and its subsidiary organizations. Before assuming his present position, Mr. Vopat was employed by Alexian Brothers Health System, Inc., Elk Grove, Illinois for nine years in various positions including Assistant Vice President of Finance, Controller, Assistant Vice President of Accounting and Budgeting, Accounting Manager and Senior Accountant. Mr. Vopat holds a Masters of Business Administration (“MBA”) and a Bachelor of Science in Accounting from Northern Illinois University, De Kalb, Illinois. Mr. Vopat is a member of the American Institute of Certified Public Accountants and the Healthcare Financial Management Association.
Mr. Vopat has announced his retirement effective as of March 1, 2018. The Corporation has initiated a search for his replacement.

Vice President of Mission – Scott McConnaha has served as Vice President of Mission since July 2014. Mr. McConnaha is responsible for the coordination and supervision of activities in the areas of leadership education, sponsorship, mission, ethics, corporate communications, advocacy, and spiritual care services. Prior to his current role, Mr. McConnaha served as Director of Corporate Relations from July 2008 to June 2014. Before joining the Corporation, he was editor of the St. Louis-based Catholic Health Association’s journal Health Progress. Mr. McConnaha holds an MBA from the University of Scranton, Scranton, Pennsylvania; a master’s degree in theology from Saint Louis University, St. Louis, Missouri; and a master’s degree in English from the University of Missouri-St. Louis. Mr. McConnaha is a Fellow of the American College of Health Care Executives.

Senior Executive Advisor to the President for Sponsorship, Planning and Church Relations – Sister Laura Wolf, O.S.F., is currently serving as Senior Executive Advisor to the President for Sponsorship, Planning and Church Relations. Previously, Sister Wolf served as President and CEO of the Corporation from its incorporation in 1985 to June 2016. Sister Wolf remains a member of the Corporation’s senior leadership team. Prior to joining the Corporation, Sister Wolf held a variety of positions in both health care and education. Sister Wolf holds a Juris Doctorate from St. Louis University School of Law, St. Louis, Missouri; a master’s degree in health administration from St. Louis University, St. Louis, Missouri; and a Bachelor of Arts degree in Social Science from Silver Lake College, Manitowoc, Wisconsin. Sister Wolf is licensed to practice law in Ohio and Wisconsin.

The executive officers of each of the Obligated Issuers and their backgrounds are provided below:

President and Chief Executive Officer of Holy Family Memorial, Inc. – Mark Herzog, age 59, has served as President and CEO of Holy Family Memorial, Manitowoc, Wisconsin, since September 2001. Mr. Herzog had been the Executive Vice President and Chief Operating Officer at St. Anthony Memorial Health Centers in Michigan City, Indiana for the previous five years. Prior to that, Mr. Herzog was the Executive Vice President and Chief Operating Officer at La Porte Hospital in La Porte, Indiana, from 1993 to 1996; Vice President of Operations and Professional Services at Meridia Hillcrest Hospital in Cleveland, Ohio, from 1989 to 1993; and held a variety of management positions at Forbes Health System in Pittsburgh, Pennsylvania, from 1982 to 1989. Mr. Herzog holds a master’s degree in health services administration from the University of Michigan, Ann Arbor, Michigan and bachelor’s degrees in history and biology from St. Lawrence University, Canton, New York. Mr. Herzog is a Fellow of the American College of Health Care Executives.

President and Chief Executive Officer of St. Paul Elder Services, Inc. – Sondra Norder, NHA, JD, age 38, has served as President and CEO of St. Paul Elder Services since 2013. Prior to being named President and CEO of St. Paul Elder Services, Ms. Norder served the organization as Chief Operating Officer and Administrator since 2010. Ms. Norder held the role of Nursing Home Administrator for Extendicare Health Services, Inc., for 10 years before joining St. Paul Elder Services. Ms. Norder received a Bachelor of Science degree in Health Care Administration from the University of Wisconsin-Eau Claire and has been a licensed Nursing Home Administrator for 16 years. Ms. Norder received a Juris Doctorate from Marquette University Law School and is licensed to practice law in Wisconsin. Ms. Norder was honored with the Tomorrow’s Leaders award from the Catholic Health Association in 2015. Ms. Norder currently teaches graduate and undergraduate courses in Lakeland College’s health care management programs and also serves as Secretary of the LeadingAge-Wisconsin Board of Directors.

President and Chief Executive Officer of St. Joseph’s Elder Services, Inc. – Andrew R. Fuston, age 50, has served as President and CEO of St. Joseph’s Elder Services since its inception in January
2017. Mr. Fuston has also served as Administrator of St. Joseph’s Retirement Community since August 2016. Prior to joining Franciscan Care, Mr. Fuston served as Leadership Development Coordinator at Vetter Health Services (“VHS”) of Elkhorn, Nebraska, from 2013 to 2016. Previous experience includes serving as administrator of Hooper Care Center, a 48-bed skilled nursing facility, in Hooper, Nebraska, from 2003 to 2013 and as administrator of Logan Valley Manor, a 65-bed skilled nursing facility, in Lyons, Nebraska, from 1993 to 2003. Mr. Fuston received his Masters of Public Administration with an emphasis in gerontology from the University of Nebraska at Omaha, a Certificate in Gerontology from the University of Missouri at Kansas City and a Bachelor of Arts in Psychology with a gerontology emphasis from the University of Missouri at Columbia. Mr. Fuston currently holds long-term care administrator licenses in Nebraska and Iowa. Mr. Fuston has a long connection as a voting representative and member of the Nebraska Health Care Association. Mr. Fuston has also been deeply involved in his community of Lyons for the past 23 years and has served as Mayor of that community since 2006.

Network President and Chief Executive Officer of Franciscan Care Services, Inc., Mr. Jerry Wordekemper, age 42, has served as President and CEO of Franciscan Care since May 2015. Prior to being named President and CEO, Mr. Wordekemper served as Chief Operating Officer of Franciscan Care from 2014 to 2015 and as Administrator of St. Joseph’s Retirement Community from 2008 to 2014. Mr. Wordekemper previously served as Administrator in a variety of different long-term care facilities for 12 years. Mr. Wordekemper received a Master of Science in Hospital Administration degree from Bellevue University, Bellevue, Nebraska, in 1998 and a Bachelor of Science degree from Wayne State College, Wayne, Nebraska, in 1995. Mr. Wordekemper has been a member of the American College of Health Care Executives since 2011. Mr. Wordekemper presently serves on various health care boards as well as local community boards.

CENTRALIZED MANAGEMENT AND OPERATIONAL SERVICES

Summary of Services

The Corporation provides a number of services for its affiliates, including the Obligated Issuers, including support and general direction in the areas of corporate finance, financial planning, reporting and evaluation. The Corporation also provides direction in the areas of general management, philosophy implementation, pastoral care and ethical services. This support described below is intended to promote the long-term strength of the Corporation and its subsidiaries.

Investment Policy

The Corporation has adopted an investment policy with respect to it and its affiliates. The purpose of the policy is to recognize the stewardship responsibilities of the Corporation and its affiliates for cash and investments. The Corporation has established an investment committee to develop and recommend investment policies to the board of directors of the Corporation and provide oversight of the asset allocation and fund performance. The Corporation and its affiliates have pooled certain of their investments into a fully diversified portfolio. Investment consultants and external managers have been selected to manage these investments. See “OPERATIONAL AND FINANCIAL INFORMATION OF THE OBLIGATED GROUP – Management’s Discussion of Financial Performance” herein.

Insurance

The Corporation purchases all insurance for its affiliates, including the Obligated Issuers, and coordinates the risk management process on a group basis. All coverages are provided by various commercial carriers including general liability, hospital, nursing home and professional liability, property, premises pollution (including storage tank), auto, directors and officers/ employment practices liability &
fiduciary, educators legal liability, crime, network security/privacy liability, group travel accident, workers compensation and employers liability.

Financing

The Corporation arranges all long term borrowings among the Obligated Issuers and coordinates all necessary compliance requirements under the Master Trust Indenture.

Corporate Compliance

The Corporation and its affiliates are committed to the highest ethical and legal practices. The Corporation has adopted a corporate compliance policy with respect to its subsidiary organizations with its purpose to ensure that all affiliates demonstrate commitment to compliance with the organization’s mission, philosophy, and values statements as well as compliance with all federal and state laws and regulations through the formal development, implementation, and maintenance of a corporate compliance program. The Corporation and its Obligated Issuers follow the U.S. Department of Health and Human Services, Office of Inspector General Seven Elements of an Effective Compliance Program. The Corporation and each Obligated Issuer has a designated corporate compliance officer who reports at least annually to its respective board, with a combined report reviewed by the Corporation’s Board of Directors on an annual basis.

On occasion the Corporation or any of its affiliates may conduct business transactions with organizations or corporations with which one or more directors of the boards may be affiliated. The Corporation and its affiliates, including the Obligated Issuers, have conflict of interest policies stating that any director found to have a conflict of interest may not vote on any matters relating to the conflict and may not be present at any portion of the meeting discussing matters involving the conflict. Further, directors complete an annual certification acknowledging that they have read and understand the conflicts of interest and other policies of the board of directors and disclose any known conflicts.

Audit Committee

The Corporation has established an audit committee, independent of management, comprised of one board member from the Corporation and from each affiliate. The primary responsibilities of the audit committee include the selection and evaluation of the independent audit firm, the scope of the audit services performed, and review of the annual audit and related reports.

OPERATIONAL AND FINANCIAL INFORMATION OF THE OBLIGATED GROUP

The following selected financial information relating to the Corporation and the Obligated Group has been derived from the consolidated financial statements and certain other financial records of the Corporation.

Appendix B to this Official Statement contains the audited consolidated financial statements of the Corporation and affiliates as of and for the fiscal years ended December 31, 2015 and 2016. All unaudited financial information included in this Appendix A should be read in conjunction with the consolidated financial statements and related notes included in Appendix B attached hereto.

Summary of Combined Statement of Operations

The following condensed summary of combined statements of operations of the Corporation and Obligated Group for each of the fiscal years ended December 31, 2014, 2015, and 2016, have been
derived from the audited consolidated financial statements of the Corporation and the Obligated Group. The investment in Genesis HealthCare System has been eliminated in order to more accurately reflect the operations of the Corporation. The condensed combined statements of operations should be read in conjunction with the consolidated financial statements and related notes included in Appendix B attached hereto and other financial information included herein. The following table also includes comparative unaudited consolidated financial information of the Corporation and Obligated Group for the five months ended May 31, 2016 and 2017. This information is derived from the unaudited consolidated financial statements of the Corporation for such periods. The methods used for estimating certain accruals in interim financial statements may be different than those used for year-end financial statements. The information used for the five months ended May 31, 2016 and 2017 is not necessarily indicative of the operating results to be expected for the fiscal year ending December 31, 2017. St. Joseph was incorporated in January 2017.

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended December 31, (Dollars in Thousands)</th>
<th>Five Months Ended May 31, (Unaudited) (Dollars in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td><strong>Unrestricted Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net patient &amp; resident service revenues</td>
<td>$174,255</td>
<td>$175,984</td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>7,163</td>
<td>6,705</td>
</tr>
<tr>
<td>Total operating revenue</td>
<td>181,418</td>
<td>182,689</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, wages and benefits</td>
<td>107,051</td>
<td>107,768</td>
</tr>
<tr>
<td>Supplies and other</td>
<td>53,908</td>
<td>54,870</td>
</tr>
<tr>
<td>Interest</td>
<td>2,765</td>
<td>2,602</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>12,989</td>
<td>12,750</td>
</tr>
<tr>
<td>Total expenses</td>
<td>176,713</td>
<td>177,990</td>
</tr>
<tr>
<td>Operating Income (loss)</td>
<td>4,705</td>
<td>4,699</td>
</tr>
<tr>
<td><strong>Other income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>3,666</td>
<td>(1,149)</td>
</tr>
<tr>
<td>Contributions and other</td>
<td>(202)</td>
<td>996</td>
</tr>
<tr>
<td>Revenue in excess of expenses</td>
<td>$8,169</td>
<td>$4,546</td>
</tr>
</tbody>
</table>

Source: Obligated Group
Revenue in Excess of Expenses (by Obligated Issuer)

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended December 31, (Dollars in Thousands)</th>
<th>Five Months Ended May 31, (Unaudited) (Dollars in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>Holy Family Memorial</td>
<td>$3,291</td>
<td>$(344)</td>
</tr>
<tr>
<td>Franciscan Care</td>
<td>3,470</td>
<td>3,591</td>
</tr>
<tr>
<td>St. Paul</td>
<td>1,152</td>
<td>1,191</td>
</tr>
<tr>
<td>The Corporation</td>
<td>256</td>
<td>108</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,169</strong></td>
<td><strong>$4,546</strong></td>
</tr>
</tbody>
</table>

Source: Obligated Group

Selected Combined Balance Sheet Information

The following selected balance sheet information as of December 31, 2014, 2015, and 2016, and as of May 31, 2016 and 2017, has been derived by management from the audited consolidated balance sheets of the Corporation and Obligated Group. The investment in Genesis HealthCare System has been eliminated in order to more accurately reflect the assets available to the Corporation. The condensed combined balance sheets should be read in conjunction with the consolidated financial statements and related notes included in Appendix B attached hereto and other financial information included herein. The methods used for estimating certain accruals in interim financial statements may be different than those used for year-end financial statements. The information used as of May 31, 2016 and 2017 is not necessarily indicative of the operating results to be expected as of December 31, 2017.

Selected Balance Sheet Information

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended December 31, (Dollars in Thousands)</th>
<th>Five Months Ended May 31, (Unaudited) (Dollars in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>Cash and short term investments and internally designated assets limited as to use</td>
<td>$124,669</td>
<td>$122,645</td>
</tr>
<tr>
<td>Property, plant &amp; equipment (net)</td>
<td>$104,853</td>
<td>$113,131</td>
</tr>
<tr>
<td>Long-term debt, less current portion</td>
<td>$60,842</td>
<td>$61,922</td>
</tr>
<tr>
<td>Total net assets excluding investment in Genesis HealthCare System</td>
<td>$186,130</td>
<td>$191,092</td>
</tr>
</tbody>
</table>

Source: Obligated Group
Historical Debt Service Coverage

The table below demonstrates the Historical Debt Service Coverage Ratio of the Corporation and Obligated Issuers for the fiscal years ended December 31, 2014, 2015, and 2016. The Historical Debt Service Coverage Ratio measures the percentage by which the Obligated Group’s Net Income Available for Debt Service (as such term is defined in the Master Trust Indenture) for each of the past three fiscal years covered the Maximum Annual Debt Service (as such term is defined in the Master Trust Indenture) on all Indebtedness (as such term is defined in the Master Trust Indenture). The proforma annual debt service and proforma historical debt service coverage used in the table assumes that the Series 2017A Bonds have been issued and the proceeds have been applied as described in this Official Statement under the caption “PLAN OF FINANCE.”

Historical Debt Service Coverage Ratio

<table>
<thead>
<tr>
<th>Fiscal Year Ended December 31,</th>
<th>(Dollars in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Net Income Available for Debt Service</td>
<td>26,041</td>
</tr>
<tr>
<td>Maximum Annual Debt Service</td>
<td>5,971</td>
</tr>
<tr>
<td>Historical Debt Service Coverage Ratio</td>
<td>4.4</td>
</tr>
<tr>
<td>Proforma Maximum Annual Debt Service</td>
<td>5,329</td>
</tr>
<tr>
<td>Proforma Historical Debt Service Coverage</td>
<td>4.9</td>
</tr>
</tbody>
</table>

Source: Obligated Group

Notes:
(a) Excludes undistributed earnings of Genesis HealthCare System

Obligated Group Relative to the Corporation and Affiliates

The consolidated financial information of the Corporation and affiliates contained in this Appendix A and the audited consolidated financial statements contained in Appendix B include the accounts and activities of the Obligated Group. Shown in the table below is the Obligated Group’s portion relative to the Corporation and affiliates of various balance sheet and revenue indicators, as of and for December 31, 2014, 2015 and 2016, as derived from the audited consolidated financial statements of Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. as of and for the fiscal years ended December 31, 2015 and 2016, appearing in Appendix B to this Official Statement.
Obligated Group as a Percentage of the Corporation and Affiliates

As of December 31, (Dollars in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>93.6%</td>
<td>94.3%</td>
<td>93.4%</td>
</tr>
<tr>
<td>Total Cash and Assets Limited to Use</td>
<td>93.0%</td>
<td>92.8%</td>
<td>94.5%</td>
</tr>
<tr>
<td>Total Assets</td>
<td>91.9%</td>
<td>91.3%</td>
<td>92.6%</td>
</tr>
</tbody>
</table>

Source: Obligated Group

Sources of Revenue

The following table depicts the payment sources of the combined gross patient service revenue of the Obligated Group for the fiscal years ended December 31, 2014, 2015, and 2016.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>46.6%</td>
<td>47.5%</td>
<td>47.9%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>11.5%</td>
<td>11.8%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Managed Care/Commercial</td>
<td>36.7%</td>
<td>36.0%</td>
<td>35.5%</td>
</tr>
<tr>
<td>Self-Pay</td>
<td>5.2%</td>
<td>4.7%</td>
<td>4.9%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Obligated Group

As depicted in the above table, the Corporation and the Obligated Issuers derive a significant portion of their revenue from Medicare, Medicaid and other third-party payor programs. See “BONDHOLDERS’ RISKS – Payment for Health Care Services” in the forepart of this Official Statement for a discussion of certain factors that could affect those sources of revenue.

Management’s Discussion of Financial Performance

From January 1, 2014 through December 31, 2016, total operating revenue increased by $3,239,000 or 1.8%. Total expenses over this same period increased by 0.8% as the Corporation focused its efforts on reducing the rate of expense growth. In the fiscal years ended December 31, 2014 through 2016, the Corporation had operating income of $4.7 million, $4.7 million and $6.5 million, respectively.

Total operating revenue growth was relatively modest due to the Obligated Group’s shift of services from inpatient to outpatient care, where reimbursement is generally lower, and to the intentional delivery of services on a lower cost basis to provide the “right” care at the “right” setting, and to being mindful of the financial impact of over-utilization to patients and the employers who pay for employee health coverage. This modest growth is also consistent with the demographics of the Manitowoc, Wisconsin and West Point, Nebraska communities, where there is an aging and modestly declining rural population.

During the five months ended May 31, 2017, Holy Family Memorial also experienced a revenue recognition shortfall due to the installation and “go live” of a new EMR system on April 1, 2017. For information on the EMR system, see “OTHER INFORMATION – Information Technology” herein. Following the installation, Holy Family Memorial was not able to capture all charges and saw an increase.
in accounts receivable through May of 2017. The result was a significant increase in “discharge not final billed” accounts which resulted in an increase in accounts receivable from 50 days to 65 days at May 31, 2017, amounting to $4.2 million. The growth in accounts receivable prompted the use of a temporary line of credit for $4.0 million in order to provide Holy Family Memorial with additional operating cash flow. The balance owed under the line of credit is expected to be re-paid with the collection of the outstanding receivables by 2017 year-end. Holy Family Memorial also incurred additional non-productive staffing costs related to the conversion, as well as the inability to flex staffing during times of lower revenue.

Over the last several years, the Obligated Group’s patient volumes, and consequently revenue, have become significantly skewed to the later part of the year due to the increasing prevalence of high deductible plans, which influence patients to defer some types of care until their deductible is met. Also, the Corporation uses conservative reimbursement accruals and self-insured employee health and benefit costs until there is a sufficient operating history for the year, at which time such accruals are adjusted. These adjustments will occur in the later part of the year and are expected to again be favorable in 2017. For the foregoing reasons, the Corporation and affiliates typically reflect lower operating results during the first half of the year.

Holy Family Memorial also made capital payments of $4.7 million during the first five months of the 2017 fiscal year, primarily due to expenditures on the new clinic expected to open in August 2017. Upon issuance of the Series 2017A bonds, the Corporation expects to be reimbursed approximately $3.97 million of such amount from the Project Fund. Depreciation expense was lower in the five months ended May 31, 2017 as compared to the five months ended May 31, 2016, due primarily to the “reliving” of assets (primarily at Holy Family Memorial) as the result of an analysis performed by an outside valuation firm that indicated the remaining useful life of many of the assets to be longer than currently reflected in the financial records of the Corporation.

The Corporation has a solid balance sheet with strong liquidity as reflected by its day’s cash on hand, which was at 280 as of May 31, 2017. Even with the temporary use of cash in early 2017, cash and investments significantly exceed long-term debt. The majority of the physical plants are relatively new or have been updated and modernized, and are well maintained. The debt to capitalization is also favorable to the industry averages with no major borrowing needs anticipated for the next several years. As a result of the refinancing, future debt service payments will be smoothed out over the next 20 years resulting in a significant improvement in the pro-forma debt service coverage ratios.

**Advances to a Non-Obligated Group Affiliate**

Silver Lake College, a Non-Obligated Affiliate, is in the beginning phase of implementing its Strategic Vision 2020 plan. The plan, which continues to emphasize Silver Lake College’s historic focus on education, music, business and adult learning, includes the development of three new initiatives. The first initiative is the establishment of a four-year nursing program. The nursing program began in fall 2016, and student enrollment for the 2016-2017 year exceeded expectations. Silver Lake College’s nursing students will engage in clinical training at Holy Family Memorial, which may help steer graduates toward employment with Holy Family Hospital or its affiliated facilities. Silver Lake College’s second strategic initiative is the launch and operationalization of its Work College Program, which guarantees all full-time residential students will be employed. Silver Lake will be the first Catholic college in the country to establish this program. The Work College Program has been received with enthusiasm from the business community and has created various opportunities for the receipt of government and private grants. The third strategic initiative is the entry of the college as a National Association of Intercollegiate Athletics (“NAIA”) institution in order to expand its athletics. Marketing studies have shown that continued participation in organized sports at some level is a college enrollment draw for high school athletes.
The Corporation, along with the Order, has been funding the start-up of the expanded Strategic Vision 2020 programs of Silver Lake College. Through May 31, 2017, the Corporation have loaned a total of $3.6 million, and the Corporation has donated an additional $1.0 million to Silver Lake College. The Corporation also has provided a guarantee on a $3.5 million promissory note to a bank on behalf of Silver Lake College in December 2016, of which approximately $3.3 million remains outstanding. See “INTRODUCTION – Outstanding and Additional Indebtedness” in the forepart of this Official Statement. The long-range plan projects additional advances of approximately $5.5 million through 2020 at which time Silver Lake College is expected to be self-supporting. The funding is anticipated to come from the Corporation, the Order and outside donors.

INFORMATION CONCERNING THE OBLIGATED ISSUERS

HOLY FAMILY MEMORIAL, INC.

Background; Services

Holy Family Memorial operates an integrated delivery network based in Manitowoc, Wisconsin. Holy Family Hospital began its health care operations in 1899 with the establishment of an acute care hospital. In 1991, Holy Family Medical Center merged with Manitowoc Memorial Hospital, a 77-bed acute care hospital, to create the Holy Family Memorial network.

Today, Holy Family Memorial operates an integrated delivery network which includes Holy Family Memorial Medical Center, licensed for 167 beds and operating 67 beds. It is the largest hospital in Manitowoc County. Acute care services are provided at the Holy Family Memorial Medical Center site and include medical, surgical, intensive care, cardiac care, women’s services, cancer care, rehabilitation, behavioral health, and hospice, among others. The prior Manitowoc Memorial Hospital was demolished in 2015 and services formerly provided at the site were repositioned, relocated or closed. Holy Family Memorial also operates 12 physician and ambulatory clinics at 10 sites with 90 employed physicians and other clinical providers. Ambulatory care includes a variety of primary, specialty, and preventive care services, including home care. Employed physician services include family practice, behavioral health, surgery, pediatrics, obstetrics, orthopedics, gynecology, pain management, urology, oncology, cardiology, ear nose & throat, dialysis and other specialties.

Geographic and Economic Information

The City of Manitowoc, located on the western shore of Lake Michigan in east central Wisconsin, is approximately 75 miles north of Milwaukee, Wisconsin, approximately 35 miles southeast of Green Bay, Wisconsin, and approximately 40 miles east of Appleton, Wisconsin. It is the county seat and the largest city in Manitowoc County.

The 2015 U.S. Census Bureau estimated population of Manitowoc County, Wisconsin is 79,806 which is a 2% decline in population compared to the 2010 census. The state and U.S. population increased an average of 1.5% and 4.1% during the same time period. County median age is 44.2 years, with residents age 65 and over making up 19% of the population and 21% of residents under the age of 18. Median household income for Manitowoc County was $48,348.
The eight largest employers in Manitowoc County are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Type of Business</th>
<th>Approximate # of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holy Family Memorial Hospital</td>
<td>Hospital</td>
<td>1100</td>
</tr>
<tr>
<td>Federal Mogul Piston ring manufacturer</td>
<td>700</td>
<td></td>
</tr>
<tr>
<td>Manitowoc County Municipality</td>
<td>Municipality</td>
<td>700</td>
</tr>
<tr>
<td>Aurora Medical Center Hospital</td>
<td>Hospital</td>
<td>600</td>
</tr>
<tr>
<td>Manitowoc School District Public school district</td>
<td>550</td>
<td></td>
</tr>
<tr>
<td>Lakeside Foods Frozen and canned food producer</td>
<td>350</td>
<td></td>
</tr>
<tr>
<td>Broadwind Energy Energy power plant</td>
<td>320</td>
<td></td>
</tr>
<tr>
<td>Parker-Hannifin Corporation Manufacturer of hose couplings, fittings and assemblies</td>
<td>300</td>
<td></td>
</tr>
</tbody>
</table>

Source: Holy Family Hospital

**Competition**

Holy Family Medical Center is the only hospital in the City of Manitowoc. Aurora Medical Center—Two Rivers, located eight miles to the north, has 52 staffed beds and is considered the primary competitor to Holy Family Memorial. Patients also access certain specialized services outside of the Manitowoc County area.

The primary service area is defined by zip code 54220, which includes the City of Manitowoc and certain surrounding areas. The secondary market includes the communities of Newton, Mishicot, Reedsville, Two Rivers, Valders and Whitelaw, which represents the majority of the remainder of Manitowoc County and certain other adjacent areas.
Market Share

Market share based upon discharges for the fiscal years ended December 31, 2015 and 2016 are detailed in the charts below. See “OPERATIONAL AND FINANCIAL INFORMATION OF THE OBLIGATED GROUP – Management’s Discussion of Financial Performance” herein for a discussion of market share trends.

<table>
<thead>
<tr>
<th>Primary Service Area</th>
<th>Fiscal Year Ended December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td>Holy Family Memorial</td>
<td>1,776</td>
<td>1,630</td>
</tr>
<tr>
<td>Aurora Medical Center – Two Rivers</td>
<td>1,005</td>
<td>1,080</td>
</tr>
<tr>
<td>All Others</td>
<td>939</td>
<td>1,105</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>3,720</strong></td>
<td><strong>3,815</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal Years Ended December 31,</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holy Family Memorial</td>
<td>2,342</td>
<td>2,097</td>
</tr>
<tr>
<td>Aurora Medical Center – Two Rivers</td>
<td>1,896</td>
<td>1,922</td>
</tr>
<tr>
<td>All Others</td>
<td>1,777</td>
<td>2,037</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>6,015</strong></td>
<td><strong>6,056</strong></td>
</tr>
</tbody>
</table>

Source: Obligated Group

Strategic Plans

Holy Family Memorial’s strategy is to be an integrated healthcare delivery system uniting a 95 physician and mid-level provider group practice with a community hospital to provide a cohesive and value-driven care model and to position itself as a population and community health focused organization that will reduce the growth rate of healthcare costs for patients and employers. To further its strategic position, Holy Family Memorial has adopted certain core strategies: community engagement, consumer transparency, operational excellence and inspired caring and innovation. These strategies focus on efficiencies, patient experience and engaging the social and economic determinants of health to refine the medical delivery system and catalyze progress in areas that impact overall health outside of the formal healthcare delivery system. Holy Family Memorial has also embraced LEAN and innovation through its SPUR™ (Strategic Program and Unit Review) process which has been effective in managing costs.

Holy Family Memorial’s value proposition to the market hinges on efficient and quality care, as demonstrated by its quality rankings and third party analytics. In a 2016 study of severity and risk adjusted care for commercial patients by BSG Analytics, Holy Family Memorial was more efficient than its service area competitors. A 2016 University of Wisconsin Population Health Institute study ranked clinical care in Holy Family Memorial’s primary market area of Manitowoc County 9th best out of 72 Wisconsin counties, a positive indicator of the success of this strategy. For further information regarding Holy Family Memorial’s quality rankings, see “QUALITY AWARDS AND RECOGNITIONS” herein.

To improve Holy Family Memorial’s regional presence, Holy Family Hospital has developed its regional orthopedic service line, which has the only all subspecialty trained and credentialed group in northeast Wisconsin; increased referrals from surrounding counties (in particular Sheboygan) to the Holy Family Memorial Heart Center; and continued its participation in Bellin Health Partners (“BHP”).
BHP is a physician-led clinically integrated delivery system formed to spearhead BHP’s Pioneer Accountable Care Organization (“ACO”) and NextGen ACO initiatives, as well as to market value-driven care to Medicare ACO and commercial payors. Importantly BHP’s strong performance in both areas was the impetus behind Holy Family Memorial’s August 2016 decision to participate in BHP. The goal of BHP is to enhance Holy Family Memorial’s scale and scope and improve its ability to demonstrate its high value performance to a broader market. Participation is intended to enhance Holy Family Memorial’s ability to document, demonstrate and deliver value-oriented care. It is expected to also gradually shift existing managed care contracts to a more value-based model as well as introduce new value-oriented insurance products to the market that would not otherwise be available.

In August 2017 the 15,000 square foot Lakefront Campus will open in Two Rivers, Wisconsin. The Lakefront Campus aims to significantly improve Holy Family Memorial’s market presence in the second largest population center in the County. See “Recent Construction” below.

Hospital leadership intends to leverage the size and scope of Holy Family Memorial’s physician network, its patient accessibility, community support and complement of services to compete effectively in the evolving managed care environment. Leadership views Holy Family Memorial’s Right Care Model: Right Care, Right Setting, Right Outcome (the “Right Care Model”) as the cornerstone of its health care delivery and intends to embrace the Right Care Model to demonstrate cost savings to the consumer while maintaining a high standard of quality.

**Recent Construction**

Holy Family Memorial has undertaken a number of construction projects in recent years on its main hospital campus and other related facilities. On its main campus, Holy Family Memorial completed construction of a 64,000 square foot addition to the main campus of the medical center in 2006 providing expanded heart and vascular services, a diagnostic center, a women’s imaging center, a new lobby with private registration areas and a coffee and gift shop.

In September 2005, Holy Family Memorial completed construction and opened an 86,000 square foot campus (the “Harbor Town Campus”) located in southwest Manitowoc, Wisconsin. The Harbor Town Campus houses the family medicine and orthopedic clinics and provides employer-based services, walk-in care, rehabilitation services and a community medically-based wellness center. Later this year, Ear, Nose & Throat, Hearing & Balance and HFM Pharmacy will be moved to the Harbor Town Campus.

Finally, Holy Family Memorial is in the process of opening a 15,000 square foot campus (the “Lakefront Campus”) located in Two Rivers, Wisconsin. The Lakefront Campus is designed to increase efficiency and reduce overhead cost, as it consolidates three medical office building campuses into one campus. The Lakefront Campus will house primary care, walk-in care, behavioral health, physical therapy, occupational therapy, wellness, laboratory, radiology, and rotating specialty services. The facility is scheduled to open in August 2017.

**Medical Staff/Employed Physicians**

Holy Family Memorial had 110 physicians on the medical staff (excluding dental staff) as of December 31, 2016, of whom 97% are board-certified. The average age of the medical staff is 52 years. The top 10 admitting physicians account for 85% of total admissions and have an average age of 48.5. For the past two fiscal years, over 95% of inpatient admissions were provided by Holy Family Memorial-employed medical groups.
The following chart reflects the number of admitting practitioners and their specialties at Holy Family Memorial:

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Total Number</th>
<th>Board Certified</th>
<th>Average Age</th>
<th>Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anesthesia</td>
<td>3</td>
<td>3</td>
<td>50</td>
<td>3</td>
</tr>
<tr>
<td>Cardiology</td>
<td>3</td>
<td>3</td>
<td>67</td>
<td>3</td>
</tr>
<tr>
<td>Pediatric Cardiology</td>
<td>3</td>
<td>3</td>
<td>54</td>
<td>0</td>
</tr>
<tr>
<td>ENT</td>
<td>1</td>
<td>1</td>
<td>40</td>
<td>0</td>
</tr>
<tr>
<td>Emergency Medicine</td>
<td>8</td>
<td>8</td>
<td>53</td>
<td>7</td>
</tr>
<tr>
<td>Family Practice</td>
<td>10</td>
<td>10</td>
<td>56</td>
<td>8</td>
</tr>
<tr>
<td>Gastroenterology</td>
<td>3</td>
<td>3</td>
<td>53</td>
<td>2</td>
</tr>
<tr>
<td>General Surgery</td>
<td>3</td>
<td>3</td>
<td>45</td>
<td>2</td>
</tr>
<tr>
<td>Hematology/Oncology</td>
<td>9</td>
<td>9</td>
<td>50</td>
<td>1</td>
</tr>
<tr>
<td>Internal Medicine</td>
<td>8</td>
<td>7</td>
<td>52</td>
<td>5</td>
</tr>
<tr>
<td>Neurology</td>
<td>12</td>
<td>11</td>
<td>56</td>
<td>0</td>
</tr>
<tr>
<td>OB/GYN</td>
<td>4</td>
<td>4</td>
<td>45</td>
<td>3</td>
</tr>
<tr>
<td>Ophthalmology</td>
<td>2</td>
<td>2</td>
<td>53</td>
<td>0</td>
</tr>
<tr>
<td>Orthopedics</td>
<td>9</td>
<td>9</td>
<td>48</td>
<td>5</td>
</tr>
<tr>
<td>Pathology</td>
<td>2</td>
<td>2</td>
<td>63</td>
<td>2</td>
</tr>
<tr>
<td>Pediatrics</td>
<td>4</td>
<td>4</td>
<td>51</td>
<td>4</td>
</tr>
<tr>
<td>Psychiatry</td>
<td>2</td>
<td>2</td>
<td>47</td>
<td>2</td>
</tr>
<tr>
<td>Pulmonology</td>
<td>1</td>
<td>1</td>
<td>56</td>
<td>1</td>
</tr>
<tr>
<td>Radiation Oncology</td>
<td>3</td>
<td>3</td>
<td>53</td>
<td>0</td>
</tr>
<tr>
<td>Radiology</td>
<td>5</td>
<td>5</td>
<td>55</td>
<td>0</td>
</tr>
<tr>
<td>Urology</td>
<td>1</td>
<td>1</td>
<td>60</td>
<td>1</td>
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<tr>
<td>Vascular Surgery</td>
<td>1</td>
<td>1</td>
<td>57</td>
<td>1</td>
</tr>
<tr>
<td>Misc. Podiatry</td>
<td>2</td>
<td>2</td>
<td>41</td>
<td>1</td>
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<tr>
<td>Dermatology</td>
<td>4</td>
<td>4</td>
<td>41</td>
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<tr>
<td>Pain Medicine</td>
<td>2</td>
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<td>Sleep Medicine</td>
<td>2</td>
<td>2</td>
<td>53</td>
<td>0</td>
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<tr>
<td>Sports Medicine</td>
<td>1</td>
<td>1</td>
<td>44</td>
<td>1</td>
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<tr>
<td>Infectious Disease</td>
<td>1</td>
<td>1</td>
<td>45</td>
<td>0</td>
</tr>
<tr>
<td>Rheumatology</td>
<td>1</td>
<td>1</td>
<td>45</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>110</strong></td>
<td><strong>107</strong></td>
<td><strong>46</strong></td>
<td><strong>55</strong></td>
</tr>
</tbody>
</table>

Source: Obligated Group

Management of Holy Family Memorial is currently evaluating the size and scope of its existing medical staff to ensure that it remains adequate to provide the breadth and depth of health care services expected by the community. Holy Family Memorial has been involved in an active program of physician recruitment and retention and establishment of performance standards, which has resulted in a slight increase in specialists and no change in primary care since 2015. Holy Family Memorial believes that in order to serve the Manitowoc community and fulfill its mission of population health improvement, it needs to increase its primary care presence. Due to local competition and a nationwide shortage of primary care physicians, Holy Family Memorial has employed an additional 30 mid-level providers (which includes nurse practitioners and physician assistants), bringing Holy Family Memorial’s total provider network of employed physicians and mid-level providers to 95 clinicians.
From 2014 through 2016, Holy Family Memorial’s employed physician provider network experienced 16 departures and 11 hires, and added a net total of seven mid-level providers. While this reflects the nationally competitive market for primary care, it also reinforces Holy Family Memorial’s intentional transition to a team based care model that utilizes mid-level providers. In 2017, Holy Family Memorial had a net gain of two new physicians, and six mid-level providers have been added to support Holy Family Memorial’s increasing retail, occupational and community access strategies. Holy Family Memorial has historically enjoyed turnover levels below Medical Group Management Association benchmarks. The net additions and departures by physician specialty are reflected below.

### Employed Physician Changes

<table>
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<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Anesthesia/Pain</td>
<td>--</td>
<td>1</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Emergency</td>
<td>--</td>
<td>--</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Family Practice</td>
<td>1</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Gastroenterology</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>1</td>
</tr>
<tr>
<td>General Surgery</td>
<td>--</td>
<td>1</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Internal Medicine</td>
<td>--</td>
<td>3</td>
<td>1</td>
<td>--</td>
</tr>
<tr>
<td>Cardiology</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>1</td>
</tr>
<tr>
<td>Orthopedics</td>
<td>2</td>
<td>1</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>ENT</td>
<td>--</td>
<td>--</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Pediatrics</td>
<td>1</td>
<td>1</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>OB/GYN</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>1</td>
</tr>
<tr>
<td>Psychology</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Urology</td>
<td>--</td>
<td>--</td>
<td>1</td>
<td>--</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>4</td>
<td>8</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Obligated Group

### Managed Care

**Environment**

Manitowoc County can be characterized as an open-panel Preferred Provider Organization environment. Holy Family Memorial’s commercial managed care accounted for 31% of its payor mix in fiscal year 2016. Medicare and Medicaid managed care plans are increasing and new payors are entering the service area. Traditional indemnity plans are being replaced by high deductible plans, employer self-funded plans and marketplace products. The cost of health care is shifting to the consumer, resulting in greater out of pocket expense.

Once averse to offering health insurance benefits with steerage to one provider network, employers are now seeking lower cost health care alternatives. These include offering narrow networks of providers, structuring bundled payments for services such as hip or knee replacement surgery, providing robust employee wellness solutions including on-site wellness clinics, and promoting telemedicine rather than traditional office visits. Payor contracts were previously 100% discounted fee for service payment arrangements. These reimbursement models have been replaced by a blend of payments based on diagnosis related groups, per diem rates, case rates and discounted fee for service arrangements. Managed care plans, both commercial and governmental, are increasingly including pay for performance and other value-based payment models in their reimbursement methodology. This phenomenon is relatively
advanced in Manitowoc County, and the Corporation’s strategy is to benefit from such models due to its value-based focus.

Select Plans

Holy Family Memorial participates in United Healthcare’s Medicare Advantage Primary Care Physician Incentive (“MA-PCPi”) program. The hospital received payment for 2016 data for the Medicare Advantage Plan members attributed to it, scoring a 4 out of 5 STAR measure based on HEDIS compliance percentage targets which resulted in a quality payment to the hospital.

Anthem Blue Cross and Blue Shield’s Quality-in-Sights Hospital Incentive Program (“Q-HIP”) is another quality program in which Holy Family Memorial participates for all commercial plan enrollees seeking care at Holy Family Hospital. Q-HIP reviews and scores on measurers of patient safety health outcomes, member satisfaction, appropriateness of ER utilization, and hospital acquired conditions. Holy Family Memorial received an increase in reimbursement rates for its quality performance during the measurement period January 1, 2015 to December 31, 2015. The rate increase was realized in 2017.

As a partner in BHP, Holy Family Memorial realizes quality payments from Humana for the Medicare Advantage population seen by BHP providers. HEDIS compliance percentage targets are used to calculate this quality payment. These dollars will be prorated based on Medicare Advantage Plan members attributed to Holy Family Memorial.

Holy Family Memorial is gathering quality data for the Medicare Access and Children’s Health Insurance Program Reauthorization Act (“MACRA”) and has elected to participate in the Merit Based Incentive Payment System (“MIPS”). Beginning in 2017, quality data will be collected and paid out to providers based on such data in 2019.

Quality Initiatives

Holy Family Memorial is involved in a number of quality initiatives, including:

- Working with the Lake Superior Quality Innovation Network to improve the identification of depression and alcohol use disorder including effective care transitions;
- Participating in the national initiative, Partners for Patients, with the Wisconsin Hospital Association and the Great Lakes Partners for Patients;
- Working with Metastar, which represents Wisconsin in the Lake Superior Quality Innovation Network, in Healthy Hearts in the Heartland which utilized best practices, streamlines workflows and creates treatment protocols to improve the health of patients diagnosed with hypertension;
- Voluntarily reporting data to the Wisconsin Collaborative for Healthcare Quality regarding population health measures and ambulatory care measures;
- Voluntarily submitting the Leapfrog Hospital Survey on an annual basis. In addition, Holy Family Memorial has received a Leapfrog Patient Safety Score of “A” for Fall 2016 and Spring 2017;
- Improving performance through its partnership with BHP in the areas of colon cancer screening, breast cancer screening, cervical cancer screening, BMI, opioid agreements, hypertension control,
hemoglobin A1c control, diabetes kidney function and blood pressure control, immunizations, advanced directives, and depression screening; and

– Promoting the medically-based wellness center, which provides access to circuit strength and cardio equipment, free weights, lap pool, dry sauna, walking/running track, and a variety of group exercise classes to its members.

Utilization Statistics

The following chart provides key utilization statistics for Holy Family Memorial for the fiscal years ended December 31, 2014, 2015, and 2016, and for the five months ended May 31, 2016 and 2017.

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended December 31,</th>
<th>Five Months Ended May 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>Licensed Beds</td>
<td>167</td>
<td>167</td>
</tr>
<tr>
<td>Operating Beds</td>
<td>67</td>
<td>67</td>
</tr>
<tr>
<td>Discharges</td>
<td>2,518</td>
<td>2,698</td>
</tr>
<tr>
<td>Patient Days (Hospital)</td>
<td>8,483</td>
<td>9,209</td>
</tr>
<tr>
<td>Outpatient Registrations</td>
<td>71,969</td>
<td>76,930</td>
</tr>
<tr>
<td>Clinic &amp; Walk in Visits</td>
<td>152,307</td>
<td>152,694</td>
</tr>
<tr>
<td>Emergency Room Visits</td>
<td>12,905</td>
<td>13,241</td>
</tr>
<tr>
<td>Surgeries</td>
<td>3,519</td>
<td>3,583</td>
</tr>
<tr>
<td>Births/Deliveries</td>
<td>234</td>
<td>226</td>
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<tr>
<td>Medicare Case Mix Index</td>
<td>1.690</td>
<td>1.629</td>
</tr>
</tbody>
</table>

Source: Obligated Group
ST. PAUL ELDER SERVICES, INC.

Background; Services

St. Paul is based in Kaukauna, Wisconsin. The operations of St. Paul include St. Paul Home, a licensed 129-bed skilled nursing facility; St. Paul Villa, an 89 unit residential care complex offering assisted living support based on the individual needs of the resident; St. Paul Manor, a 24-bed memory care assisted living facility; the Center for Rehabilitation, providing skilled nursing services, inpatient physical, occupational, and speech therapy, and outpatient therapy services; and Club Gabriel Adult Day Center. St. Paul Home, St. Paul Villa, St. Paul Manor and the Center for Rehabilitation are located on one campus.

Geographic and Economic Information

Kaukauna is located approximately 10 miles east of Appleton, Wisconsin, and 20 miles south of Green Bay, Wisconsin. Kaukauna is considered part of the Fox River Valley, which includes Outagamie, Winnebago and Calumet counties. The Kaukauna market includes approximately 30,000 residents from Kaukauna, Little Chute, Kimberly and Combined Locks. Approximately 80% of St. Paul’s admissions are derived from the Kaukauna market.

The 2015 U.S. Census Bureau estimated population of Outagamie County Wisconsin is 183,245, which is a 3.7% increase in population compared to the 2010 census. The state and U.S. population increased an average of 1.5% and 4.1% during the same time period. County median age is 34 years with residents age 65 and over making up 16.9% of the population and 27.7% of residents under the age of 18. Median household income for Outagamie County is $58,765.

Competition

St. Paul is one of four retirement communities in the Fox River Valley providing the full continuum of care services to the elderly. It is the only such facility in its immediate market. St. Paul’s market position was heightened with the addition of its therapy and community outreach services in 2002 and the addition of 55 assisted living units in 2003. The therapy services focus on post-surgical/stroke rehabilitation. The community outreach service currently provides adult day care, aqua therapy, senior meals, home care and specialized therapeutic service for the elderly including incontinence management and foot care. This added service has contributed to the high occupancy at the St. Paul facilities. St. Paul maintains a focus on expanding the home- and community-based services that are needed in the community. St. Paul’s transportation service has grown 60% since 2012, and its Passages Memory Care Program (“Passages”) for those living with dementia in the community has grown 34% since 2013.

Strategic Plans

St. Paul’s goal is to be the provider of mission-driven centers of excellence in memory care, post-acute care, palliative care, and mental health. By building upon existing programming and outcomes, St. Paul intends to further develop the Passages program portfolio of supportive services and residential care settings for those living with all stages of dementia and their care partners; refine its skilled nursing and rehabilitation capabilities within the Center of Rehabilitation and establish a palliative care program with an emphasis on pain management, spiritual care, therapeutic music, and collaborative conversations; and create mental health support services exclusively for the elderly that will focus on creative interventions for improving depression and/or anxiety.
Recent Construction

In June 2015, construction was completed on a 12-bed addition to the Center of Rehabilitation at St. Paul Home, creating a 30-bed post-acute care unit for orthopedic and stroke rehabilitation. In September 2015, a campus-wide renovation was completed, which included the expansion of St. Paul Villa’s dining room, the significant remodeling of St. Paul Home’s dining areas and nurses’ stations, and the overall facelift to all fixtures and furnishings throughout the facilities.

In June 2016, construction was completed on a new 24-bed memory care-specific assisted living facility, which was named St. Paul Manor. St. Paul Manor has all private rooms, all of which have private baths with showers, a spa and salon, a dining atrium, a private dining room, a chapel, a secure patio, and a number of engagement areas for therapeutic recreation. The lower level of the facility houses the Hoffman Memory Care Resource Center, which is the home to all of St. Paul’s community-based memory care services within the Passages program, including support groups, education programs, social programs, and brain-training programs. The Hoffman Memory Care Resource Center also has a resource lending library and a fitness center that is equipped with dementia-friendly fitness equipment so that center clients can incorporate physical exercise into their care plan in an effort to slow the progression of dementia.

Quality Initiatives

Within the past two years, St. Paul Villa, St. Paul Manor, St. Paul Home, and Club Gabriel Adult Day Center have received deficiency-free surveys, as well as quality annual state/federal survey results for St. Paul Home and St. Paul Hospice, with few low-level deficiencies noted. In 2016, St. Paul also became a founding/charter member of LeadingChoice Network, a quality-based provider network formed to develop pay for performance initiatives within the managed care environment. Also in 2016, St. Paul received a $50,000 grant to support dementia-capable training within the Passages program, providing St. Paul staff with enhanced resources to provide quality dementia care throughout the service continuum.

Utilization Statistics


<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended December 31</th>
<th>Five Months Ended May 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>St. Paul Home (129 beds)</td>
<td>96.1%</td>
<td>93.0%</td>
</tr>
<tr>
<td>St. Paul Villa (89 units)</td>
<td>97.8%</td>
<td>96.4%</td>
</tr>
<tr>
<td>St. Paul Manor (24 units)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: Obligated Group

St. Paul Manor was constructed from 2015 to 2016 and began operations in July 2016.
Payor Mix for St. Paul Home, St. Paul Manor and St. Paul Villa


<table>
<thead>
<tr>
<th></th>
<th>As of December 31,</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Medicare</td>
<td>13.8%</td>
</tr>
<tr>
<td>Private Pay/Commercial</td>
<td>43.0%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>43.2%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Source: Obligated Group

FRANCISCAN CARE SERVICES, INC.

Background; Services

Franciscan Care owns and operates St. Francis Memorial Hospital, a 25-bed critical access hospital (“St. Francis Memorial”) in West Point, Nebraska, six clinics, a rehabilitation facility and an assisted living facility. St. Francis Memorial was originally constructed in 1950. Over the past 17 years the hospital has been totally renovated and a new patient care addition was completed in 2012. The attached Dinklage Clinic was constructed in 1998 and there are five regional clinics located in Scribner, Wisner, Oakland, Howells, and Hooper, Nebraska. Also attached to the main facility is the Wimmer Rehabilitation Center which opened in 2006.

Franciscan Care also owns and operates St. Joseph’s Retirement Community (“SJRC”), a 63-unit assisted living facility located across the street from the main campus. Franciscan Care intends to transfer SJRC to St. Joseph in 2019. In anticipation of this contemplated transfer, information on SJRC is provided under “ST. JOSEPH’S ELDER SERVICES, INC.” herein.

Geographic and Economic Information

West Point is the county seat of Cuming County. Cuming County is predominately a livestock and grain producing region. The service area consists of five counties: Cuming, Thurston, Colfax, Dodge and Burt.

The 2015 U.S. Census Bureau estimated population of Cuming County Nebraska is 9,078 which is a 0.7% decline in population compared to the 2010 census. The state and U.S. population increased an average of 1.5% and 4.1% during the same time period. County median age is 43.6 years with residents age 65 and over accounting for 21% of the population and 23.8% of residents under the age of 18. Median household income for Cuming County in 2015 was $50,013.
The largest employers in Cuming County are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Type of Business</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franciscan Care</td>
<td>Community health system</td>
<td>265</td>
</tr>
<tr>
<td>West Point Public Schools</td>
<td>Public school district</td>
<td>107</td>
</tr>
<tr>
<td>West Point Dairy</td>
<td>Manufacturer of butter, buttermilk, and cream</td>
<td>65</td>
</tr>
<tr>
<td>Valmont Coatings</td>
<td>Manufacturer of highway, lighting fixtures, and custom galvanizers</td>
<td>60</td>
</tr>
<tr>
<td>Jones Manufacturing</td>
<td>Hay grinding manufacturer</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: St. Francis Memorial

The unemployment rate for Cuming County per the Nebraska Department of Labor was 3.1% at December 2016.

**Competition**

There are five hospitals in the counties comprising the St. Francis Memorial service area, four of which have fewer than 40 beds. St. Francis Memorial is the only hospital in Cuming County. The nearest tertiary care hospital is located in Omaha, approximately 75 miles from West Point. Assisted living facilities of a comparable nature are continuing to be developed in surrounding communities.

**Market Share**

Market share based upon hospital inpatient discharges in Cuming County for the years ended December 31, 2015 and 2016 are presented below.

<table>
<thead>
<tr>
<th>Hospital / County</th>
<th>Fiscal Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td>St. Francis Memorial Hospital / Cuming</td>
<td>426</td>
</tr>
<tr>
<td>Pender Community Hospital / Thurston</td>
<td>69</td>
</tr>
<tr>
<td>Fremont Area Medical Center / Dodge</td>
<td>241</td>
</tr>
<tr>
<td>Faith Regional Health Center / Madison</td>
<td>90</td>
</tr>
<tr>
<td>Nebraska Methodist Hospital / Douglas</td>
<td>142</td>
</tr>
<tr>
<td>Nebraska Medicine / Douglas</td>
<td>143</td>
</tr>
<tr>
<td>All Others (&lt;5% each)</td>
<td>243</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,354</strong></td>
</tr>
</tbody>
</table>

Source: State of Nebraska Health and Human Services

**Medical Staff**

There are currently six family practice physicians, one orthopedic surgeon and one general surgeon on the St. Francis Memorial medical staff, all of whom are board-certified and employed by Franciscan Care. The employed medical staff also includes three certified physician assistants and two nurse practitioners. The average age of the medical staff is 51 years. Franciscan Care has purchased and operates the only two primary care clinics in West Point. In addition, approximately 13 consulting specialists provide outpatient clinic services at St. Francis Memorial.
Strategic Plans

In 2017, St. Francis Memorial joined the NPG Health Collaborative ACO. This ACO is comprised of nine other critical access hospitals in Nebraska. St. Francis Memorial plans to evaluate and implement Health Endeavors software for quality measure reporting as well as chronic care management in order to meet the hospital’s needs. St. Francis Memorial is also developing a palliative care program for its service area.

Recent Construction

Responding to community need for a nursing home offering alternative levels of care, Franciscan Care began construction of St. Joseph’s Hillside Villa (the “Villa”), a 54-bed skilled nursing facility. Funding for the $13.5 million project will come from $2 million in fundraising and the remainder from equity. Once construction is complete, Franciscan Care will transfer the Villa and SJRC to St. Joseph. See “ST. JOSEPH’S ELDER SERVICES – Background; Services” below.

Quality Initiatives

Franciscan Care has maintained a focus on quality driven care, as it has voluntarily participated in the Physician Quality Reporting System (“PQRS”) prior to the program becoming a part of MACRA legislation. Franciscan Care participates in the Medicare Beneficiary Quality Improvement Program (“MBQIP”) which requires reported measures to CMS related to chest pain, acute myocardial infarction, emergency department throughput, immunization, and long bone pain management. Franciscan Care also reports additional quality measures through its participation in the Hospital Improvement Innovation Network (“HIIN”). Franciscan Care currently participates in several insurance company quality programs that focus on specific chronic conditions and screening exams, including cancer screening, mammography, diabetes, hypertension, and congestive heart failure. Franciscan Care’s Business Health Department offers occupational therapy services and employee drug testing. In furtherance of its quality initiatives, Franciscan Care has approximately 3.5 FTE health coaching employees that assist in activities related to population health and care coordination. Additional nursing staff in the attached Dinklage Clinic will become certified health coaches. The additional certified health coaching staff and implementation of an electronic medical records system (“EMR”) in the clinic are intended to help Franciscan Care in achieving a Patient Centered Medical Home designation. See “OTHER INFORMATION – Information Technology” herein.
Utilization Statistics

The following chart provides key utilization statistics for Franciscan Care for the fiscal years ended December 31, 2014, 2015, and 2016 and the five months ended May 31, 2016 and 2017.

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended December 31,</th>
<th>Five Months Ended May 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>St. Francis Memorial &amp; Clinics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licensed and Operating Beds</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Discharges</td>
<td>594</td>
<td>552</td>
</tr>
<tr>
<td>Patient Days (Hospital)</td>
<td>2,912</td>
<td>2,803</td>
</tr>
<tr>
<td>Outpatient Registrations</td>
<td>35,327</td>
<td>36,635</td>
</tr>
<tr>
<td>Clinic Visits</td>
<td>26,099</td>
<td>26,568</td>
</tr>
<tr>
<td>Emergency Room Visits</td>
<td>5,513</td>
<td>5,846</td>
</tr>
<tr>
<td>Surgeries</td>
<td>874</td>
<td>871</td>
</tr>
<tr>
<td>Births/Deliveries</td>
<td>77</td>
<td>61</td>
</tr>
</tbody>
</table>

Source: Obligated Group

ST. JOSEPH’S ELDER SERVICES, INC.

Background; Services

St. Joseph is a newly formed affiliate of the Corporation. As noted above, Franciscan Care currently owns and operates SJRC, and is in the process of constructing the St. Joseph’s Hillside (the “Villa”). Once the Villa is complete, Franciscan Care will transfer its interests in the Villa and SJRC to St. Joseph, and St. Joseph will own and operate both the Villa and SJRC in West Point, Nebraska. Such transfer is expected to take place no later than early 2019.

The Villa will serve the aging population in West Point and surrounding area with skilled nursing and long-term care services. The Villa will be located directly to the north of St. Francis Memorial in West Point. The 54-bed facility will be composed of 30 private rooms and 12 companion rooms made up of two private living areas that share a bathroom. The facility is divided into three neighborhoods, a concept designed to create a home-like atmosphere. The Villa will contain a large community room with kitchen, a chapel, therapy gym, dining rooms, and outdoor living spaces. It will also feature a storm shelter area in each neighborhood to protect its residents and team members more securely in the advent of inclement weather. The $13.5 million dollar project is expected to be completed by late fall of 2018 with an open date of early 2019. The opening of the Villa should also provide approximately 60 new jobs in West Point. A ground breaking ceremony was held May 9, 2017, that also served as the start of a six month, $2 million fundraising campaign.

The original SJRC facility, known as “St. Joe’s Home” was constructed in 1905 as a home for the elderly and infirm. In 1988, the current SJRC facility was constructed. SJRC serves older individuals who require minimal assistance with activities of daily living, medication administration and mild cognitive impairment. The community is comprised of 63 apartments, totaling 90 licensed beds.

Competition

The ten zip codes comprising St. Joseph’s market area accounted for 92.5% of the past three years’ admissions. West Point accounted for 60.4% of those admissions and the remaining zip codes accounted for 32.1%. There are five assisted living facilities within SJRC’s market area with a total of
127 living units. Four of those facilities are attached to a skilled long-term care facility. All of the surrounding assisted living facilities but SJRC contain less than 25 beds. SJRC is the only facility in the market area that has memory care assisted living with a total of 14 units.

There are nine additional skilled long-term care facilities in the counties comprising the Villa’s market area. Five of the surrounding facilities are certified for less than 50 beds. The closest competitor facility is in West Point with a total of 64 certified beds; two of the remaining competing facilities are located in Cuming County.

**Demographic Information**

The population for the St. Joseph market area is projected to increase by 110 persons from 2017 to 2022 and Cuming County is projected to grow by 192 persons in that same time period. Further, the 65 and older population is projected to grow by 9.1% in the market area through 2022 and by 10.2% in Cuming County through that same time period. Long-term projections (2025 – 2050) for Cuming County show only growth in the 80-85 age cohort, which is projected to grow by 13.5%. According to a market studies project, the population of 65 and older is projected to decline by 19.9% during that 2025 to 2050 time span. Combining these figures, there is a projected net gain of 22 persons in the over 65 age group from 2025 to 2050.

**Quality Initiatives**

SJRC’s quality program tracks and monitors various indicators selected based on feedback received from Nebraska health and life safety inspections, annual resident and team satisfaction survey results, and internal measures specific to SJRC. Quarterly reports are reviewed by the Board and on average throughout 2016 each quality measure exceeded its target. SJRC’s most recent assisted living facility inspection by the State of Nebraska resulted in only two minor deficiencies. Life safety inspections are conducted annually; any findings are acted upon immediately.

**Utilization Statistics**

The following chart presents the occupancy percentages for SJRC for the fiscal years ended December 31, 2014, 2015 and 2016 and the five months ended May 31, 2016 and 2017.

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended December 31</th>
<th>Five Months Ended May 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>Percent of Occupancy</td>
<td>87%</td>
<td>82%</td>
</tr>
</tbody>
</table>

Source: Obligated Group
Payor Mix for St. Joseph’s Retirement Community

The following chart presents the payor mix for SJRC for the fiscal years ended December 31, 2014, 2015, and 2016 and the five months ended May 31, 2016 and 2017.

<table>
<thead>
<tr>
<th>Payor Type</th>
<th>Fiscal Year Ended December 31, 2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Pay</td>
<td>76%</td>
<td>77%</td>
<td>75%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>24%</td>
<td>23%</td>
<td>25%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Obligated Group

QUALITY AWARDS AND RECOGNITION

The following chart highlights various quality recognition and awards received by the Obligated Issuers.

Corporation

Top 20% Small Health Care Systems 2015 & 2017 Truven Health Analytics

Holy Family Memorial

4-Star Overall Quality of Care 2016 & 2017 CMS
Top 100 Rural and Community Hospital 2016 & 2017 iVantage Health Analytics
100 Great Community Hospital 2016 & 2017 Becker’s Hospital Review
Community Value 5-Star Hospital 2016 Cleverly + Associates
Blue Distinction Center for Maternity Care 2016 Anthem Blue Cross and Blue Shield
NCDR Action Registry – GWTC Platinum 2015 & 2016 American College of Cardiology
Most Wired Hospital 2015 & 2016 Hospitals & Health Networks Magazine

Franciscan Care Services

4-Star Overall Quality of Care 2016 & 2017 CMS
5-Star Patient Satisfaction 2015 & 2016 CMS
Top Quartile Quality Measures 2017 Federal Office of Rural Health Policy
Blue Distinction for Total Patient Care 2016 Blue Cross and Blue Shield Nebraska
OTHER INFORMATION

Information Technology

Holy Family Memorial has been engaged in the development of EMR and computerized physician order entry (“CPOE”) for over 10 years. On April 1, 2017, the organization went live with a new vendor, Cerner, to further improve population health capabilities. Franciscan Care recently signed a contract with Cerner for the transition of their existing hospital EMR and installation of their clinic system. Implementation is targeted for the fall of 2018. The Corporation has budgeted approximately $17.5 million for the Cerner EMR conversion project, approximately 97% of which has already been invested.

Employees

The affiliates of the Corporation are major employers in each of the communities they serve. There are no collective bargaining units present or soliciting at any of the sites. The Corporation and its affiliates do not maintain any defined benefit pension plans. The organizations provide defined contribution plans through retirement savings and tax-deferred annuities, a self-funded health benefit plan and other employee benefits commonly provided in the market place. The employee base is relatively stable with typical levels of employee turnover.

Certifications and Accreditations

Each of the Obligated Group’s acute care hospital facilities is certified for Medicare and Medicaid reimbursement. Holy Family Memorial is accredited by the Joint Commission. St. Paul Home and affiliated units are long-term licensed by the applicable state licensing agencies and are certified for Medicaid and Medicare reimbursement.

Educational Affiliations

Certain Obligated Issuers which operate health care facilities have affiliations with various educational institutions. As examples of such affiliations, Holy Family Memorial participates in education programs in the areas of nursing, radiology and physical therapy.

Insurance

Each of the Obligated Group’s acute care entities carries professional liability insurance for claim losses up to $1 million per claim and $3 million per year on a claims-made policy. In Wisconsin, losses in excess of these defined limits are covered through mandatory participation in the State of Wisconsin Patient Compensation Fund. All entities including the long-term care facilities are also covered under a commercial umbrella liability policy with limits up to $25 million.

St. Francis Memorial and its employed physicians participate under the Nebraska Hospital-Medical Liability Act (the “Medical Liability Act”). The Medical Liability Act limits recovery from
qualifying health care providers for any occurrence resulting in injury or death of a patient covered by the Medical Liability Act. Claims for occurrences after December 31, 2014 are subject to a limit of $2.25 million from all providers relating to the same occurrence. Any judgment or settlement in excess of $500,000 per health care provider (up to the statutory cap of $2.25 million) is paid from the state Excess Liability Fund. In order to qualify under the Medical Liability Act, providers must maintain minimum levels of insurance.

Workers’ compensation coverage for the Wisconsin affiliates is self-insured up to $250,000 per claim (lifetime). All locations are covered under umbrella liability coverage up to $25 million per occurrence.

Employee health insurance is provided for all affiliates on a self-insured basis up to $260,000 per claim for Wisconsin affiliate employees and $25,000 for Nebraska employees. Coverages above these limits are provided by commercial carriers.
APPENDIX B

FRANCISCAN SISTERS OF CHRISTIAN CHARITY SPONSORED MINISTRIES, INC. AND AFFILIATES CONSOLIDATED FINANCIAL REPORT WITH ADDITIONAL INFORMATION FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015
<table>
<thead>
<tr>
<th>Contents</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent Auditor's Report</strong></td>
<td>1</td>
</tr>
<tr>
<td><strong>Consolidated Financial Statements</strong></td>
<td></td>
</tr>
<tr>
<td>Balance Sheet</td>
<td>2</td>
</tr>
<tr>
<td>Statement of Operations</td>
<td>3</td>
</tr>
<tr>
<td>Statement of Changes in Net Assets</td>
<td>4</td>
</tr>
<tr>
<td>Statement of Cash Flows</td>
<td>5</td>
</tr>
<tr>
<td>Notes to Consolidated Financial Statements</td>
<td>6-23</td>
</tr>
<tr>
<td><strong>Additional Information</strong></td>
<td>24</td>
</tr>
<tr>
<td><strong>Independent Auditor's Report on Additional Information</strong></td>
<td>25</td>
</tr>
<tr>
<td>Consolidating Balance Sheet</td>
<td>26-27</td>
</tr>
<tr>
<td>Consolidating Statement of Operations</td>
<td>28-29</td>
</tr>
<tr>
<td>Consolidating Statement of Changes in Net Assets</td>
<td>30</td>
</tr>
</tbody>
</table>
Independent Auditor's Report

To the Board of Directors
Franciscan Sisters of Christian Charity
Sponsored Ministries, Inc. and Affiliates

We have audited the accompanying consolidated financial statements of Franciscan Sisters of Christian Charity
Sponsored Ministries, Inc. and Affiliates (the "Corporation"), which comprise the consolidated balance sheet as of
December 31, 2016 and 2015, 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 consolidated financial statements.

Management's Responsibility for the Consolidated 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 misstatement, 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 audits 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 entity’s preparation
and fair presentation of the consolidated financial statements in order to design audit procedures that are
appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the
entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the
appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by
management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the
financial position of Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. and Affiliates as of
December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in
accordance with accounting principles generally accepted in the United States of America.

March 31, 2017
Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. and Affiliates

Consolidated Balance Sheet

December 31, 2016 and 2015

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$38,294,235</td>
<td>$30,580,056</td>
</tr>
<tr>
<td>Accounts receivable (Note 3)</td>
<td>25,479,727</td>
<td>23,145,740</td>
</tr>
<tr>
<td>Estimated third-party payor settlements (Note 5)</td>
<td>372,879</td>
<td>-</td>
</tr>
<tr>
<td>Assets limited as to use (Note 7)</td>
<td>4,277,656</td>
<td>3,963,957</td>
</tr>
<tr>
<td>Inventory and other current assets</td>
<td>6,037,251</td>
<td>7,119,503</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$74,461,748</td>
<td>$64,809,256</td>
</tr>
<tr>
<td><strong>Assets Limited as to Use</strong> - Net of current portion (Note 7)</td>
<td>$107,828,167</td>
<td>$106,280,253</td>
</tr>
<tr>
<td><strong>Property and Equipment</strong> - Net (Note 9)</td>
<td>$138,561,432</td>
<td>$129,756,394</td>
</tr>
<tr>
<td><strong>Investment in Genesis HealthCare System</strong> (Note 14)</td>
<td>$110,049,787</td>
<td>$107,093,244</td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td>$3,083,905</td>
<td>$2,578,062</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$433,985,039</strong></td>
<td><strong>$410,517,209</strong></td>
</tr>
<tr>
<td><strong>Liabilities and Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$7,566,982</td>
<td>$6,726,631</td>
</tr>
<tr>
<td>Current portion of long-term debt (Note 11)</td>
<td>4,841,038</td>
<td>6,502,594</td>
</tr>
<tr>
<td>Estimated third-party payor settlements (Note 5)</td>
<td>-</td>
<td>1,349,064</td>
</tr>
<tr>
<td>Accrued liabilities and other (Note 10)</td>
<td>14,248,119</td>
<td>11,909,724</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>$26,656,139</td>
<td>$26,488,013</td>
</tr>
<tr>
<td><strong>Long-term Debt</strong> - Net of current portion (Note 11)</td>
<td>$76,244,351</td>
<td>$65,074,471</td>
</tr>
<tr>
<td><strong>Other Liabilities</strong></td>
<td>$1,897,484</td>
<td>$6,084,441</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>104,797,974</td>
<td>97,646,925</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$307,356,960</td>
<td>$289,942,848</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>3,813,988</td>
<td>5,090,524</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>18,016,117</td>
<td>17,836,912</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>$329,187,065</td>
<td>$312,870,284</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>$433,985,039</strong></td>
<td><strong>$410,517,209</strong></td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. and Affiliates

Consolidated Statement of Operations

Years Ended December 31, 2016 and 2015

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted Revenue, Gains, and Other Support</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net patient service revenue</td>
<td>$182,962,312</td>
<td>$181,183,181</td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>(4,302,478)</td>
<td>(5,198,317)</td>
</tr>
<tr>
<td><strong>Net patient service revenue less provision for bad debts</strong></td>
<td>178,659,834</td>
<td>175,984,864</td>
</tr>
<tr>
<td>Other</td>
<td>10,397,806</td>
<td>12,401,640</td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>4,799,782</td>
<td>4,576,616</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>673,146</td>
<td>2,075,295</td>
</tr>
<tr>
<td><strong>Total unrestricted revenue, gains, and other support</strong></td>
<td>194,530,568</td>
<td>195,038,415</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>94,173,233</td>
<td>93,297,796</td>
</tr>
<tr>
<td>Employee benefits and payroll taxes</td>
<td>22,430,050</td>
<td>20,683,200</td>
</tr>
<tr>
<td>Operating supplies and expenses</td>
<td>43,864,865</td>
<td>44,647,602</td>
</tr>
<tr>
<td>Purchased services</td>
<td>18,677,106</td>
<td>17,143,478</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>9,761,075</td>
<td>13,875,332</td>
</tr>
<tr>
<td>Interest expense</td>
<td>2,834,280</td>
<td>2,850,854</td>
</tr>
<tr>
<td><strong>Total expenses (Note 15)</strong></td>
<td>191,740,609</td>
<td>192,498,262</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>2,789,959</td>
<td>2,540,153</td>
</tr>
<tr>
<td><strong>Other Income (Expense)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>5,011,986</td>
<td>7,951,779</td>
</tr>
<tr>
<td>Other</td>
<td>75,866</td>
<td>668,093</td>
</tr>
<tr>
<td>(Loss) gain on rental property</td>
<td>(77,993)</td>
<td>247,476</td>
</tr>
<tr>
<td>Change in unrealized investment gains (losses)</td>
<td>1,362,426</td>
<td>(9,100,827)</td>
</tr>
<tr>
<td>Forgiveness of line of credit with the Convent</td>
<td>3,500,000</td>
<td>-</td>
</tr>
<tr>
<td>Undistributed earnings of Genesis HealthCare System</td>
<td>3,339,522</td>
<td>(8,008,038)</td>
</tr>
<tr>
<td><strong>Total other income (expense)</strong></td>
<td>13,211,807</td>
<td>(8,241,517)</td>
</tr>
<tr>
<td><strong>Excess of Revenue Over (Under) Expenses</strong></td>
<td>16,001,766</td>
<td>(5,701,364)</td>
</tr>
<tr>
<td><strong>Genesis HealthCare System Net Assets Released from Restriction - Used for purchase of property and equipment</strong></td>
<td>1,834,951</td>
<td>1,875,188</td>
</tr>
<tr>
<td><strong>Genesis - Other</strong></td>
<td>(163,384)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Pension-related Changes Other than Net Periodic Benefit Costs of Genesis HealthCare System</strong></td>
<td>(988,974)</td>
<td>627,126</td>
</tr>
<tr>
<td><strong>Net Assets Released from Restriction</strong></td>
<td>729,753</td>
<td>421,766</td>
</tr>
<tr>
<td><strong>Increase (Decrease) in Unrestricted Net Assets</strong></td>
<td>$17,414,112</td>
<td>$(2,777,284)</td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. and Affiliates

Consolidated Statement of Changes in Net Assets

Years Ended December 31, 2016 and 2015

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of revenue over (under) expenses</td>
<td>$16,001,766</td>
<td>$(5,701,364)</td>
</tr>
<tr>
<td>Genesis HealthCare System net assets released from restriction - Used for purchase of property and equipment</td>
<td>1,834,951</td>
<td>1,875,188</td>
</tr>
<tr>
<td>Genesis - Other</td>
<td>(163,384)</td>
<td>-</td>
</tr>
<tr>
<td>Pension-related changes other than net periodic benefit costs of Genesis HealthCare system</td>
<td>(988,974)</td>
<td>627,126</td>
</tr>
<tr>
<td>Net assets released from restriction</td>
<td>729,753</td>
<td>421,766</td>
</tr>
<tr>
<td>Increase (decrease) in unrestricted</td>
<td>17,414,112</td>
<td>(2,777,284)</td>
</tr>
<tr>
<td><strong>Temporarily Restricted</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted contributions</td>
<td>454,319</td>
<td>1,621,858</td>
</tr>
<tr>
<td>Restricted investment income</td>
<td>512,009</td>
<td>(35,146)</td>
</tr>
<tr>
<td>Net realized and unrealized gains on investments</td>
<td>70,026</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>244,771</td>
<td>-</td>
</tr>
<tr>
<td>Genesis HealthCare System restricted contributions</td>
<td>680,189</td>
<td>510,914</td>
</tr>
<tr>
<td>Genesis HealthCare System net assets released from restriction</td>
<td>(1,834,951)</td>
<td>(1,875,188)</td>
</tr>
<tr>
<td>Net assets released from restriction</td>
<td>(1,402,899)</td>
<td>(2,497,061)</td>
</tr>
<tr>
<td>Decrease in temporarily restricted</td>
<td>(1,276,536)</td>
<td>(2,274,623)</td>
</tr>
<tr>
<td><strong>Permanently Restricted</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted contributions</td>
<td>229,398</td>
<td>273,597</td>
</tr>
<tr>
<td>Net realized and unrealized gain (loss) on investments</td>
<td>105,388</td>
<td>(33,172)</td>
</tr>
<tr>
<td>Other</td>
<td>(244,771)</td>
<td>-</td>
</tr>
<tr>
<td>Genesis HealthCare System change in fair value of perpetual trust</td>
<td>89,190</td>
<td>(537,356)</td>
</tr>
<tr>
<td>Increase (decrease) in permanently restricted</td>
<td>179,205</td>
<td>(296,931)</td>
</tr>
<tr>
<td><strong>Increase (Decrease) in Net Assets</strong></td>
<td>16,316,781</td>
<td>(5,348,838)</td>
</tr>
<tr>
<td><strong>Net Assets - Beginning of year</strong></td>
<td>312,870,284</td>
<td>318,219,122</td>
</tr>
<tr>
<td><strong>Net Assets - End of year</strong></td>
<td><strong>$329,187,065</strong></td>
<td><strong>$312,870,284</strong></td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
### Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. and Affiliates

**Consolidated Statement of Cash Flows**

**Years Ended December 31, 2016 and 2015**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in net assets</td>
<td>$16,316,781</td>
<td>$(5,348,838)</td>
</tr>
<tr>
<td>Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>9,899,577</td>
<td>14,120,642</td>
</tr>
<tr>
<td>Provision for doubtful accounts</td>
<td>4,302,478</td>
<td>5,198,317</td>
</tr>
<tr>
<td>Change in net unrealized (gains) losses on investments</td>
<td>(1,362,426)</td>
<td>9,100,827</td>
</tr>
<tr>
<td>Realized gains on investments</td>
<td>(4,077,138)</td>
<td>(6,457,395)</td>
</tr>
<tr>
<td>Undistributed (gain) loss of Genesis HealthCare System</td>
<td>(3,339,522)</td>
<td>8,008,038</td>
</tr>
<tr>
<td>Gain from equity investment</td>
<td>(319,682)</td>
<td>(206,948)</td>
</tr>
<tr>
<td>Restricted contributions</td>
<td>(680,189)</td>
<td>(510,914)</td>
</tr>
<tr>
<td>Genesis HealthCare System net (gain) loss in fair value of perpetual trusts</td>
<td>(89,190)</td>
<td>537,356</td>
</tr>
<tr>
<td>Pension-related changes in other than net periodic benefit costs of Genesis HealthCare System</td>
<td>988,974</td>
<td>(627,126)</td>
</tr>
<tr>
<td>Loss (gain) on sale or disposal of equipment</td>
<td>173,546</td>
<td>(437,496)</td>
</tr>
<tr>
<td>Other</td>
<td>163,384</td>
<td>-</td>
</tr>
<tr>
<td>Forgiveness of line of credit with the Convent</td>
<td>(3,500,000)</td>
<td>-</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities which (used) provided cash and cash equivalents:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(6,636,465)</td>
<td>(1,236,621)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>1,082,252</td>
<td>(477,915)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(540,225)</td>
<td>229,875</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>264,929</td>
<td>(700,218)</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>2,338,395</td>
<td>(1,118,109)</td>
</tr>
<tr>
<td>Estimated third-party payor settlements</td>
<td>(1,721,943)</td>
<td>(273,100)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>(367,275)</td>
<td>(565,020)</td>
</tr>
<tr>
<td>Net cash and cash equivalents provided by operating activities</td>
<td>12,212,544</td>
<td>17,339,900</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Investing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td>(18,378,892)</td>
<td>(21,484,086)</td>
</tr>
<tr>
<td>Proceeds from sale of property and equipment</td>
<td>56,963</td>
<td>782,054</td>
</tr>
<tr>
<td>Proceeds from sales of investments</td>
<td>13,534,333</td>
<td>33,378,776</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(9,956,136)</td>
<td>(35,656,876)</td>
</tr>
<tr>
<td>Distribution to joint venture partner</td>
<td>-</td>
<td>(210,173)</td>
</tr>
<tr>
<td>Net cash and cash equivalents used in investing activities</td>
<td>(14,743,732)</td>
<td>(23,190,305)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Financing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from issuance of debt obligations</td>
<td>16,682,802</td>
<td>5,801,279</td>
</tr>
<tr>
<td>Principal payment on long-term debt</td>
<td>(3,655,552)</td>
<td>(3,408,593)</td>
</tr>
<tr>
<td>Net change in funds held by trustee under bond indenture</td>
<td>(246)</td>
<td>6,712</td>
</tr>
<tr>
<td>Issuance of bond financing costs</td>
<td>(73,457)</td>
<td>-</td>
</tr>
<tr>
<td>Receipts on pledges receivable</td>
<td>34,382</td>
<td>91,698</td>
</tr>
<tr>
<td>Restricted contributions</td>
<td>683,717</td>
<td>1,895,455</td>
</tr>
<tr>
<td>Net change in line of credit</td>
<td>(3,426,279)</td>
<td>-</td>
</tr>
<tr>
<td>Net cash and cash equivalents provided by financing activities</td>
<td>10,245,367</td>
<td>4,386,551</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Increase (Decrease) in Cash and Cash Equivalents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$7,714,179</td>
<td>(1,463,854)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and Cash Equivalents - Beginning of year</strong></td>
<td>$30,580,056</td>
<td>$32,043,910</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and Cash Equivalents - End of year</strong></td>
<td>$38,294,235</td>
<td>$30,580,056</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supplemental Cash Flow Information</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash paid for interest</td>
<td>2,827,405</td>
<td>2,854,955</td>
</tr>
<tr>
<td>Property and equipment additions in accounts payable</td>
<td>575,422</td>
<td>343,373</td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
Note 1 - Nature of Business

Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. (the "Corporation") is a not-for-profit healthcare and higher education holding company incorporated to monitor and manage the healthcare and higher education ministry of the Franciscan Sisters of Christian Charity, Manitowoc, Wisconsin. Holy Family Convent of the Franciscan Sisters of Christian Charity, Inc. (the "Convent") is the sole corporate member of the Corporation.

The consolidated financial statements include the accounts of the Corporation and its affiliates. The following entities are not-for-profit corporations of which the Corporation is the sole corporate member:

- Holy Family Memorial, Inc., Manitowoc, WI (HFM)
- Good Samaritan Medical Center, Zanesville, OH (GSMC)
- Franciscan Care Services, Inc., West Point, NE (FCS)
- St. Paul Elder Services, Inc., Kaukauna, WI (SPES)
- Silver Lake College of the Holy Family, Inc., Manitowoc, WI (SLC)

In addition, the following system-affiliated corporations are included in the consolidated financial statements:

- Holy Family Health Services, Inc., Manitowoc, WI (HFHS)
- North End Home Medical Services, LLC, Manitowoc, WI (North End)

GSMC and the Corporation agreed on the terms of an affiliation agreement (the "agreement") with Bethesda Care System (BCS), an Ohio nonprofit corporation. The agreement provides for the creation of Genesis HealthCare System (Genesis), of which BCS and the Corporation are 50 percent co-members, and was effective January 1, 1997. The agreement provides for the integration of GSMC and BCS operations under Genesis HealthCare System, which is a community-based healthcare delivery system. Genesis is accounted for on the equity method by the Corporation.

During 2016, North End ceased operations and all remaining assets and liabilities were transferred to HFM.

All significant intercompany accounts and transactions have been eliminated in preparing the consolidated financial statements.

Note 2 - Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash and investments in highly liquid investments purchased with an original maturity of three months or less, excluding those amounts included in assets limited as to use. Cash balances held in the bank exceed the federal depository insurance limit. The Corporation’s cash is only insured up to the federal depository insurance limit.
Note 2 - Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable for patients, insurance companies, and governmental agencies are based on charges. An allowance for contractual adjustments and interim payment advances is based on expected payment rates from payors based on current reimbursement methodologies. Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Corporation 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 related to 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 Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. 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 Corporation 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 the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts in the period they are determined to be uncollectible.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities, common collective trusts, and alternative investments are measured at fair value in the consolidated balance sheet as disclosed in Note 8. Investments in partnerships and limited liability companies are reported using the equity method of accounting. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in excess of revenue over expenses unless the income or loss is restricted by donor or law.

The Corporation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheet.

Assets Limited as to Use

Assets limited as to use include assets designated by the board of directors for future capital improvement, over which the board retains control and may at its discretion use for other purposes, assets held by trustees under indenture agreements, and assets temporarily restricted or permanently restricted by donors.

Inventories

Inventories, which consist of medical and office supplies and pharmaceutical products, are stated at cost, determined on a first-in, first-out basis or market.
Note 2 - Significant Accounting Policies (Continued)

**Property and Equipment**

Property and equipment amounts are recorded at cost. Depreciation is computed over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Costs of maintenance and repairs are charged to expense when incurred. Depreciation expense related to assets supporting nonoperating activity is reported within other income on the consolidated statement of operations.

The Corporation reviews the estimated useful lives of its fixed assets on an ongoing basis. This review indicated that the actual lives of certain buildings, machinery, and equipment were longer than the estimated remaining useful lives used for depreciation purposes in the Corporation's consolidated financial statements. As a result, effective January 1, 2016, the Corporation changed its estimates of the useful lives of certain buildings and equipment to better reflect the estimated periods during which these assets will remain in service. The effect of this change in estimate was to reduce 2016 depreciation expense and increase 2016 net income by approximately $2.8 million.

**Temporarily and Permanently Restricted Net Assets**

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

**Net Patient Service Revenue**

The Corporation recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Corporation’s uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Corporation records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Retroactively calculated adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance of such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusions from the Medicare and Medicaid programs.

**Charity Care**

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue.

**Contributions**

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.
Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Note 2 - Significant Accounting Policies (Continued)

The Corporation reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports the expiration of donor restrictions when the assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue. An allowance for uncollectible contributions is recorded when evidence indicates amounts promised by donors may not be collectible.

Forgiveness of Line of Credit with the Convent

As of December 31, 2015, SLC had $3,500,000 outstanding on an unsecured $3,500,000 line of credit with the Convent that was included in other long-term liabilities in the consolidated balance sheet. The line was noninterest bearing and was to be repaid as cash flow permitted. During 2016, the line of credit was forgiven.

Excess of Revenue Over Expenses

The consolidated statement of operations includes excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from excess of revenue over expenses, consistent with industry practice, include member contributions, net assets released from restrictions for the acquisition of long-lived assets, and pension-related changes other than net periodic benefit costs.

Federal Financial Assistance Programs


During 2016 and 2015, SLC distributed $2,422,530 and $3,162,250, respectively, for direct lending through the U.S. Department of Education, which is not recorded as revenue and expenditures in the accompanying consolidated financial statements.

Federal Income Tax

HFM, FCS, SPES, GSMC, SLC, and substantially all of the Genesis entities are not-for-profit corporations described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal income taxes on related income pursuant to Section 501(c)(3) of the Code. HFHS is a for-profit corporation and North End is a limited liability corporation. Income tax provisions for HFHS and North End are not material to the consolidated financial statements.

Use of Estimates

The preparation of 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 at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
Note 2 - Significant Accounting Policies (Continued)

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including March 31, 2017, which is the date the consolidated financial statements were available to be issued. Subsequent to December 31, 2016, the Corporation created a new subsidiary which will operate a 54-bed nursing home. Total estimated costs to construct the facility are estimated to be approximately $13 million.

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Corporation's year ending December 31, 2018. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Corporation has not yet determined which application method it will use. The Corporation does not expect there to be a significant impact on the amounts recognized as revenue based on the effect of the new standard on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Corporation's year ending December 31, 2019 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the Corporation's consolidated financial statements as a result of the leases for equipment classified as operating leases. The effect of applying the new lease guidance will be to increase long-term assets and to increase short-term and long-term lease liabilities. The effects on the results of operations are not expected to be significant as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Corporation, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Corporation's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The Corporation is currently evaluating the impact this standard will have on the consolidated financial statements.
Note 3 - Patient Accounts Receivable

The details of accounts receivable are set forth below. Other receivables include tuition receivables.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient accounts receivable</td>
<td>$57,169,255</td>
<td>$50,524,353</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for uncollectible accounts</td>
<td>6,743,664</td>
<td>6,689,476</td>
</tr>
<tr>
<td>Allowance for contractual adjustments</td>
<td>26,061,004</td>
<td>21,984,728</td>
</tr>
<tr>
<td>Net patient accounts receivable</td>
<td>24,364,587</td>
<td>21,850,149</td>
</tr>
<tr>
<td>Other</td>
<td>1,115,140</td>
<td>1,295,591</td>
</tr>
<tr>
<td>Total accounts receivable</td>
<td>$25,479,727</td>
<td>$23,145,740</td>
</tr>
</tbody>
</table>

The Corporation grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables from patients and third-party payors was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>26 %</td>
<td>27 %</td>
</tr>
<tr>
<td>Medicaid</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Commercial insurance and HMOs</td>
<td>56</td>
<td>57</td>
</tr>
<tr>
<td>Self-pay</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>100 %</td>
<td>100 %</td>
</tr>
</tbody>
</table>

Note 4 - Net Patient Service Revenue

Patient service revenue, net of contractual allowances and discounts (but before provision for bad debts), recognized in the years ended December 31, 2016 and 2015 from these major payor sources are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient service revenue (net of contractual allowances and discounts):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third-party payors</td>
<td>$171,623,000</td>
<td>$171,056,000</td>
</tr>
<tr>
<td>Self-pay</td>
<td>11,339,000</td>
<td>10,127,000</td>
</tr>
<tr>
<td>Total</td>
<td>$182,962,000</td>
<td>$181,183,000</td>
</tr>
</tbody>
</table>
Note 5 - Estimated Third-party Payor Settlements

A significant portion of the Corporation's net patient service revenue is received from the Medicare and Medicaid programs. A summary of the basis of reimbursement with these third-party payors is as follows:

- **Medicare** - Inpatient services at HFM rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Outpatient services related to Medicare beneficiaries are reimbursed based on a prospectively determined amount per episode of care.

- **FCS** is designated as a critical access hospital under the Medicare program and, as such, receives 101 percent of reasonable, cost-based reimbursement for inpatient and most outpatient services provided to Medicare beneficiaries. Certain outpatient services are reimbursed on an established fee-screen methodology.

- Services provided by SPES rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by SPES that are subject to review and final approval by Medicare.

- **Medicaid** - Inpatient services at HFM rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge, and outpatient acute-care services rendered to Medicaid program beneficiaries are paid based on a prospectively determined amount per episode of care. Inpatient and outpatient services rendered at FCS are reimbursed based on a percentage of reasonable cost. Services provided by SPES rendered to the Medicaid program beneficiaries are paid at contractual rates set by Medicaid.

- **Other Third-party Payors** - The Corporation has also entered into agreements with certain commercial carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements ranges from discounts from established charges, prospectively determined rates per discharge, and prospectively determined daily rates.

Cost report settlements result from the adjustment of interim payments to final reimbursement under the Medicare and Medicaid programs that are subject to audit by fiscal intermediaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Note 6 - Community Benefit

In support of its mission, the Corporation provides various health-related services, at a loss, to the indigent and other residents in its service area. The following is a summary of the Corporation’s community benefit expense for the years ended December 31, 2016 and 2015:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community benefit programs and services</td>
<td>$1,615,000</td>
<td>$1,434,000</td>
</tr>
<tr>
<td>Donations/Contributions</td>
<td>111,000</td>
<td>126,000</td>
</tr>
<tr>
<td>Traditional charity care</td>
<td>679,000</td>
<td>927,000</td>
</tr>
<tr>
<td>Unpaid costs for Medicaid patients (unaudited)</td>
<td>11,499,000</td>
<td>12,755,000</td>
</tr>
<tr>
<td>Total community benefit</td>
<td>13,904,000</td>
<td>15,242,000</td>
</tr>
<tr>
<td>Unpaid costs for Medicare patients (unaudited)</td>
<td>13,179,000</td>
<td>13,567,000</td>
</tr>
<tr>
<td>Total benefits</td>
<td>$27,083,000</td>
<td>$28,809,000</td>
</tr>
</tbody>
</table>
Community Benefit Programs and Services

Community benefit programs include programs provided to persons with inadequate healthcare resources and to groups within the community that need special services and support. Examples include programs for the poor, elderly, substance abuse, child abuse, and programs for others with specific healthcare needs. Examples of services include initiatives such as health promotion, education, and screening.

Donations/Contributions

Donations/Contributions include cash and in-kind donations that are made on behalf of the poor and needy to community agencies and to special funds for charitable activities as well as resources contributed directly to programs, organizations, and foundations.

Traditional Charity Care

Charity care is determined based on established policies, using patient income and assets to determine payment ability. The amount reflects the cost of free or discounted health services, net of contributions and other revenue received, as direct assistance for the provision of charity care. The estimated cost of providing charity services is based on a calculation which applies a ratio of cost to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the total expenses (less other community benefit expenses and Medicaid hospital assessment), divided by the total of gross patient service and other revenue.

Unpaid Costs for Medicaid Patients

The Corporation is a licensed Medicaid provider with approximately 11 and 4 percent of its patient base qualifying for this program for HFM and FCS, respectively. At present, the reimbursement rate for the Medicaid program does not fully cover the cost of care to these patients. This represents the estimated shortfall created when a facility receives payments below the costs of treating Medicaid and other public program beneficiaries.

Unpaid Costs for Medicare Patients

The Corporation is a licensed Medicare provider with approximately 51 and 46 percent of its patient base qualifying for this program for HFM and FCS, respectively. At present, the reimbursement rate for the Medicare program does not fully cover the cost of care to these patients. This represents the estimated shortfall created when a facility receives payments below the costs of treating Medicare and other public program beneficiaries.

Note 7 - Assets Limited as to Use

The detail of assets limited as to use is summarized in the following schedule:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds held by trustees under bond indenture</td>
<td>$ 3,820,110</td>
<td>$ 3,816,347</td>
</tr>
<tr>
<td>By board of directors for future capital improvements</td>
<td>96,847,322</td>
<td>94,851,452</td>
</tr>
<tr>
<td>Funds held for payment of employee benefits</td>
<td>183,763</td>
<td>70,177</td>
</tr>
<tr>
<td>By donors for specific purposes</td>
<td>11,254,628</td>
<td>11,506,234</td>
</tr>
<tr>
<td>Total assets limited as to use</td>
<td>112,105,823</td>
<td>110,244,210</td>
</tr>
<tr>
<td>Less amount for payment of current liabilities</td>
<td>4,277,656</td>
<td>3,963,957</td>
</tr>
<tr>
<td>Total long-term assets limited as to use</td>
<td>$ 107,828,167</td>
<td>$ 106,280,253</td>
</tr>
</tbody>
</table>
Note 7 - Assets Limited as to Use (Continued)

Investments consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market</td>
<td>$4,802,380</td>
<td>$4,631,481</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>1,296,026</td>
<td>1,768,689</td>
</tr>
<tr>
<td>Investment in pooled investment management program</td>
<td>98,698,049</td>
<td>96,025,686</td>
</tr>
<tr>
<td>U.S. government securities and fixed-income funds</td>
<td>3,110,833</td>
<td>3,607,473</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>4,198,535</td>
<td>4,210,881</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$112,105,823</strong></td>
<td><strong>$110,244,210</strong></td>
</tr>
</tbody>
</table>

The Corporation manages a pooled investment management program, which is an investment pool of funds originating from the Corporation and its affiliates. A significant portion of the investments in the pool is allocated to Genesis, which is not a component of the consolidated financial statements of the Corporation, as discussed in Note 2; therefore, the investments are not included in the above table.

Investments held in this pooled investment management program consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market</td>
<td>$2,882,676</td>
<td>$1,940,342</td>
</tr>
<tr>
<td>Equity securities</td>
<td>27,026,217</td>
<td>22,815,823</td>
</tr>
<tr>
<td>U.S. government securities and fixed-income funds</td>
<td>20,349,415</td>
<td>18,259,407</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>119,589,876</td>
<td>100,650,150</td>
</tr>
<tr>
<td>Alternative investments, including hedge funds</td>
<td>31,753,094</td>
<td>47,828,503</td>
</tr>
<tr>
<td>Accrued income</td>
<td>185,166</td>
<td>169,928</td>
</tr>
<tr>
<td>Genesis investment in pooled investment management program</td>
<td>(100,023,803)</td>
<td>(93,649,593)</td>
</tr>
<tr>
<td>Corporation's investment in pooled investment management program included in cash</td>
<td>(3,064,592)</td>
<td>(1,988,874)</td>
</tr>
<tr>
<td><strong>Total corporation investment in pooled management program included in assets limited as to use</strong></td>
<td><strong>$98,698,049</strong></td>
<td><strong>$96,025,686</strong></td>
</tr>
</tbody>
</table>

Investment income and gains and losses, exclusive of Genesis activity, are composed of the following for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income, included in operating revenue</td>
<td>$3,517</td>
<td>$1,833</td>
</tr>
<tr>
<td>Investment income, included in nonoperating revenue</td>
<td>5,011,986</td>
<td>7,951,779</td>
</tr>
<tr>
<td>Change in net unrealized gains on investments</td>
<td>1,362,426</td>
<td>(9,100,827)</td>
</tr>
<tr>
<td>Investment income, included in temporarily restricted activity</td>
<td>512,009</td>
<td>(35,146)</td>
</tr>
<tr>
<td>Investment income, included in permanently restricted activity</td>
<td>105,388</td>
<td>(33,172)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6,995,326</strong></td>
<td><strong>$(1,215,533)</strong></td>
</tr>
</tbody>
</table>

Note 8 - Fair Value Measurements

Accounting standards require certain assets be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Corporation has the ability to access.
Note 8 - Fair Value Measurements (Continued)

Fair values determined by Level 2 inputs use other inputs that are observable either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Corporation’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

The following tables present information about the Corporation’s assets measured at fair value on a recurring basis at December 31, 2016 and 2015 and the valuation techniques used by the Corporation to determine those fair values.

<table>
<thead>
<tr>
<th>Assets Measured at Fair Value on a Recurring Basis at December 31, 2016</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
<th>Balance at December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market</td>
<td>$4,802,380</td>
<td>$ -</td>
<td>$ -</td>
<td>$4,802,380</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>1,296,026</td>
<td>-</td>
<td>-</td>
<td>1,296,026</td>
</tr>
<tr>
<td>U.S. government securities and fixed-income funds</td>
<td>637,574</td>
<td>2,473,259</td>
<td>-</td>
<td>3,110,833</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>4,198,535</td>
<td>-</td>
<td>-</td>
<td>4,198,535</td>
</tr>
<tr>
<td>Total investments outside of pooled program</td>
<td>10,934,515</td>
<td>2,473,259</td>
<td>-</td>
<td>13,407,774</td>
</tr>
<tr>
<td>Investments in pooled investment management program:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market</td>
<td>2,882,676</td>
<td>-</td>
<td>-</td>
<td>2,882,676</td>
</tr>
<tr>
<td>Equity securities</td>
<td>27,026,217</td>
<td>-</td>
<td>-</td>
<td>27,026,217</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>119,589,876</td>
<td>-</td>
<td>-</td>
<td>119,589,876</td>
</tr>
<tr>
<td>U.S. government securities and fixed-income funds</td>
<td>-</td>
<td>20,349,415</td>
<td>-</td>
<td>20,349,415</td>
</tr>
<tr>
<td>Other</td>
<td>185,166</td>
<td>-</td>
<td>-</td>
<td>185,166</td>
</tr>
<tr>
<td>Genesis investment in pooled investment management program</td>
<td>(74,173,094)</td>
<td>(10,096,264)</td>
<td>-</td>
<td>(84,269,358)</td>
</tr>
<tr>
<td>FSCCM investment in pooled management program</td>
<td>75,510,841</td>
<td>10,253,151</td>
<td>-</td>
<td>85,763,992</td>
</tr>
<tr>
<td>Total assets</td>
<td>$86,445,356</td>
<td>$12,726,410</td>
<td>-</td>
<td>$99,171,766</td>
</tr>
</tbody>
</table>
Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Note 8 - Fair Value Measurements (Continued)

<table>
<thead>
<tr>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
<th>Balance at December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market</td>
<td>$4,631,481</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>1,768,689</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>U.S. government securities and fixed-income funds</td>
<td>1,175,122</td>
<td>2,432,351</td>
<td>$-</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>4,210,881</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Total investments outside of pooled program</td>
<td>11,786,173</td>
<td>2,432,351</td>
<td>$-</td>
</tr>
<tr>
<td>Investments in pooled investment management program:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market</td>
<td>1,940,342</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Equity securities</td>
<td>22,815,823</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>100,650,150</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>U.S. government securities and fixed-income funds</td>
<td>-</td>
<td>18,259,407</td>
<td>$-</td>
</tr>
<tr>
<td>Other</td>
<td>169,928</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Genesis investment in pooled investment management program</td>
<td>(61,329,528)</td>
<td>(8,929,700)</td>
<td>$-</td>
</tr>
<tr>
<td>FSCCM investment in pooled management program</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>64,246,715</td>
<td>9,329,707</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Total assets</td>
<td>$76,032,888</td>
<td>$11,762,058</td>
<td>$-</td>
</tr>
</tbody>
</table>

The fair value of U.S. government securities and fixed-income funds at December 31, 2016 and 2015 was determined primarily based on Level 2 inputs. The Corporation estimates the fair value of these investments based upon the amortized value of U.S. government bonds and the readily determinable fair value of the underlying investments in fixed-income investments.

Investments valued at net asset value included within the pooled investment management program excluded from the above tables totaled $31,753,094 and $47,828,503 at December 31, 2016 and 2015, respectively. The amount allocated to Genesis’ investment in the pooled investment management program for investments valued at net asset value totaled $15,754,445 and $23,390,365 at December 31, 2016 and 2015, respectively. The investments valued at net asset value consist of fund of funds hedge funds, real estate funds, and private equity funds.

Genesis’ investment in the pooled investment program is determined based on a net asset value.

Investments in Entities that Calculate Net Asset Value per Share

The pooled investment management program holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.
### Note 8 - Fair Value Measurements (Continued)

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

#### Investments Held at December 31, 2016

<table>
<thead>
<tr>
<th>Investment Class</th>
<th>Fair Value</th>
<th>Unfunded Commitments</th>
<th>Redemption Frequency, if Eligible</th>
<th>Redemption Notice Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate funds</td>
<td>$4,571,392</td>
<td>$3,262,500</td>
<td>Not redeemable</td>
<td></td>
</tr>
<tr>
<td>Private equity funds</td>
<td>5,307,623</td>
<td>2,165,918</td>
<td>Not redeemable</td>
<td></td>
</tr>
<tr>
<td>Fund of funds hedge funds</td>
<td>21,874,079</td>
<td></td>
<td>Quarterly or annually</td>
<td>65-105 days</td>
</tr>
<tr>
<td>Real estate investment trusts</td>
<td>-</td>
<td>3,000,000</td>
<td>Quarterly</td>
<td>45 days</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$31,753,094</td>
<td>$8,428,418</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Investments Held at December 31, 2015

<table>
<thead>
<tr>
<th>Investment Class</th>
<th>Fair Value</th>
<th>Unfunded Commitments</th>
<th>Redemption Frequency, if Eligible</th>
<th>Redemption Notice Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate funds</td>
<td>5,949,010</td>
<td>3,337,500</td>
<td>Not redeemable</td>
<td></td>
</tr>
<tr>
<td>Private equity funds</td>
<td>7,467,264</td>
<td>2,241,070</td>
<td>Not redeemable</td>
<td></td>
</tr>
<tr>
<td>Fund of funds hedge funds</td>
<td>34,412,229</td>
<td></td>
<td>Quarterly or annually</td>
<td>65-105 days</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$47,828,503</td>
<td>$5,578,570</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The real estate funds class includes limited partnership structures that are illiquid in nature. Private real estate encompasses a broad array of globally diversified strategies and securities. The fair values of the investments in this class have been estimated using the net asset value of the Corporation's ownership interest in partners' capital.

The REIT class includes commercial real estate investment trusts with a strategy of investing in stabilized commercial properties with credit quality tenants on long-term leases and located in primary and secondary markets.

The private equity funds class includes several private equity funds that invest primarily in unlisted companies (companies that are not traded on public exchanges), or in some cases, listed companies are purchased and taken private. Private equity investments are considered to be illiquid. Private equity commitments are generally funded in stages as the underlying investment managers make capital calls when an investment opportunity arises. It may take several years for commitments to become fully funded. Capital is returned to investors as these investment managers liquidate their underlying investments. The fair values of the investments in this class have been estimated using the net asset value of the Corporation's ownership interest in partners' capital.

The fund of fund hedge funds class includes investments that generate returns through investments in a number of different hedge funds. The funds make allocations to various event-driven, related value, equity long/short, and tactical hedge funds that are identified through a disciplined investment process. Underlying funds include both single-strategy and multistrategy funds with the number of funds also set at the discretion of the manager. The fair values of the investments in this class have been estimated using the net asset value per share of the investment company.
Note 9 - Property and Equipment

The cost of property, plant, and equipment and depreciable lives are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>Depreciable Life - Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and land improvements</td>
<td>$15,345,461</td>
<td>$14,674,259</td>
<td>0-25</td>
</tr>
<tr>
<td>Buildings</td>
<td>157,175,335</td>
<td>151,504,939</td>
<td>10-50</td>
</tr>
<tr>
<td>Equipment</td>
<td>121,382,330</td>
<td>119,334,850</td>
<td>3-20</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>18,618,209</td>
<td>11,251,659</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td>$312,521,335</td>
<td>296,765,707</td>
<td></td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>173,959,903</td>
<td>167,009,313</td>
<td></td>
</tr>
<tr>
<td><strong>Net property and equipment</strong></td>
<td>$138,561,432</td>
<td>$129,756,394</td>
<td></td>
</tr>
</tbody>
</table>

Depreciation and amortization expense on property and equipment for 2016 and 2015 was $9,918,767 and $14,119,827, respectively.

Construction in progress represents cost incurred on various renovation and expansion projects, as well as investments made in information technology, by the Corporation. As of December 31, 2016, HFM has total outstanding commitments towards capital projects of approximately $5,965,000.

Note 10 - Accrued and Other Current Liabilities

The details of accrued liabilities at December 31, 2016 and 2015 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation and related items</td>
<td>$11,667,542</td>
<td>$10,376,886</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>649,080</td>
<td>668,758</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>1,931,497</td>
<td>864,080</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$14,248,119</td>
<td>$11,909,724</td>
</tr>
</tbody>
</table>

Note 11 - Long-term Debt

A summary of long-term debt at December 31, 2016 and 2015 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2016, variable interest rate (0.94 percent at December 31, 2016), due in installments through 2026</td>
<td>$9,750,000</td>
<td>$ -</td>
</tr>
<tr>
<td>Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2014A, variable interest rate of 1.20 percent at December 31, 2016, due in monthly installments starting in 2017. Mandatory tender of bonds on December 1, 2024 and subject to extensions through 2034</td>
<td>7,000,000</td>
<td>4,000,000</td>
</tr>
<tr>
<td>Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2014B, variable interest rate (1.46 percent at December 31, 2016). Mandatory tender of bonds on December 1, 2024 and subject to extensions through 2034</td>
<td>9,502,000</td>
<td>9,921,000</td>
</tr>
<tr>
<td>Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2007, interest at 5.0 percent, due in installments through 2033</td>
<td>36,685,000</td>
<td>38,555,000</td>
</tr>
</tbody>
</table>
Note 11 - Long-term Debt (Continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Housing Revenue Bonds, Series 1999A, variable interest rate</td>
<td>$1,073,737</td>
<td>$1,219,695</td>
</tr>
<tr>
<td>(0.63 percent at December 31, 2016), due in monthly installments through 2024</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospital Authority of Cuming County, Nebraska, Bonds Payable, Series 2010,</td>
<td>9,835,014</td>
<td>10,560,261</td>
</tr>
<tr>
<td>interest at 2.35 percent, due in installments through 2029</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series</td>
<td>3,660,375</td>
<td>3,848,133</td>
</tr>
<tr>
<td>2010, variable interest rate (effective rate of 3.25 percent at December</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31, 2016), due in installments through 2031</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promissory note with bank</td>
<td>3,500,000</td>
<td>3,426,279</td>
</tr>
<tr>
<td>Line of credit and note payable to bank</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>109,682</td>
<td>-</td>
</tr>
<tr>
<td>Unamortized premium</td>
<td>520,712</td>
<td>556,531</td>
</tr>
<tr>
<td>Unamortized bond financing costs</td>
<td>(551,131)</td>
<td>(509,834)</td>
</tr>
<tr>
<td>Long-term debt less unamortized premium and bond financing costs</td>
<td>81,085,389</td>
<td>71,577,065</td>
</tr>
<tr>
<td>Less current portion</td>
<td>4,841,038</td>
<td>6,502,594</td>
</tr>
<tr>
<td>Long-term portion</td>
<td>$76,244,351</td>
<td>$65,074,471</td>
</tr>
</tbody>
</table>

The Wisconsin Health and Education Facilities Authority Revenue Bonds, Series 2016, 2014A, 2014B, and 2007; Senior Housing Revenue Bonds, Series 1999A; and the Hospital Authority of Cuming County, Nebraska, Bonds Payable, Series 2010, were issued under a master trust indenture. The master trust indenture provides, among other things, that all members of the FSCCM obligated group (which consists of FSCCM, HFM, GSMC, FCS, and SPES) are jointly and severally obligated for the debt service on all obligations issued thereunto. The bonds are collateralized by a security interest in the pledged revenue of the obligated group members.

In October 2016, HFM issued the Series 2016 revenue bonds as direct placement financing with a bank. The 2016 revenue bonds are subject to a variable rate of interest of the monthly LIBOR plus a credit spread.

During December 2014, SPES completed financing for the 2014A bonds to finance a construction project. The bonds have a variable borrowing rate and are a direct placement financing with a bank. The bonds are subject to a mandatory tender and reset at the applicable rate in December 2024. SPES entered into an interest rate swap agreement with a counterparty to manage the fluctuations resulting from interest rate risk. The swap was originally based on a notional amount of $7,000,000 and is calculated based on a rate of 74 percent of USD-LIBOR-BBA and was priced at a fixed rate of 2.68 percent on December 31, 2016.

During December 2014, the series 2014B revenue bonds were issued. These bonds refinanced a prior bond issuance. The 2014B bonds are direct placement financing with a bank and are subject to an initial rate period ending December 1, 2024. At that date, the bonds shall be subject to mandatory tender and reset at the applicable interest rate.

In July 2010, Hospital Authority of Cuming County, Nebraska, Series 2010 Bonds Payable in the amount of $12,000,000 were issued in the form of Loan Funding Revenue Notes (Franciscan Care Services, Inc. Project). In October 2016, the Series 2010 Bonds were refinanced for $10,000,000 and bear interest at 2.35 percent, fixed.
Note 11 - Long-term Debt (Continued)

In December 2010, the Wisconsin Health & Educational Facilities Authority Revenue Bonds, Series 2010, totaling $4,635,000, were issued. The bonds mature in January 2031 and had an interest rate of 4.08 percent through January 30, 2016 and now have a variable rate at 70 percent of the prime rate, with a floor of 3.25 percent and a ceiling of 6.5 percent. The bonds are secured by a general business security agreement of SLC.

Under the terms of the bond indentures, the obligated group is required to comply with certain financial covenants, including debt service coverage ratios and maintenance of other certain financial ratios.

FSCCM maintains a line of credit on behalf of the FSCCM obligated group. The outstanding balance has interest due monthly at LIBOR, plus 2.5 percent. The line of credit has a maximum borrowing capacity of $5,000,000 and matures on December 31, 2017. There were no borrowings on this line of credit as of December 31, 2016 and 2015.

SLC also maintained two lines of credit with a bank, one for $500,000, and one for $3,000,000. Both of these lines of credit were terminated in December 2016 and subsequently refinanced into a $3,500,000 long-term promissory note with a bank. The interest rate is the LIBOR rate plus 2 percent, with a floor 3.0 percent and a ceiling of 6.0 percent. Principal and interest payments are due in installments until maturity in 2026.

Minimum principal payments on long-term debt to maturity as of December 31, 2016 are as follows:

<table>
<thead>
<tr>
<th>Years Ending December 31</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$4,841,038</td>
</tr>
<tr>
<td>2018</td>
<td>5,237,458</td>
</tr>
<tr>
<td>2019</td>
<td>5,388,015</td>
</tr>
<tr>
<td>2020</td>
<td>5,505,391</td>
</tr>
<tr>
<td>2021</td>
<td>5,663,784</td>
</tr>
<tr>
<td>Thereafter</td>
<td>54,480,122</td>
</tr>
<tr>
<td>Total</td>
<td>$81,115,808</td>
</tr>
</tbody>
</table>

Note 12 - Professional and General Liability Insurance

Because of the nature of its operations, the Corporation is at all times subject to pending and threatened legal actions, which arise in the normal course of its activities.

Malpractice and general patient liability claims have been asserted against the Corporation by various claimants. At December 31, 2016, management believes asserted and unasserted claims and assessments will not exceed the limits of insurance coverage. The Corporation accrues an estimate of the ultimate expense, including litigation and settlement expense, for incidents of potential professional service and other liability claims occurring during the year as well as for those claims that have not been reported at year end. The expected amount of insurance recoveries is recorded as other current assets.

There may be unknown incidents arising from services provided to patients; however, because the annual insurance policy only covers claims that have been asserted and incidents reported to the insurance carrier, these unknown incidents are not yet covered by insurance. Management has accrued its best estimate of the cost of these potential claims at December 31, 2016 and 2015. In addition, management intends to maintain the current claims-made insurance coverage to cover any unknown incidents that may be asserted.
Note 13 - Retirement Plans

HFM, SPES, and FSCCM have retirement savings plans (the "Plans") under which the organizations can make discretionary contributions equal to a percentage of annual compensation of eligible participants as defined by the Plans. Additionally, the HFM, SPES, and FSCCM plans provide for a discretionary match of employee contributions, as defined by the Plans.

FCS and SLC have tax-deferred annuity plans, which cover all employees meeting certain eligibility requirements. Employees may contribute up to the elective deferral limit set by law. Depending on years of service, FCS will match 100 percent of their salary deferral ranging from 2.5 to 5.5 percent. SLC matches employee contributions, dollar-for-dollar, up to a maximum of 1 percent of the employee's wage.

Retirement expense related to all plans was approximately $2,094,000 and $2,035,000 in 2016 and 2015, respectively.

Note 14 - Investment in Genesis HealthCare System

The Corporation has a 50 percent ownership interest in Genesis, which is accounted for under the equity method. The following is a summary of financial position and results of operations of Genesis HealthCare System as of and for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$ 623,731,457</td>
<td>$ 620,103,465</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$ 402,484,454</td>
<td>$ 404,541,759</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$ 221,247,003</td>
<td>$ 215,561,706</td>
</tr>
<tr>
<td>Net assets - Noncontrolling interest</td>
<td>$ 1,147,428</td>
<td>$ 1,375,217</td>
</tr>
<tr>
<td>Net assets</td>
<td>$ 220,099,575</td>
<td>$ 214,186,489</td>
</tr>
<tr>
<td>Increase (decrease) in net assets</td>
<td>$ 5,913,086</td>
<td>($14,814,707)</td>
</tr>
</tbody>
</table>

The Corporation has not considered the net assets of noncontrolling interests when calculating its interest in Genesis.

Either the Corporation or BCS may initiate a separation. In such an event, the noninitiating party has the option to purchase the other member's interest at a discount or sell its membership at a premium. In either instance, neither party may transfer all of part of its membership to an outside party without the prior written consent of the other party.

Note 15 - Functional Expenses

The Corporation has acute-care and general care facilities that provide inpatient and outpatient healthcare services, residential care, assisted living, and independent living to patients in its geographic locations, as well as a liberal arts college that provides higher education programs. Expenses related to providing these services for the years ended December 31, 2016 and 2015 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare services</td>
<td>$ 152,952,923</td>
<td>$ 154,517,856</td>
</tr>
<tr>
<td>General and administrative</td>
<td>$ 31,238,205</td>
<td>$ 29,762,624</td>
</tr>
<tr>
<td>Higher education</td>
<td>$ 7,549,481</td>
<td>$ 8,217,782</td>
</tr>
<tr>
<td>Total</td>
<td>$ 191,740,609</td>
<td>$ 192,498,262</td>
</tr>
</tbody>
</table>
Note 16 - Donor-restricted and Board-designated Endowments

Certain affiliates have endowments, including donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The State of Wisconsin enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in September 2009. The Corporation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Corporation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Corporation
- The investment policies of the Corporation

### Endowment Net Asset Composition by Type of Fund as of December 31, 2016 and 2015

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment funds - Permanently restricted</td>
<td>$ 9,756,690</td>
<td>$ 9,666,675</td>
</tr>
</tbody>
</table>

### Changes in Endowment Net Assets for the Fiscal year Ended December 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>Permanently Restricted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets - Beginning of year</td>
<td>$ 9,666,675</td>
</tr>
<tr>
<td>Contributions</td>
<td>229,398</td>
</tr>
<tr>
<td>Net realized and unrealized gains</td>
<td>105,388</td>
</tr>
<tr>
<td>Change in interest of net assets of charitable foundation</td>
<td>(244,771)</td>
</tr>
<tr>
<td></td>
<td>$ 9,756,690</td>
</tr>
</tbody>
</table>
Note 16 - Donor-restricted and Board-designated Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal year Ended December 31, 2015

<table>
<thead>
<tr>
<th>Permanently Restricted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets - Beginning of year</td>
</tr>
<tr>
<td>Contributions</td>
</tr>
<tr>
<td>Net realized and unrealized gains</td>
</tr>
<tr>
<td>Endowment net assets - End of year</td>
</tr>
</tbody>
</table>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UMIFA requires the Corporation to retain as a fund of perpetual duration. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain purposes that were deemed prudent by the governing body.

Return Objectives and Risk Parameters

The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for a donor-specified period, as well as board-designated funds. The Corporation expects its endowment funds to provide an average rate of return to cover appropriations. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

HFM and SPES have policies of appropriating for distribution all income earned after fees to other unrestricted accounts on a periodic basis. SLC has a policy of appropriating for expenditure each year 5 percent of its endowment fund's average fair value over the prior 12 months through the year end preceding the fiscal year in which the expenditure is planned. In establishing this policy, SLC considered the long-term expected return on its endowment. Accordingly, over the long term, SLC expects the current spending policy to allow its endowment to grow. This is consistent with SLC's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.
Additional Information
Independent Auditor’s Report on Additional Information

To the Board of Directors
Franciscan Sisters of Christian Charity
Sponsored Ministries, Inc. and Affiliates

We have audited the consolidated financial statements of Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. and Affiliates as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated March 31, 2017, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet, statement of operations, and statement of changes in net assets are presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies 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.

March 31, 2017
## Consolidating Balance Sheet

**December 31, 2016**

### Assets

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$5,475,817</td>
<td>$14,483,065</td>
<td>$15,892,804</td>
<td>$1,031,735</td>
<td>-</td>
<td>$36,883,421</td>
<td>$713,700</td>
<td>-</td>
<td>$697,114</td>
<td>-</td>
<td>$38,294,235</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>-</td>
<td>17,835,343</td>
<td>4,864,288</td>
<td>1,687,963</td>
<td>-</td>
<td>24,387,594</td>
<td>399,131</td>
<td>-</td>
<td>693,002</td>
<td>-</td>
<td>25,479,727</td>
</tr>
<tr>
<td>Notes and advances to affiliates</td>
<td>3,270,000</td>
<td>1,346,295</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,616,295</td>
<td>(81,647)</td>
<td>-</td>
<td>-</td>
<td>(4,534,648)</td>
<td></td>
</tr>
<tr>
<td>Estimated third-party payor settlements</td>
<td>-</td>
<td>350,000</td>
<td>22,879</td>
<td>-</td>
<td>-</td>
<td>372,879</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>372,879</td>
<td></td>
</tr>
<tr>
<td>Assets limited as to use</td>
<td>-</td>
<td>3,549,037</td>
<td>728,619</td>
<td>-</td>
<td>-</td>
<td>4,277,656</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,277,656</td>
<td></td>
</tr>
<tr>
<td>Inventory and other current assets</td>
<td>171,663</td>
<td>7,847,788</td>
<td>861,388</td>
<td>144,399</td>
<td>(3,205,000)</td>
<td>5,820,248</td>
<td>298,691</td>
<td>-</td>
<td>21,312</td>
<td>(103,000)</td>
<td>6,037,251</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>8,917,480</td>
<td>45,411,538</td>
<td>21,641,359</td>
<td>3,592,716</td>
<td>(3,205,000)</td>
<td>76,358,093</td>
<td>1,329,875</td>
<td>-</td>
<td>1,411,428</td>
<td>(4,637,648)</td>
<td>74,461,748</td>
</tr>
<tr>
<td><strong>Assets Limited as to Use</strong> - Net of current portion</td>
<td>4,508,757</td>
<td>68,548,417</td>
<td>22,215,393</td>
<td>5,731,513</td>
<td>-</td>
<td>101,004,080</td>
<td>-</td>
<td>-</td>
<td>6,824,087</td>
<td>-</td>
<td>107,828,167</td>
</tr>
<tr>
<td><strong>Property and Equipment</strong> - Net</td>
<td>31,853</td>
<td>75,830,402</td>
<td>26,519,939</td>
<td>18,669,818</td>
<td>-</td>
<td>121,052,012</td>
<td>16,776</td>
<td>-</td>
<td>17,492,644</td>
<td>-</td>
<td>138,561,432</td>
</tr>
<tr>
<td>Investment in Genesis HealthCare System</td>
<td>110,049,787</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>110,049,787</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>110,049,787</td>
<td></td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td>-</td>
<td>300,000</td>
<td>1,131,146</td>
<td>170,691</td>
<td>-</td>
<td>1,601,837</td>
<td>-</td>
<td>-</td>
<td>1,482,068</td>
<td>-</td>
<td>3,083,905</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$123,507,877</td>
<td>$190,090,357</td>
<td>$71,507,837</td>
<td>$28,164,738</td>
<td>(3,205,000)</td>
<td>$410,065,809</td>
<td>$1,346,651</td>
<td>-</td>
<td>$27,210,227</td>
<td>(4,637,648)</td>
<td>$433,985,039</td>
</tr>
</tbody>
</table>
Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. and Affiliates

Consolidating Balance Sheet (Continued)

December 31, 2016

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$ 153,918</td>
<td>$ 5,533,313</td>
<td>$ 1,433,058</td>
<td>$ 168,496</td>
<td>$ -</td>
<td>$ 7,288,785</td>
<td>$ 81,776</td>
<td>$ -</td>
<td>$ 196,421</td>
<td>$ -</td>
<td>$ 7,566,982</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>-</td>
<td>2,902,602</td>
<td>669,694</td>
<td>688,427</td>
<td>-</td>
<td>4,260,723</td>
<td>-</td>
<td>-</td>
<td>580,315</td>
<td>-</td>
<td>4,841,038</td>
</tr>
<tr>
<td>Notes and advances from affiliates</td>
<td>3,308,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(3,205,000)</td>
<td>103,000</td>
<td>-</td>
<td>-</td>
<td>3,270,000</td>
<td>(3,373,000)</td>
<td>-</td>
</tr>
<tr>
<td>Accrued liabilities and other</td>
<td>2,509,944</td>
<td>8,644,201</td>
<td>1,856,386</td>
<td>934,871</td>
<td>(3,205,000)</td>
<td>13,945,402</td>
<td>227</td>
<td>(3,373,000)</td>
<td>302,490</td>
<td>-</td>
<td>14,248,119</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>5,971,862</td>
<td>17,080,116</td>
<td>3,959,138</td>
<td>1,856,386</td>
<td>(3,205,000)</td>
<td>25,597,910</td>
<td>82,003</td>
<td>(3,373,000)</td>
<td>4,349,226</td>
<td>(3,373,000)</td>
<td>26,656,139</td>
</tr>
<tr>
<td><strong>Long-term Debt - Net of current portion</strong></td>
<td>-</td>
<td>48,421,122</td>
<td>9,092,007</td>
<td>12,041,480</td>
<td>-</td>
<td>69,554,609</td>
<td>-</td>
<td>-</td>
<td>6,689,742</td>
<td>-</td>
<td>76,244,351</td>
</tr>
<tr>
<td><strong>Other Liabilities</strong></td>
<td></td>
<td>-</td>
<td>703,778</td>
<td>799,956</td>
<td>-</td>
<td>1,503,734</td>
<td>-</td>
<td>-</td>
<td>393,750</td>
<td>-</td>
<td>1,897,484</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>5,971,862</td>
<td>66,205,016</td>
<td>13,851,101</td>
<td>13,833,274</td>
<td>(3,205,000)</td>
<td>96,656,253</td>
<td>82,003</td>
<td>(3,373,000)</td>
<td>11,432,718</td>
<td>(3,373,000)</td>
<td>104,797,974</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>1,011,727</td>
<td>565,001</td>
<td>-</td>
<td>394,588</td>
<td>-</td>
<td>1,971,316</td>
<td>-</td>
<td>-</td>
<td>1,842,572</td>
<td>-</td>
<td>3,813,988</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>8,259,427</td>
<td>2,246,734</td>
<td>-</td>
<td>1,081,567</td>
<td>-</td>
<td>11,567,728</td>
<td>-</td>
<td>-</td>
<td>6,426,399</td>
<td>-</td>
<td>18,016,117</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>117,536,015</td>
<td>123,865,341</td>
<td>57,656,736</td>
<td>14,331,464</td>
<td>-</td>
<td>313,409,556</td>
<td>1,264,648</td>
<td>-</td>
<td>15,777,509</td>
<td>(1,264,648)</td>
<td>329,187,065</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$ 123,507,877</td>
<td>$ 190,090,357</td>
<td>$ 71,507,837</td>
<td>$ 28,164,738</td>
<td>$ (3,205,000)</td>
<td>$ 410,065,809</td>
<td>$ 1,346,651</td>
<td>$ -</td>
<td>$ 27,210,227</td>
<td>$ (4,637,648)</td>
<td>$ 433,985,039</td>
</tr>
</tbody>
</table>
## Consolidating Statement of Operations

**Year Ended December 31, 2016**

### Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. and Affiliates

<table>
<thead>
<tr>
<th>Franciscan Sisters of Christian Charity Sponsored Ministries, Inc.</th>
<th>Franciscan Care Services, Inc.</th>
<th>St. Paul Elder Services, Inc.</th>
<th>Obligated Group Combined</th>
<th>Holy Family Health Services, Inc.</th>
<th>North End Home Medical Services, LLC</th>
<th>Silver Lake College of the Holy Family, Inc.</th>
<th>Eliminating Entries</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted Revenue, Gains, and Other Support</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net patient service revenue</td>
<td>$ -</td>
<td>$129,712,259</td>
<td>$35,635,208</td>
<td>$17,614,845</td>
<td>$ -</td>
<td>$182,962,312</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>-</td>
<td>(3,443,289)</td>
<td>(859,189)</td>
<td>-</td>
<td>(4,302,478)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net patient service revenue less provision for bad debts</td>
<td>-</td>
<td>126,268,970</td>
<td>34,776,019</td>
<td>17,614,845</td>
<td>-</td>
<td>178,659,834</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>3,094,997</td>
<td>3,071,173</td>
<td>240,400</td>
<td>321,165</td>
<td>(1,019,880)</td>
<td>3,580,034</td>
<td>(61,920)</td>
<td>10,397,806</td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>-</td>
<td>174,659</td>
<td>-</td>
<td>115,263</td>
<td>-</td>
<td>383,224</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total unrestricted revenue, gains, and other support</td>
<td>3,094,997</td>
<td>129,514,802</td>
<td>35,016,419</td>
<td>18,051,273</td>
<td>(1,019,880)</td>
<td>184,657,611</td>
<td>1,211,121</td>
<td>(39,284)</td>
</tr>
</tbody>
</table>

### Expenses

| Salaries and wages | 1,753,829 | 62,871,395 | 14,760,497 | 9,719,549 | - | 89,105,270 | 711,821 | 48,209 | 4,307,933 |
| Employee benefits and payroll taxes | 737,034 | 14,632,909 | 3,706,827 | 2,265,104 | - | 21,341,874 | 141,581 | 8,084 | 938,511 |
| Operating supplies and expenses | 218,702 | 11,600,089 | 4,349,348 | 1,100,901 | (1,019,880) | 16,550,984 | 228,505 | 27,329 | 2,156,145 |
| Purchased services | 520,526 | 30,761,873 | 5,238,950 | 3,452,102 | (56,100) | 39,615,527 | 22,430,050 | - | 961,076 |
| Depreciation and amortization | 12,032 | 4,295,409 | 3,476,915 | 1,250,718 | - | 9,035,074 | 716,782 | - | 9,761,075 |
| Interest expense | - | 1,903,544 | 397,659 | 243,430 | - | 2,544,833 | 289,643 | - | 2,834,280 |
| Total expenses | 3,242,123 | 126,065,219 | 31,930,196 | 18,031,804 | (1,075,980) | 178,193,362 | 1,115,149 | 91,500 | 12,402,518 |

### Operating (Loss) Income

| Operating (Loss) Income | (147,126) | 3,449,583 | 3,086,223 | 19,469 | 56,100 | 6,464,249 | 95,972 | (130,784) | (3,639,478) |

### Other Income (Expense)

| Salaries and wages | 1,753,829 | 62,871,395 | 14,760,497 | 9,719,549 | - | 89,105,270 | 711,821 | 48,209 | 4,307,933 |
| Employee benefits and payroll taxes | 737,034 | 14,632,909 | 3,706,827 | 2,265,104 | - | 21,341,874 | 141,581 | 8,084 | 938,511 |
| Operating supplies and expenses | 218,702 | 11,600,089 | 4,349,348 | 1,100,901 | (1,019,880) | 16,550,984 | 228,505 | 27,329 | 2,156,145 |
| Purchased services | 520,526 | 30,761,873 | 5,238,950 | 3,452,102 | (56,100) | 39,615,527 | 22,430,050 | - | 961,076 |
| Depreciation and amortization | 12,032 | 4,295,409 | 3,476,915 | 1,250,718 | - | 9,035,074 | 716,782 | - | 9,761,075 |
| Interest expense | - | 1,903,544 | 397,659 | 243,430 | - | 2,544,833 | 289,643 | - | 2,834,280 |
| Total expenses | 3,242,123 | 126,065,219 | 31,930,196 | 18,031,804 | (1,075,980) | 178,193,362 | 1,115,149 | 91,500 | 12,402,518 |

### Excess of Revenue Over (Under) Expenses

| Excess of Revenue Over (Under) Expenses | 3,611,850 | 7,667,668 | 4,517,932 | 343,794 | - | 16,141,244 | 88,353 | (127,034) | (139,478) |

### Transfer (to) from Affiliate

| Transfer (to) from Affiliate | (1,000,000) | - | - | - | - | (1,000,000) | (500,000) | (1,573,356) | 1,000,000 |

### Genesis HealthCare System Net Assets Released from Restriction - Used for purchase of property and equipment

| Genesis HealthCare System Net Assets Released from Restriction - Used for purchase of property and equipment | 1,834,951 | - | - | - | - | 1,834,951 | - | - | 1,834,951 |
Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. and Affiliates

Consolidating Statement of Operations (Continued)

Year Ended December 31, 2016

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Genesis - Other</td>
<td>$ (163,384)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ (163,384)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ (163,384)</td>
<td></td>
</tr>
<tr>
<td>Pension-related Changes Other than Net Periodic Benefit Costs of Genesis HealthCare System</td>
<td>(988,974)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(988,974)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(988,974)</td>
<td></td>
</tr>
<tr>
<td>Net Assets Released from Restriction</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>599,879</td>
<td>729,753</td>
</tr>
<tr>
<td>Increase (Decrease) in Unrestricted Net Assets</td>
<td>$ 3,294,443</td>
<td>$ 7,667,668</td>
<td>$ 4,647,806</td>
<td>$ 343,794</td>
<td>$ -</td>
<td>$ 15,953,711</td>
<td>$ (411,647)</td>
<td>$ (1,700,390)</td>
<td>$ 1,460,401</td>
<td>$ 2,112,037</td>
<td>$ 17,414,112</td>
</tr>
</tbody>
</table>

29
## Consolidating Statement of Changes in Net Assets

**December 31, 2016**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of revenue over (under) expenses</td>
<td>$3,611,850</td>
<td>$7,667,668</td>
<td>$4,517,932</td>
<td>$343,794</td>
<td>$16,141,244</td>
<td>$88,353</td>
<td>$127,034</td>
<td>$139,478</td>
<td>$38,681</td>
<td>$16,001,766</td>
</tr>
<tr>
<td>Transfer from (to) affiliate</td>
<td>(1,000,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,000,000)</td>
<td>(500,000)</td>
<td>(1,573,356)</td>
<td>1,000,000</td>
<td>2,073,356</td>
<td>-</td>
</tr>
<tr>
<td>Genesis HealthCare System net assets released from restriction - Used for purchase of property and equipment</td>
<td>1,834,951</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,834,951</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,834,951</td>
</tr>
<tr>
<td>Genesis - Other</td>
<td>(163,384)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(163,384)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(163,384)</td>
</tr>
<tr>
<td>Pension-related changes other than net periodic benefit costs of Genesis HealthCare System</td>
<td>(988,974)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(988,974)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(988,974)</td>
</tr>
<tr>
<td>Net assets released from restriction</td>
<td>-</td>
<td>-</td>
<td>129,874</td>
<td>-</td>
<td>129,874</td>
<td>-</td>
<td>-</td>
<td>599,879</td>
<td>-</td>
<td>729,753</td>
</tr>
<tr>
<td>Increase (decrease) in unrestricted</td>
<td>3,294,443</td>
<td>7,667,668</td>
<td>4,647,806</td>
<td>343,794</td>
<td>15,953,711</td>
<td>(411,647)</td>
<td>(1,700,390)</td>
<td>1,460,401</td>
<td>2,112,037</td>
<td>17,414,112</td>
</tr>
<tr>
<td><strong>Temporarily Restricted</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted investment income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>512,009</td>
<td>-</td>
<td>512,009</td>
</tr>
<tr>
<td>Net realized and unrealized gains (loss) on investments</td>
<td>-</td>
<td>-</td>
<td>70,026</td>
<td>70,026</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>70,026</td>
<td>-</td>
<td>70,026</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
<td>244,771</td>
<td>244,771</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>244,771</td>
<td>-</td>
<td>244,771</td>
</tr>
<tr>
<td>Genesis HealthCare System restricted contributions</td>
<td>680,189</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>680,189</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>680,189</td>
</tr>
<tr>
<td>Genesis HealthCare System net assets released from restriction</td>
<td>(1,834,951)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,834,951)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,834,951)</td>
</tr>
<tr>
<td>Net assets released from restriction</td>
<td>-</td>
<td>(174,659)</td>
<td>(129,874)</td>
<td>(115,263)</td>
<td>(419,796)</td>
<td>-</td>
<td>-</td>
<td>(983,103)</td>
<td>-</td>
<td>(1,402,899)</td>
</tr>
<tr>
<td>(Decrease) increase in temporarily restricted</td>
<td>(1,154,762)</td>
<td>18,510</td>
<td>-</td>
<td>267,819</td>
<td>686,433</td>
<td>-</td>
<td>-</td>
<td>(408,103)</td>
<td>-</td>
<td>(1,276,536)</td>
</tr>
<tr>
<td><strong>Permanently Restricted</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted contributions</td>
<td>-</td>
<td>121,268</td>
<td>-</td>
<td>68,246</td>
<td>189,514</td>
<td>-</td>
<td>-</td>
<td>39,884</td>
<td>-</td>
<td>229,398</td>
</tr>
<tr>
<td>Net realized and unrealized gain on investments</td>
<td>-</td>
<td>105,388</td>
<td>-</td>
<td>-</td>
<td>105,388</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>105,388</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
<td>(244,771)</td>
<td>(244,771)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(244,771)</td>
<td>-</td>
<td>(244,771)</td>
</tr>
<tr>
<td>Genesis healthcare system change in fair value of perpetual trust</td>
<td>89,190</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>89,190</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>89,190</td>
</tr>
<tr>
<td>Increase (decrease) in permanently restricted</td>
<td>89,190</td>
<td>226,656</td>
<td>-</td>
<td>(176,525)</td>
<td>139,321</td>
<td>-</td>
<td>-</td>
<td>39,884</td>
<td>-</td>
<td>179,205</td>
</tr>
<tr>
<td><strong>Increase (Decrease) in Net Assets</strong></td>
<td>2,228,871</td>
<td>7,912,834</td>
<td>4,647,806</td>
<td>435,088</td>
<td>15,224,599</td>
<td>(411,647)</td>
<td>(1,700,390)</td>
<td>1,460,401</td>
<td>2,112,037</td>
<td>16,316,781</td>
</tr>
<tr>
<td><strong>Net Assets - Beginning of year</strong></td>
<td>115,307,144</td>
<td>115,972,507</td>
<td>53,008,930</td>
<td>13,896,376</td>
<td>298,184,957</td>
<td>1,676,295</td>
<td>1,700,390</td>
<td>14,685,327</td>
<td>(3,376,685)</td>
<td>312,870,284</td>
</tr>
<tr>
<td><strong>Net Assets - End of year</strong></td>
<td>$117,536,015</td>
<td>$123,885,341</td>
<td>$57,656,736</td>
<td>$14,331,464</td>
<td>$313,409,556</td>
<td>$1,264,648</td>
<td>$15,777,509</td>
<td>$1,264,648</td>
<td>$328,187,065</td>
<td>$16,001,766</td>
</tr>
</tbody>
</table>
APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE
SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE

Brief descriptions of the Master Indenture and the Twenty-Sixth Supplement are set forth below. Those descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to the Master Indenture and the Twenty-Sixth Supplement are qualified in their entirety by reference to those documents, copies of which are available at the offices of the Bond Trustee.

DEFINITIONS OF CERTAIN TERMS

“Accountant’s Certificate” shall mean a certificate prepared and executed by a firm of independent certified public accountants.

“Additional Indebtedness” shall mean any Indebtedness incurred or assumed subsequent to the date of the Master Indenture.

“Balloon Indebtedness” shall mean Indebtedness, 25% or more of the original principal amount of which matures during any consecutive twelve-month period, if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such twelve-month period. Balloon Indebtedness does not include Indebtedness which otherwise would be classified under the Master Indenture as Put Indebtedness.

“Board of Directors” shall mean either the Board of Directors of the Corporation or any duly authorized committee of that Board (and not the Governing Body of any other Obligated Issuer).

“Book Value” shall mean, when used in connection with Property of the Corporation or any other Obligated Issuer, that value of such Property, net of accumulated depreciation, and any unimproved Property or interest therein, as it is carried on the books of account of the Corporation or any other Obligated Issuer and in conformity with accounting principles generally accepted in the United States of America, and when used in connection with Property of the Obligated Group, means the aggregate of the values so determined with respect to Property of each member of the Obligated Group.

“Cash and Investments” shall mean (a) the sum of the following unrestricted and unencumbered items: cash, cash equivalents, funded depreciation investments, long term marketable and liquid investments, less (b) the required collateral levels under an Interest Rate Agreement if collateral was actually posted or is required to be posted by the Obligated Group, if those funds are not already restricted. Cash and Investments shall exclude the following: trustee-held funds, reserves, deposits, set-asides, debt service funds, construction funds, reserve funds, malpractice funds, litigation reserves, self-insurance and captive insurer funds, pension and retirement funds.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and any proposed, temporary or final regulations related to it or any successor federal income tax code and its related regulations.

“Commitment Indebtedness” shall mean the obligation of any Person to repay amounts disbursed pursuant to a commitment from a financial institution, insurer, surety or similar entity to pay, refinance or purchase when due, when tendered or when required to be purchased or tendered, or to extend funds for such purpose, other Indebtedness of such Person or any other obligation of any other Person, and the obligation of any Person to pay interest payable on amounts disbursed for such purposes, plus any fees, costs or expenses payable to such financial institution, insurer, surety or similar entity for, under or in connection with such commitment, in the event of disbursement pursuant to such commitment or in connection with enforcement thereof, including without limitation any penalties payable in the event of such enforcement and any indemnification or contribution obligation related thereto.

“Completion Indebtedness” shall mean any Long-Term Indebtedness incurred by any Person for the purpose of financing the completion of facilities for the acquisition, construction or equipping of which Long-Term Indebtedness has theretofore been incurred in compliance with the provisions of the Master Indenture, to the extent necessary to provide a completed and equipped facility of substantially the same type and scope contemplated at the
time that such Long-Term Indebtedness theretofore incurred was originally incurred, and with a principal amount not in excess of the amount required to provide a completed and equipped facility of substantially the same type and scope contemplated at the time such prior Long-Term Indebtedness was originally incurred, to provide for interest on the Completion Indebtedness through the completion of the facility being financed, to provide any reserve funds related to such Completion Indebtedness and to pay the costs and expenses of issuing such Completion Indebtedness.

“Construction Index” shall mean the then current health care component of the implicit price deflator for the gross national product as most recently reported by the United States Department of Commerce or its successor agency, or, if such index is no longer published, such other index as is certified to be comparable and appropriate by the Corporation in an Officer’s Certificate delivered to the Master Trustee, which other index is acceptable to the Master Trustee.

“Corporation” shall mean Franciscan Sisters of Christian Charity HealthCare Ministry, Inc., a Wisconsin nonstock nonprofit corporation or any successor permitted by the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Consolidation, Merger, Sale or Conveyance.”

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

“Cross-over Refunded Indebtedness” shall mean Indebtedness of a Person refunded by Cross-over Refunding Indebtedness.

“Cross-over Refunding Indebtedness” shall mean Indebtedness of a Person issued for the purpose of refunding other Indebtedness of such Person if the proceeds of such Cross-over Refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable Cross-over Date of the Cross-over Refunded Indebtedness and earnings on such escrow deposit are required to be applied to pay interest on either or both of such Cross-over Refunding Indebtedness or such Cross-over Refunded Indebtedness until the Cross-over Date.

“Counterparty” shall mean the counterparty with which an Obligated Issuer enters into an Interest Rate Agreement.

“Debt Service” shall mean the aggregate annual principal (whether at maturity or pursuant to sinking fund redemption requirements), interest payments and other payments of the Corporation and the other Obligated Issuers on all Outstanding Long-Term Indebtedness, including Balloon Indebtedness, Commitment Indebtedness, Guarantees (other than any Guaranty by one Obligated Issuer of Indebtedness of another Obligated Issuer) and Put Indebtedness, but excluding Non-Recourse Indebtedness, Subordinated Indebtedness and Short-Term Indebtedness, for the period of time for which calculated; provided, however, that for purposes of calculating such amount: (a) the amount of such payments for any future period shall be calculated in accordance with the assumptions summarized under the headings “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Restrictions as to Incurrence of Additional Indebtedness” and “– Calculation of Debt Service;” (b) principal and interest shall be excluded from the determination of Debt Service to the extent that such principal or interest is payable and expected to be paid in the period of the determination from amounts deposited in trust, escrowed or otherwise set aside for the payment thereof with the Master Trustee, a Related Bond Trustee or another Person approved by the Master Trustee; and (c) fees and expenses related to Indebtedness, such as remarketing fees, auction fees, bond insurance premiums, and amortization of original issue discount or premium, shall be excluded from the determination of Debt Service.

“Debt Service Coverage Ratio” shall mean the ratio of Net Income Available for Debt Service for the period or periods in question to the Maximum Annual Debt Service.

“Defeasance Obligations” has the meaning attributed to it under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Providing for Payment of Notes.”
“Event of Default” shall have the meaning attributed to it under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Events of Default.”

“Excluded Property” shall mean (i) any Property of an Obligated Issuer which is not used or needed in any significant respect at the time of determination in connection with the operation of revenue producing facilities or activities of an Obligated Issuer. Upon the initial execution of the Master Trust Indenture, there is no Excluded Property and (ii) any Property of an Obligated Issuer which is used as or in connection with a physician clinic, rehabilitation center, pharmacy or retail store and not located within or immediately adjacent to the acute care hospital facilities of such Obligated Issuer, provided however, that the “Harbortown Campus” operated by Holy Family Memorial, Inc. shall not be Excluded Property.

“Facilities” shall mean the real and personal property owned by each Obligated Issuer and used by any such Obligated Issuer in its primary operations, but does not include Excluded Property.

“Federal Bankruptcy Code” shall mean United States Code, Title 11-Bankruptcy, as amended.

“Fiscal Year” shall mean the period commencing on the first day of January of each year and ending on the thirty-first day of December of each calendar year. So long as any Obligated Issuer uses and with respect to any period during which any Obligated Issuer used a fiscal year for its internal purposes which is or was different from the Fiscal Year provided for in the Master Indenture, for any purpose under the Master Indenture the financial information for any Fiscal Year may include financial information from the most recently completed fiscal year of such Obligated Issuer ending on a date prior to the ending date of such Fiscal Year.

“Fitch” shall mean Fitch Inc., its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation with written notice to the Master Trustee.

“Governing Body” shall mean with respect to any corporation the board of trustees or directors or other analogous body established as required by the law of the state of incorporation of such corporation.

“Guaranty” when used in connection with a particular Person shall mean all obligations of such Person guaranteeing or in effect guaranteeing any indebtedness or other obligation of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, including without limitation, obligations incurred through an agreement, contingent or otherwise, by such Person: (a) to purchase such indebtedness or obligation or any Property or assets constituting security therefor; (b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation at any time after its original incurrence, or (ii) to maintain working capital or other balance sheet condition; (c) to lease Property or to purchase securities or other Property or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of the primary obligor to make payment of the indebtedness or obligation; or (d) otherwise to assure the owner of the indebtedness or obligation of the primary obligor against loss in respect thereof; provided, however, that notwithstanding the foregoing, none of the following shall be deemed to constitute a Guaranty: (A) the endorsement in the ordinary course of business of negotiable instruments for deposit or collection; (B) the discount or sale with recourse of any such person’s notes receivable or accounts receivable; (C) rentals payable in future years under operating leases, provided such leases be for an original term of 84 months or less; (D) the obligation to make payments on Notes pursuant to the provisions of the Master Indenture; (E) excluding obligations of the type described in (c) above, any obligation of such person guaranteeing or in effect guaranteeing any obligation of the primary obligor that does not constitute an obligation for the payment of money; and (F) any obligation of any Obligated Issuer to guaranty indebtedness of, or the income of, or to purchase land and improvements thereon from, physicians (or entities controlled by such physicians) who are at the date of, or will become pursuant to the contract creating such obligation, members of the medical staff of such Obligated Issuer and any obligation of any Obligated Issuer to guaranty the income of other professionals or managers which obligations the Obligated Issuer considers necessary or appropriate in recruiting and retaining its professional and managerial staff; provided, however, that guaranties of indebtedness (which for purposes of this definition do not include guaranties of income) shall not be excluded under clause (F) to the extent that the aggregate amount thereof exceed 2% of Unrestricted Revenues in the most recent Fiscal Year for which audited financial statements of the Obligated Group are available.
“Holder” (see “Noteholder”).

“Indebtedness” shall mean (a) all Notes, (b) all Guaranties, and (c) all other indebtedness or obligations of any Obligated Issuer for the repayment of borrowed money or credit extended (including capital leases, installment purchase contracts and guaranties of indebtedness) shown as liabilities on the balance sheet of such Obligated Issuer or which are properly capitalized on the balance sheet of such Obligated Issuer in accordance with accounting principles generally accepted in the United States of America (including obligations that are not evidenced or secured by Notes under the Master Indenture). Indebtedness does not include, without limitation (whether or not evidenced by a Note, Guaranty or otherwise):

(a) obligations of any Obligated Issuer to another Obligated Issuer or guarantees or assumptions by an Obligated Issuer, directly or indirectly, of Indebtedness of another Obligated Issuer;

(b) any portion of any Indebtedness or any Related Bonds which is deemed to be discharged or defeased in accordance with the terms of the instrument or instruments creating or evidencing such Indebtedness or Related Bonds, as the case may be;

(c) liabilities incurred by the endorsement for collection or deposit of checks or drafts received in the ordinary course of business or overdrafts to banks to the extent there are immediately available funds sufficient to pay such overdrafts and such overdrafts are incurred and corrected in the normal course of business;

(d) accounts payable and similar liabilities (other than for the repayment of borrowed money) incurred in the ordinary course of business;

(e) liabilities payable out of current payments for the funding of employee pension plans, retiree benefits other than pensions, health plans and other benefit programs, contributions to self-insurance or pooled-risk insurance programs and estimated long-term self-insurance liability, and the funding of reserves for deferred taxes, deferred revenues, deferred compensation, and similar such liabilities;

(f) 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;

(g) rentals payable under leases which are not capitalized under accounting principles generally accepted in the United States of America;

(h) any other obligations that do not constitute indebtedness under accounting principles generally accepted in the United States of America;

(i) obligations of any Obligated Issuer with respect to an Interest Rate Agreement; and

(j) any obligation of any Obligated Issuer to repay moneys deposited by patients or others with an Obligated Issuer as security for or as prepayment of the cost of patient care or any rights of residents of life care, elderly housing or similar facilities to entrance fees, endowment or similar funds deposited by or on behalf of such residents.

“Independent” shall mean, in the case of an individual, a Person who is not a partner, member, director, officer or employee of either the Corporation or any other Obligated Issuer and, in the case of a firm, shall not have a partner, member, director, officer or employee who is a partner, member, director, officer or employee of either the Corporation or any other Obligated Issuer.

“Independent Architect” shall mean an architect, engineer or firm of architects or engineers selected by the Corporation or any other Obligated Issuer, acceptable to the Master Trustee and licensed by, or permitted to practice in, the state where the construction involved is located, which architect, engineer or firm of architects or engineers is Independent and shall have no interest, direct or indirect, in the Corporation or any other Obligated Issuer; it being understood that an arm’s-length contract with either the Corporation or any other Obligated Issuer for the
performance of architectural or engineering services shall not in and of itself be regarded as creating an interest in or an employee relationship with such entity and that the term Independent Architect may include an architect or engineer or a firm of architects or engineers who otherwise meet the requirements of this definition and who also are under contract to construct the facility which they have designed.

“Independent Consultant” shall mean a Person who is Independent and is appointed by the Corporation or any other Obligated Issuer and satisfactory to the Master Trustee, nationally recognized as qualified to pass upon questions relating to the financial affairs of organizations engaged in like operations to those of the Corporation and the other Obligated Issuers and having a favorable reputation for skill and experience in such financial affairs.

“Independent Insurance Consultant” shall mean a Person who is Independent, appointed by the Corporation and satisfactory to the Master Trustee, qualified to survey risks and to recommend insurance coverage for organizations engaged in like operations to those of the Corporation and the other Obligated Issuers and having a favorable reputation for skill and experience in such surveys and such recommendations, and who may be a broker or agent with whom the Corporation or any other Obligated Issuer transacts business.

“Insurance Subsidiary” shall mean any corporation of which the Corporation or another Obligated Issuer is the sole voting member which is in the business of providing insurance coverage to the Corporation or any other Obligated Issuer.

“Interest Rate Agreement” shall mean an interest rate swap, basis swap, index swap or option, exchange, cap, collar, option, floor, forward, futures contract or hedging agreement, arrangement or security, or combination of the foregoing, however denominated, including any option to enter into the foregoing, identified to the Master Trustee in a certificate of the Corporation as having been entered into by an Obligated Issuer for the purpose of reducing, modifying, converting or otherwise managing the Obligated Issuer’s risk of interest rate or interest rate index changes or interest rate or interest rate index exposures or costs or risk of changes or exposures to prices of commodities, securities, portfolios, products, supplies, goods or services. Obligations of an Obligated Issuer in respect of an Interest Rate Agreement shall not constitute Indebtedness under the Master Indenture.

“Interest Rate Agreement Payments” shall mean all payment obligations of the Obligated Issuers pursuant to an Interest Rate Agreement that is authenticated as a Note under the Master Indenture, or is secured by a Note under the Master Indenture.

“Issuer” shall mean the Corporation or another Obligated Issuer, depending on the context.

“Lien” shall mean any mortgage of, security interest in, lien, charge or encumbrance on or pledge of Property excepting, however, any lease and leaseback or similar arrangements entered into by an Obligated Issuer with a Related Issuer to the extent required in connection with the issuance of Related Bonds.

“Long-Term” when used in connection with Indebtedness, shall mean Indebtedness having an original maturity greater than one year or renewable or extendible at the option of the Corporation or any other Obligated Issuer for a period greater than one year from the date of original issuance thereof.

“Market Value” shall mean (i) with respect to Net Plant, Property and Equipment: (a) the aggregate fair market value of such Net Plant, Property and Equipment as reflected in the most recent written report of an Independent appraiser acceptable to the Master Trustee and, in the case of real property, who 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 Market Value is to be calculated) 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 Market Value is to be calculated; plus (b) the Book Value of any Net Plant, Property and Equipment acquired since the last such report increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such acquisition to the date as of which Market Value is to be calculated; minus (c) the greater of the Book Value or the fair market value (as reflected in such most recent appraiser’s report) of any Net Plant, Property and Equipment disposed of since the last such report 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 Market Value is to be calculated, and (ii) with respect to
any other Property the fair market value of such Property, which fair market value shall be evidenced in a manner satisfactory to the Master Trustee.

“Master Indenture” shall mean the Amended and Restated Master Trust Indenture dated as of April 1, 2007 between the Obligated Group created by the Master Indenture and the Master Trustee, as previously amended and supplemented and as currently being amended and restated and further supplemented by the Twenty-Sixth Supplement.

“Master Trustee” shall mean U.S. Bank National Association as successor to Deutsche Bank National Trust Company or its successor pursuant to the Master Indenture.

“Maximum Annual Debt Service” shall mean the Debt Service due in the then current or a future Fiscal Year in which Debt Service is the greatest.

“Member” shall mean, with respect to any corporation organized on a not-for-profit basis under state law, a Person so designated under such corporation’s Articles of Incorporation (or similar organizational document) or by-laws having the power to elect or appoint, together with any other Members, the Governing Body of such corporation.

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

“Net Income Available for Debt Service” shall mean, as to any period of time, all unrestricted Revenues of the Corporation and each other Obligated Issuer minus Total Expenses of the Corporation and each other Obligated Issuer other than depreciation, amortization and interest, all as determined on a pro forma consolidated or combined basis in accordance with accounting principles generally accepted in the United States of America or as otherwise specifically required.

“Net Plant, Property and Equipment” shall mean, with respect to the Corporation and each other Obligated Issuer, the entire complex of tangible long-lived assets used by the Corporation and each other Obligated Issuer as shown on the balance sheet of the Corporation and each other Obligated Issuer, net of accumulated depreciation, determined on a combined basis in accordance with accounting principles generally accepted in the United States of America.

“Net Proceeds”, when used with respect to any insurance or condemnation award, shall mean the gross proceeds from the insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees and expenses of any Related Bond Trustee or Related Issuer) incurred in the collection of such gross proceeds.

“Non-Recourse Indebtedness” shall mean Long-Term Indebtedness incurred subsequent to the date of execution and delivery of the Master Indenture for the purpose of financing the purchase or acquisition of real or tangible personal property secured by a lien on, or security interest in, the property being purchased or acquired and evidenced by an instrument which expressly provides that upon default in the payment of the principal thereof or interest thereon the obligee thereof may look only to the property securing the same and not to the credit of any Obligated Issuer nor to any other Property of any Obligated Issuer.

“Note” shall mean any obligation of an Obligated Issuer issued under the Master Indenture, as a joint and several obligation of each Obligated Issuer, which has been authenticated by the Master Trustee and which may be in any form set forth in a Supplemental Master Indenture, including, but not limited to, notes, direct note obligations, bonds, obligations, debentures, Interest Rate Agreements, loan agreements, leases or reimbursement agreements. Reference to a Series of Notes or to Notes of a Series shall mean a Series of Notes or Notes of a Series issued pursuant to a single Supplemental Master Indenture to the Master Indenture.

“Noteholder” or “Holder” (when used with reference to any Note or Notes) shall mean the Person in whose name the Note is registered on the register kept pursuant to the Master Indenture at the principal office of the Master
Trustee in which, subject to such reasonable regulations as it may prescribe, the Master Trustee shall provide on behalf of the Obligated Issuers for the registration and transfer of Notes.

“Obligated Group” shall mean the Corporation and each other Obligated Issuer.

“Obligated Group Representative” shall mean the Corporation or such other Obligated Issuer as may have been designated pursuant to written notice to the Master Trustee, executed by all the Obligated Issuers.

“Obligated Issuer” shall mean the Corporation, each other Person named on the signature pages of the Master Indenture which has executed the Master Indenture and any Person which shall have become an Obligated Issuer pursuant to the provisions summarized under the headings “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – The Obligated Group - Becoming an Obligated Issuer and Member of the Obligated Group” and “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – The Obligated Group - Acceptance as an Obligated Issuer” and shall not have withdrawn as such pursuant to the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – The Obligated Group – Withdrawal of Obligated Issuers.”

“Officer’s Certificate” shall mean a certificate signed by the President or any Vice President of one or more Obligated Issuers.

“Opinion of Bond Counsel” shall mean an opinion in writing signed by legal counsel who shall be nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers (as such term is defined within the definition of the term “Related Bonds”) and the exemption from federal income taxation of interest on such obligations.

“Opinion of Counsel” shall mean an opinion in writing signed by legal counsel who may be an employee of or counsel to the Corporation or any other Obligated Issuer and who shall be satisfactory to the Master Trustee.

“Outstanding”, when used in connection with Indebtedness, shall mean, as of any time, Indebtedness issued or incurred and not paid or for which payment has not been provided by deposit of money or securities with the Master Trustee and shall not include Notes surrendered for exchange pursuant to the Master Indenture or Notes for which replacement Notes have been issued pursuant to the Master Indenture, or Notes that the Master Indenture otherwise provides shall be deemed not to be Outstanding.

“Permitted Encumbrances” shall mean those encumbrances enumerated under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Restrictions as to Creation of Liens.”

“Permitted Investments” shall mean (i) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of Treasury of the United States of America, (ii) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America: Export - Import Bank, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association (GNMA), U.S. Department of Housing & Urban Development (PHA’s) and Federal Housing Administration, (iii) bonds, notes or other evidences of indebtedness rated “AAA” by Standard & Poor’s and “Aaa” by Moody’s issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years, (iv) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by Standard & Poor’s and “P-1” by Moody’s and maturing no more than 360 days after the date of purchase (ratings on holding companies not considered as the rating of the bank), (v) commercial paper which is rated at the time of purchase in the single highest classification, “A-1+” by Standard & Poor’s and “P-1” by Moody’s, and which matures not more than 270 days after the date of purchase and (vi) investments in a money market fund rated “AAAm” or “AAAm--G” or better by Standard & Poor’s.

“Person” shall mean an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization, or a government or any agency or political subdivision thereof.
“Pledged Revenues” shall mean all rents, issues, profits, income, revenues, accounts and receipts of the Corporation or any other Obligated Issuer referred to in, and not excepted by, the provisions summarized in clause (b) under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Granting Clauses.”

“Projected Rate” shall mean the projected yield at par of an obligation, as set forth in the report of an Independent Consultant (which Consultant and report, including, without limitation, the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) which report shall state that in determining the Projected Rate such Independent Consultant reviewed the yield evaluations at par of not less than three obligations selected by such Independent Consultant, the interest on which is excludable from gross income for federal income tax purposes (or, if it is not expected that it would be possible to issue such tax-exempt obligations to refinance the Indebtedness with respect to which debt service is being estimated or if it is not intended that the interest on the obligation for which the Projected Rate is being determined be excludable from gross income for federal income tax purposes, the obligations the interest on which is subject to federal income tax), which obligations such Independent Consultant states in its opinion are reasonable comparators to be utilized in developing such Projected Rate, and which obligations: (a) were outstanding on a date selected by the Independent Consultant which date so selected occurred during the 45-day period preceding the date of the calculation utilizing the Projected Rate in question, and (b)(i) if the obligation with respect to which such Projected Rate is being determined bears interest at a fixed rate, bear interest at a fixed rate, or (ii) if the obligation with respect to which such Projected Rate is being determined bears interest at a variable rate, bear interest at a variable rate, and (c)(i) if an Obligated Issuer has no commitment for credit enhancement for the obligation with respect to which such Projected Rate is being determined, are obligations of persons engaged in operations similar to those of the Obligated Group, have a credit rating similar to that of the Obligated Group and are not entitled to the benefits of any credit enhancement, or (ii) if an Obligated Issuer has a commitment for credit enhancement for the obligation with respect to which such Projected Rate is being determined, including without limitation any letter of credit or insurance policy, are entitled to the benefits of comparable credit enhancement; provided that the annual fees payable for such credit enhancement shall be taken into account when determining such Projected Rate, and (d) to the extent practicable, have a remaining term and amortization schedule substantially the same as the obligation with respect to which such Projected Rate is being determined.

“Property”, when used in connection with a particular Person, shall mean any and all rights, title and interests of such Person in and to any and all property (including cash) whether real or personal, tangible or intangible, and wherever situated, but not including Excluded Property.

“Property, Plant and Equipment” shall mean all Property of an Obligated Issuer which is considered property, plant and equipment of such Obligated Issuer under generally accepted accounting principles.

“Put Date” shall mean (i) any date on which an owner of Put Indebtedness may elect to have such Put Indebtedness paid, purchased or redeemed by or on behalf of the underlying obligor prior to its stated maturity date or (ii) any date on which Put Indebtedness is required to be paid, purchased or redeemed from the owner by or on behalf of the underlying obligor (other than at the option of the owner) prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund or other than by reason of acceleration upon the occurrence of an event of default.

“Put Indebtedness” shall mean Indebtedness which is (a) payable or required to be purchased or redeemed by or on behalf of the underlying obligor, at the option of the owner thereof, prior to its stated maturity date or (b) payable or required to be purchased or redeemed from the owner by or on behalf of the underlying obligor (other than at the option of the owner) prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund or other than by reason of acceleration or required purchase upon the occurrence of an event of default.

“Qualified Accountants” shall mean (a) Plante & Moran, PLLC, (b) a firm of certified public accountants of the size and type commonly referred to as nationally known certified public accountants or (c) a firm of independent public accountants selected by the Corporation and approved by the Master Trustee.

“Rating Agency” shall mean Moody’s, Standard & Poor’s or Fitch.
“Refunding Indebtedness” shall mean any Additional Indebtedness including any Cross-over Refunding Indebtedness issued for the purpose of refunding any Outstanding Long-Term Indebtedness, Balloon Indebtedness, Non-Recourse Indebtedness or Put Indebtedness and financing the funding of related reserve funds, costs of issuance and other costs related to such refunding.

“Refunding Notes” shall mean any additional Notes that constitute Refunding Indebtedness.

“Related Bond Indenture” shall mean any indenture or other document pursuant to which a series of Related Bonds is issued or incurred.

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

“Related Bonds” shall mean the bonds, participation certificates, debentures or other obligations of any Related Issuer issued or incurred pursuant to a Related Bond Indenture, the proceeds of which are loaned or otherwise made available to any Obligated Issuer in consideration of the execution, authentication and delivery of a Note or Notes to such Related Issuer.

“Related Issuer” shall mean any state of the United States or any municipal corporation or political subdivision formed under the laws thereof or any body corporate and politic or any constituted authority or any agency or instrumentality of any of the foregoing empowered to issue or incur obligations on behalf thereof which is the issuer or obligor of any series of Related Bonds.

“Responsible Officer of the Master Trustee” shall mean the chairman and vice-chairman of the board of directors, the president, the chairman and vice-chairman of a standing committee of the board of directors, the chairman of the trust committee, every vice president or officer senior thereto, every assistant vice president, the secretary, every assistant secretary, the treasurer, every assistant treasurer, every corporate trust officer, every assistant corporate trust officer, and every other officer and assistant officer of the Master Trustee customarily performing functions similar to those performed by the persons who at the time shall be such an officer, respectively, or to whom any corporate trust matter is referred because of his knowledge of, and familiarity with, a particular subject.

“Revenues” shall mean for any period, (i) in the case of any Obligated Issuer providing health care services, the sum of (a) gross patient and resident service revenues less contractual allowances, free care and discounted care, plus all rents and income derived by any Obligated Issuer from the regular course of its operations including residents’ entrance fees, minus amortization of deferred revenues on residents’ entrance fees, plus (b) other operating revenues, plus (c) non-operating revenues, all as determined in accordance with accounting principles generally accepted in the United States of America consistently applied; and (ii) in the case of any other Obligated Issuer, gross revenues less sale discounts and sale returns and allowances, as determined in accordance with accounting principles generally accepted in the United States of America consistently applied; provided, however, that no determination of Revenues shall take into account (r) earnings resulting from any reappraisal, revaluation or impairment of assets, (s) unrealized gains from investments, (t) unrealized gains in respect of any Interest Rate Agreement related to debt obligations, (u) any gain resulting from the early extinguishment of Indebtedness, (v) the equity in the earnings from investments in affiliates, (w) any gains resulting from the sale, exchange or other disposition of investments not in the ordinary course of business, (x) any gains resulting from the sale, exchange or other disposition of property, plant and equipment, (y) gifts, grants, bequests or donations restricted as to use for a purpose inconsistent with the payment of Debt Service and (z) insurance (other than business interruption) and condemnation proceeds.

“Secured Indebtedness” shall mean any Indebtedness secured by a Lien.

“Series 2017A Master Note” shall mean the Obligated Issuers’ Promissory Note, Series 2017A issued under the Master Indenture pursuant to the Twenty-Sixth Supplement.

“Short-Term” when used in connection with Indebtedness, shall mean Indebtedness having an original maturity less than or equal to one year, and not renewable or extendible at the option of the obligor thereon for a term greater than one year beyond the date of original issuance.
“Standard & Poor’s” shall mean Standard & Poor’s Ratings Service, a division of The McGraw Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency which has been designated by the Corporation with written notice to the Master Trustee.

“Subordinated Indebtedness” shall mean Indebtedness which, with respect to any issue thereof, is evidenced by instruments, or issued under an indenture or other document, containing provisions for the subordination of such Indebtedness (to which appropriate reference shall be made in the instrument evidencing such Indebtedness) substantially as set forth under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Subordinated Indebtedness.”

“Supplemental Master Indenture” shall mean an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture for the purpose of creating one or more series of Notes issued under the Master Indenture or amending or supplementing the terms thereof.

“Total Expenses” shall mean total operating and non-operating expenses of the Corporation and each other Obligated Issuer, determined on a pro forma consolidated or combined basis in accordance with accounting principles generally accepted in the United States of America consistently applied; provided, however, that no determination of Total Expenses shall take into account (a) minimum pension liability adjustments; (b) losses resulting from any reappraisal, revaluation or impairment of assets, (c) unrealized losses from investments, (d) unrealized losses in respect of any Interest Rate Agreement related to debt obligations, (e) any loss resulting from the early extinguishment of Indebtedness, (f) the equity in the losses from investments in affiliates, (g) any losses resulting from the sale, exchange or other disposition of investments not in the ordinary course of business and (h) any losses resulting from the sale, exchange or other disposition of property, plant and equipment.

“Twenty-Sixth Supplement” shall mean the Twenty-Sixth Supplemental Master Trust Indenture dated as of August 1, 2017 between the Obligated Group and the Master Trustee.

“Unencumbered” shall mean not subject to a Lien other than a Lien which secures the Notes as contemplated by clause (iii) in the first paragraph under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Restrictions as to Creation of Liens.”

“Unrestricted Revenues” shall mean for any period, (i) in the case of any Obligated Issuer providing health care services, the sum of (a) gross patient and resident service revenues less contractual allowances, free care and discounted care, plus all rents and income derived by any Obligated Issuer from the regular course of its operations including residents’ entrance fees, minus amortization of deferred revenues on residents’ entrance fees, plus (b) other operating revenues, plus (c) non-operating revenues, all as determined in accordance with accounting principles generally accepted in the United States of America consistently applied; and (ii) in the case of any other Obligated Issuer, gross revenues less sale discounts and sale returns and allowances, as determined in accordance with accounting principles generally accepted in the United States of America consistently applied; provided, however, that no determination of Unrestricted Revenues shall take into account (a) earnings resulting from any reappraisal, revaluation or impairment of assets, (b) unrealized gains from investments, (c) unrealized gains or losses in respect of any Interest Rate Agreement, (d) any gains or losses resulting from the early extinguishment of Indebtedness, (e) the equity in the earnings from investments in affiliates, (f) any gains or losses resulting from the sale, exchange or other disposition of investments not in the ordinary course of business, (g) any gains or losses resulting from the sale, exchange or other disposition of property, plant and equipment, (h) gifts, grants, bequests or donations restricted as to use for a purpose inconsistent with the payment of Debt Service, (i) insurance (other than business interruption) and condemnation proceeds; and (j) any undistributed earnings of Genesis HealthCare System.

“Unsecured Indebtedness” shall mean any Indebtedness not secured by any Lien.
SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE

General

The Master Indenture authorizes the Obligated Issuers to issue Notes which are joint and several obligations of the Obligated Issuers and which may be but are not required to be secured by a mortgage on or security interest in the assets of any of the Members of Obligated Group. The Notes are entitled to the benefit of certain operational and financial restrictions and other contractual obligations contained in the Master Indenture. Set forth below is a summary of certain provisions of the Master Indenture. The summary is not comprehensive and reference is made to the Master Indenture for a complete recital of its terms.

Granting Clauses

In consideration of the premises and the acceptance by the Master Trustee of the trusts created by the Master Indenture and of the purchase and acceptance of the Notes of each series by the Holders thereof that shall be issued under the Master Indenture and under Supplemental Master Indentures applicable thereto, and for other good and valuable considerations, to secure the payment of the principal of and premium, if any, and interest and Interest Rate Agreement Payments on such Notes according to their tenor and effect and to secure the performance and observance by the Corporation and each other Obligated Issuer of all the covenants expressed or implied therein and in the Master Indenture, Supplemental Master Indentures and each series of Notes issued under the Master Indenture and thereunder, the Corporation and each other Obligated Issuer pledge, assign and grant a security interest in the following described property (the “Master Trust Estate”) to the Master Trustee and its successors in trust and assigns forever, SUBJECT, HOWEVER, to Permitted Encumbrances:

(a) Any funds or property held by the Master Trustee under the Master Indenture or any Supplemental Master Indenture.

(b) Any and all right, title and interest of each Obligated Issuer in and to all rents, issues, income, revenues and receipts derived by each Obligated Issuer from all sources, including all right, title and interest and security interest, if any, of each Obligated Issuer in and to all moneys, earnings, revenues, rights to the payment of money and receivables, whether now owned or hereafter acquired and whether or not derived from the use or operation of the Facilities including, without limitation: (i) all patient and resident fees, third party payments, rents, issues, profits, income, revenues and receipts derived in any fashion from the Facilities; and (ii) all accounts, chattel paper and instruments owned by each Obligated Issuer and all proceeds therefrom, whether cash or non-cash, all as defined in Article 9 of the Wisconsin Uniform Commercial Code.

Excepting, however, from the foregoing (i) gifts, donations, grants, pledges, legacies, bequests, devises and contributions and investment earnings thereon restricted by the donor to uses inconsistent with use for payment of principal and interest and Interest Rate Agreement Payments on the Notes; (ii) revenue received pursuant to grants and contracts for sponsored programs of research or instruction; (iii) revenue received by each Obligated Issuer as billing agent for others, including charges for a physician’s services whether or not the physician is an employee of the Obligated Issuer; (iv) proceeds of borrrowings; and (v) proceeds of sale of property that is not a part of the Facilities upon foreclosure of, or in satisfaction of, a security interest.

(c) Any and all other property, or interests therein, of every kind or description that may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, hypothecated, endorsed, deposited, pledged, mortgaged, granted or delivered to or deposited with the Corporation or any other Obligated Issuer or the Master Trustee as additional security under the Master Indenture by the Corporation or any other Obligated Issuer or by anyone on behalf of any of them or with the written consent of any of them, or that pursuant to any of the provisions of the Master Indenture may come into the possession of or control of the Master Trustee or a receiver appointed pursuant to the Master Indenture, as such additional security.
**Series and Amount of Notes**

The number or series of Notes that may be created under the Master Indenture is not limited. The aggregate principal or notional amount of Notes of each series that may be issued, authenticated and delivered under the Master Indenture is not limited except as may be set forth in the Supplemental Master Indenture and as restricted by the provisions of the Master Indenture including but not limited to the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Restrictions as to Incurrence of Additional Indebtedness.”

**Payment of Principal, Premium, Interest and Interest Rate Agreement Payments and Guaranty of Notes**

Each Obligated Issuer agrees in the Master Indenture, jointly and severally, that it will duly and punctually pay the principal of, the premium, if any, and the interest and Interest Rate Agreement Payments on each Note issued under the Master Indenture, and the payment of any other amounts payable thereunder or under the Master Indenture, on the dates, at the times and at the place and in the manner provided in such Note, the Supplemental Master Indenture relating thereto and the Master Indenture when and as the same become payable, whether at maturity, upon call for redemption, by acceleration of maturity or otherwise, according to the true intent and meaning thereof. These agreements on the part of each Obligated Issuer shall be continuing, irrevocable, absolute and unconditional and shall remain in full force and effect until an Obligated Issuer shall withdraw as summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – The Obligated Group – Withdrawal of Obligated Issuers,” in which event they shall terminate only with respect to the withdrawing Obligated Issuer, or until the Master Indenture has been satisfied and discharged in the manner summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Satisfaction and Discharge of the Master Indenture.” The obligation of each Obligated Issuer with respect to payments on Notes issued under the Master Indenture shall not be abrogated, prejudiced or affected by:

(a) the granting of any extension, waiver or other concession given to the Corporation or any other Obligated Issuer by the Master Trustee, a Related Bond Trustee, or any other Noteholder, or by any compromise, release, abandonment, variation, relinquishment or renewal of any of the rights of the Master Trustee, a Related Bond Trustee or any Noteholder or anything done or omitted or neglected to be done by the Master Trustee or any such Related Bond Trustee or Noteholder in exercise of the authority, power and discretion vested in them by the Master Indenture, or by any other dealing or thing which, but for this provision, might abrogate, prejudice or affect such obligation;

(b) the liability of the Corporation or any other Obligated Issuer ceasing for any cause whatsoever, other than the release of an Obligated Issuer upon withdrawal as an Obligated Issuer pursuant to the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – The Obligated Group – Withdrawal of Obligated Issuers,” or

(c) any Obligated Issuer’s failure to become liable as, or losing eligibility to become, an Obligated Issuer according to the terms of the Master Indenture or of any Supplemental Master Indenture.

**General Covenants**

The Corporation and each other Obligated Issuer, respectively, covenants in the Master Indenture to:

(a) subject to the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Consolidation, Merger, Sale or Conveyance,” preserve its corporate existence as a corporation and all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs and be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualification; provided, however, that nothing contained in the Master Indenture shall be construed to obligate it to retain or preserve any of its rights or licenses no longer used or, in the judgment of its Governing Body, no longer useful in the conduct of its business;

(b) at all times cause its business to be carried on and conducted in an effective manner and its Property to be maintained, preserved and kept in good repair, working order and condition and all
needful and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in the Master Indenture shall be construed (i) to prevent it from ceasing to operate any portion of its Property, if in the judgment of its Governing Body it is advisable not to operate the same for the time being, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such sale or other disposition, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its Governing Body, no longer useful in the conduct of its business;

(c) conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States of America and the several states thereof and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Property; provided, nevertheless, that nothing contained in the Master Indenture shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof shall be contested in good faith;

(d) promptly pay all lawful taxes, governmental charges and assessments at any time levied or assessed and due upon or against it or its Property; provided, however, that it shall have the right to contest in good faith by appropriate proceedings any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof and shall have the right to pay taxes in installments; and provided further that such contest shall not materially impair the ability of the Obligated Issuers to meet their obligations under the Master Indenture;

(e) promptly pay or otherwise satisfy and discharge all of its obligations and Indebtedness (including, in addition to Indebtedness, Guaranties by any Obligated Issuer of Indebtedness of any other Obligated Issuer) and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Notes issued and Outstanding under the Master Indenture and the obligations to make payments on Notes pursuant to the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Payment of Principal, Premium and Interest Rate Agreement Payments and Guaranty of Notes”) whose validity, amount or collectibility is being contested in good faith by appropriate proceedings, so long as such contest shall not materially impair the ability of the Obligated Issuers to meet their obligations under the Master Indenture;

(f) at all times comply with all terms, covenants and provisions contained in any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness and pay or cause to be paid, or to be renewed, refunded or extended or to be taken up, by it, all of its Liens, as and when the same shall become due and payable; and

(g) procure and maintain all necessary licenses and permits.

Restrictions as to Creation of Liens

The Corporation and each other Obligated Issuer, respectively, agrees in the Master Indenture that it will not create or suffer to be created or exist any Lien upon Property other than Excluded Property now owned or hereafter acquired by it (i) except for Permitted Encumbrances whenever created, all of which may be superior to the lien of the Master Indenture, (ii) other than on Property conveyed in the ordinary course of business or pursuant to the provisions summarized in paragraphs (b) or (c) under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Sale, Lease or Other Disposition of Property” and (iii) other than on any Property or interest therein, if, in each instance and by the instrument creating such Lien, each series of Notes issued and Outstanding under the Master Indenture is directly secured thereby equally and ratably by such Lien.

Permitted Encumbrances shall consist of the following:

(i) liens arising by reason of good faith deposits with the Corporation or any other Obligated Issuer in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the Corporation or any other Obligated Issuer 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;

(ii) statutory rights of the United States of America to recover against the Corporation or any other Obligated Issuer by reason of federal funds made available under 42 U.S.C. § 291 et seq., and similar rights under federal and state statutes;

(iii) any lien arising by reason of deposits to enable the Corporation, any other Obligated Issuer or an Insurance Subsidiary to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with worker’s compensation, unemployment insurance, old age pensions or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iv) any judgment lien against the Corporation or any other Obligated Issuer so long as such judgment is being contested and execution thereon is stayed, and so long as such lien or contest shall not materially impair the ability of the Obligated Issuers to meet their obligations under the Master Indenture;

(v) (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 (l) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not 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, provided that the exercise of such right would not materially impair the use of such Property or materially and adversely affect such Property; (B) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen and laborers for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen and laborers, have been due for less than 90 days; (C) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances, and irregularities in the title of any Property which do not materially impair the use of such Property and which do not 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 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;

(vi) any Lien described in the Master Indenture which is existing on the date of the Master Indenture, provided that no Lien so described may be modified to apply to any Property of the Corporation or any other Obligated Issuer not subject to such Lien on the date of such Obligated Issuer’s joining as an Obligated Issuer, and provided further that no Additional Indebtedness may be incurred which is secured by such Lien;

(vii) any Lien to which the Property of an Obligated Issuer is subject at the time it becomes an Obligated Issuer, provided that at the time of becoming an Obligated Issuer, (a) the requirements of the Master Indenture summarized in paragraph (a) under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – The Obligated Group - Acceptance as an Obligated Issuer” have been met, (b) no Lien so described may be modified to apply to any Property of any Obligated Issuer not subject to such Lien on the date of such Obligated Issuer’s joining as an Obligated Issuer, (c) no Additional Indebtedness may be thereafter incurred which is secured by such Lien and (d) no Lien so described may be extended or replaced by another Lien;

(viii) any Lien or restriction on use, expressed or implied, on Property of an Obligated Issuer received as a gift, pursuant to the terms of such gift;

(ix) Liens on moneys deposited by patients, residents or others with the Corporation or any Obligated Issuer as security for or as prepayment for the cost of patient or resident care or other services;

(x) Liens arising under law or by contract with respect to initial deposits made under life-care contracts,
(xi) any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license;

(xii) leases which relate to Property of the Obligated Group which is of a type that is customarily the subject of such leases, such as office space for physicians and educational institutions, food service facilities, parking facilities, gift shops, pharmacy and similar departments; leases entered into in accordance with the disposition of Property provisions of the Master Indenture; leases, licenses or similar rights to use property to which the Corporation or another Obligated Issuer is a party existing as of April 1, 2007 and any renewals and extensions thereof; and any leases, licenses or similar rights to use Property whereunder an Obligated Issuer is lessee, licensee or the equivalent thereof upon fair and reasonable terms no less favorable to the lessee or licensee than would obtain in a comparable arm’s-length transaction;

(xiii) utility, access and other easements and rights-of-way, restrictions, encumbrances and exceptions which do not materially interfere with or materially impair the operation of the Property affected thereby (or, if such Property is not being then operated, the operation for which it was designed or last modified);

(xiv) such Liens, defects, irregularities of title and encroachments on adjoining property as normally exist with respect to property similar in character to the Property involved and which do not materially adversely affect the value of, or materially impair, the Property affected thereby for the purpose for which it was acquired or is held by the owner thereof, including without limitation statutory liens granted to banks or other financial institutions, which liens have not been specifically granted to secure Indebtedness and which do not apply to Property which has been deposited as part of a plan to secure Indebtedness;

(xv) zoning laws and similar restrictions which are not violated by use or operation of the Property affected thereby;

(xvi) Liens on Property due to rights of third party payors for recoupment of excess reimbursement paid;

(xvii) any security interest in any rebate account, depreciation reserve, debt service or interest reserve, debt service fund or any similar fund established pursuant to the terms of any Supplemental Master Indenture or Related Bond Indenture in favor of the Master Trustee, a Related Bond Trustee, a Related Issuer or the holder of the Indebtedness issued pursuant to such Supplemental Master Indenture or Related Bond Indenture;

(xviii) any Lien on any Related Bond or any evidence of Indebtedness of any Obligated Issuer acquired by or on behalf of any Obligated Issuer which secures Commitment Indebtedness and only Commitment Indebtedness;

(xix) any purchase money security interest in or similar security interest arising under an installment sale, lease or financing lease of personal property;

(xx) leases pursuant to which the residents of the Facilities of an Obligated Issuer occupy their units;

(xxi) Liens securing Non-Recourse Indebtedness without limit;

(xxii) Liens securing Indebtedness or Interest Rate Agreements if the Book Value or, at the option of the Corporation, the Market Value, of the Property subject to the Lien does not exceed 10% of the Book Value or, at the option of the Corporation, the Market Value of the Unencumbered Net Plant, Property and Equipment of the Obligated Issuers on a combined basis, based on the most recently available audited financial statements of the Obligated Group;
(xxiii) Liens on funds or securities posted in a collateral account held by a Counterparty or by a third party custodian therefor securing the obligations of an Obligated Issuer under an Interest Rate Agreement other than the obligation to make termination payments, indemnification payments, gross-up payments, payments of expenses, default interest payments or similar non-scheduled payments with respect to an Interest Rate Agreement; and

(xxiv) Liens securing Short-Term Indebtedness on up to 35% of the Obligated Issuers’ accounts receivable arising as a result of a pledge or sale of such accounts receivable with or without recourse, provided that the principal amount of the Indebtedness secured by any such lien does not (A) with respect to the pledge of accounts receivable, exceed the Book Value of such accounts receivable (net of delinquent or uncollected accounts, contractual adjustments or discounts, and other allowances), or (B) with respect to the sale of accounts receivable, exceed the aggregate sales price of such accounts receivable.

Restrictions as to Incurrence of Additional Indebtedness

The Corporation and each other Obligated Issuer, respectively, agrees in the Master Indenture that it will not incur any Additional Indebtedness, other than the following Additional Indebtedness, if incurred at any time when there shall not exist any Event of Default of the Corporation or such Obligated Issuer under the Master Indenture or under any Related Bond Indenture (unless such Additional Indebtedness is to be incurred to cure such Event of Default):

(a) Long-Term Additional Indebtedness. Long-Term Additional Indebtedness provided that:

   the Corporation shall have delivered to the Master Trustee either:

   (i) Report on Historical Coverage. An Officer’s Certificate to the effect that for each of the two most recently ended Fiscal Years for which audited financial statements are available the Debt Service Coverage Ratio was not less than 1.25 for all Outstanding Long-Term Indebtedness (exclusive of any Outstanding Long-Term Indebtedness which is to be refunded or redeemed with proceeds of the Indebtedness proposed to be incurred) and the Long-Term Indebtedness then proposed to be incurred; or

   (ii) Reports on Historical and Pro Forma Coverage. The following:

   (aa) an Officer’s Certificate to the effect that for each of the two most recently ended Fiscal Years for which audited financial statements are available the Debt Service Coverage Ratio was not less than 1.20 for all Outstanding Long-Term Indebtedness (not including the Long-Term Indebtedness then proposed to be incurred); and

   (bb) a written report of an Independent Consultant to the effect that the projected Debt Service Coverage Ratio for each of the first two full Fiscal Years following the estimated completion of the acquisition, construction, renovation or replacement being paid for with the proceeds of such Additional Indebtedness or following the incurrence of Long-Term Additional Indebtedness for other purposes will not be less than 1.25 for all Outstanding Long-Term Indebtedness after giving effect to the incurrence of such Long-Term Additional Indebtedness and the application of the proceeds thereof.

provided, however, that in the event that an Independent Consultant shall deliver a report to the Master Trustee to the effect that state or federal laws or regulations or administrative interpretations of such laws or regulations then in existence do not permit or by their application make it impracticable for the Obligated Issuers to produce the required ratios set forth above, then such ratios shall be reduced to the highest practicable ratios then permitted by such laws or regulations but in no event less than 1.00.
(b) **Completion Indebtedness.** Completion Indebtedness if there is delivered to the Master Trustee: (i) an Officer’s Certificate stating that at the time the original Indebtedness for the facilities to be completed was incurred, the Corporation or other Obligated Issuer had reason to believe that the proceeds of such 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 Independent Architect or an expert acceptable to the Master Trustee setting forth the amount estimated to be needed to complete the facilities; and (iii) an Officer’s Certificate stating that the proceeds of such Completion Indebtedness to be applied to the completion of the facilities, together with other moneys available therefor, will be in an amount not less than the amount set forth in the statement of an Independent Architect referred to in (ii).

(c) **Refunding Indebtedness.** Refunding Indebtedness, provided that, the requirements summarized in clause (a) under this heading are satisfied or the Corporation has delivered an Officer’s Certificate to the Master Trustee certifying that the Maximum Annual Debt Service on all Long-Term Indebtedness will not be increased by more than 20% by such refunding.

(d) **Balloon Indebtedness.** Balloon Indebtedness without limit if:

1. (i) there is in effect at the time the Balloon Indebtedness is incurred a binding commitment acceptable to the Master Trustee by a financial institution that is generally regarded as responsible and is acceptable to the Master Trustee and that commitment provides for repayment of amounts drawn under it over a term of at least 18 months commencing with the last day of each consecutive twelve-month period during which 25% or more of the Balloon Indebtedness matures to provide financing sufficient to pay the portion of the Balloon Indebtedness coming due during that twelve-month period (the “Balloon Amount”) and (ii) the conditions set forth in clause (a)(i) or (a)(ii) under this heading are met when it is assumed that, with respect to the Balloon Amount (A) the Balloon Amount is Long-Term Indebtedness maturing over a term equal to the term of the Balloon Amount plus the term provided in the commitment for the amortization of Indebtedness incurred thereunder or a term of 20 years from the date of issuance of the Balloon Indebtedness, whichever is greater, and (B) the Balloon Amount bears interest on the unpaid principal balance at the rate set forth in the commitment and is payable in accordance with the commitment if the term of the Balloon Amount plus the term provided in the commitment for the amortization of Indebtedness incurred thereunder is greater than 25 years, or, if the term of the Balloon Amount plus the term provided in the commitment for the amortization of Indebtedness incurred thereunder is not greater than 25 years, the Balloon Amount is payable on a level debt service basis over a 25-year period and bears interest at the Projected Rate based upon that period.

(e) **Put Indebtedness.** Put Indebtedness if (a) there is in effect at the time such Put Indebtedness is incurred a binding commitment acceptable to the Master Trustee by a financial institution that is generally regarded as responsible and is acceptable to the Master Trustee, which commitment provides for the amortization of Indebtedness incurred under the commitment over a term of at least 18 months commencing with the next succeeding Put Date, to provide financing sufficient to pay such Put Indebtedness on any Put Date occurring during the term of that commitment, and (b) the conditions set forth in clause (a)(i) or (a)(ii) above are met with respect to the Put Indebtedness when it is assumed that the Put Indebtedness is Long-Term Indebtedness that bears interest at a variable rate calculated in accordance with the provisions concerning variable rate indebtedness summarized in the second paragraph under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Calculation of Debt Service” and is payable on a level debt service basis over a 25-year period.

(f) **Non-Recourse Indebtedness, Commitment Indebtedness and Subordinated Indebtedness.** Non-Recourse Indebtedness, Commitment Indebtedness and Subordinated Indebtedness without limit.

(g) **Additional Indebtedness.** Any other Additional Indebtedness provided at the time of incurrence of such Additional Indebtedness the aggregate principal amount of all Outstanding Additional Indebtedness incurred pursuant to the provisions summarized in this clause (g) does not exceed 20% of Unrestricted Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available and provided further that with respect to Short-Term Indebtedness, secured or unsecured, no such Short-Term Indebtedness in excess of 10% of Unrestricted Revenues of the Obligated Group shall be Outstanding for a thirty (30) day period during each Fiscal Year except a Fiscal Year during
the last 90 days of which any third party reimbursing or insurer providing in excess of 20% of the Unrestricted Revenues of the Obligated Group is in arrears in excess of 90 days on accounts payable to any Obligated Issuer.

Indebtedness may be incurred under any of clauses (a) through (g) summarized under this heading even though other Indebtedness is simultaneously being incurred under a different clause summarized under this heading.

Calculation of Debt Service

The various calculations of the amount of Indebtedness of a Person, the amortization schedule of such Indebtedness and the Debt Service payable with respect to such Indebtedness for future periods required under certain provisions of the Master Indenture shall be made in a manner consistent with the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Restrictions as to Incurrence of Additional Indebtedness” and as summarized under this heading. The Projected Rate and other assumptions utilized with respect to Indebtedness at the time compliance with the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Restrictions as to Incurrence of Additional Indebtedness” was first calculated shall continue to be utilized for the calculation of Debt Service payable with respect to such Indebtedness for future periods unless such Indebtedness is reclassified as provided under this heading.

In determining the amount of Debt Service payable on Indebtedness in the course of the various calculations required under certain provisions of the Master Indenture, except as otherwise summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Restrictions as to Incurrence of Additional Indebtedness” with respect to interest rate assumptions, if the terms of the Indebtedness being considered are such that interest thereon for any future period of time is expressed to be calculated at a varying rate per annum, a formula rate or a fixed rate per annum based on a varying index, then for the purpose of making such determination of Debt Service, interest on such Indebtedness for such period (the “Determination Period”) shall be computed by assuming that the rate of interest applicable to the Determination Period is equal to the average annual rate of interest (calculated in the manner in which the rate of interest for the Determination Period is expressed to be calculated) that was or would have been in effect for the 12-month period immediately preceding the date on which such calculation is made; provided, however, that if such average annual rate of interest cannot be calculated for such entire 12-month period but can be calculated for a shorter period, then the assumed interest rate for the Determination Period shall be the average annual rate of interest that was or would have been in effect for such shorter period; and provided further, that if such average annual rate of interest cannot be calculated for any preceding period of time, then the assumed interest rate for the Determination Period shall be the initial annual rate of interest which is actually applicable to such Indebtedness upon the incurrence thereof. No Indebtedness shall be deemed to arise when variable rate Indebtedness is converted to Indebtedness which bears interest at a fixed rate, or when fixed rate Indebtedness is converted to Indebtedness which bears interest at a variable rate, or when the method of computing the variable rate on variable rate Indebtedness is changed if any such conversion is in accordance with the provisions applicable to such Indebtedness in effect immediately prior to such conversion.

Except for the purpose of calculating any historical Debt Service or for determining whether a Guaranty may be incurred, in which case the guarantor’s Debt Service under a Guaranty shall be deemed to be the actual amount paid (for historical) or payable (for incurrence) on such Guaranty by the guarantor, a guarantor shall be considered liable only for 20% of the annual debt service requirement on the Indebtedness guaranteed for future periods; provided, however, if the guarantor has been required by reason of its guaranty to make a payment in respect of such Indebtedness within the immediately preceding 12 months, the guarantor shall be considered liable in future periods for 100% of the annual debt service requirement on the Indebtedness guaranteed.

Balloon Indebtedness incurred pursuant to the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Restrictions as to Incurrence of Additional Indebtedness” shall be deemed payable in accordance with the assumptions set forth in clause (d) under said heading.

Put Indebtedness incurred pursuant to the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Restrictions as to Incurrence of Additional
Indebtedness” shall be deemed payable in accordance with the assumptions set forth under said heading; provided that if the option of the holder to require that such Put Indebtedness be paid, purchased or redeemed prior to its stated maturity date has expired as of the date of calculation, such Put Indebtedness shall be deemed payable in accordance with its terms. No Indebtedness shall be deemed to arise when the terms upon which Put Indebtedness may be or is required to be tendered for purchase are changed, if such change is in accordance with the provisions applicable to such Put Indebtedness in effect immediately prior to such change.

Notes issued to secure Indebtedness permitted to be incurred pursuant to the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Restrictions as to Incurrence of Additional Indebtedness” shall not be treated as Additional Indebtedness.

No debt service shall be deemed payable with respect to Commitment Indebtedness until such time as funding occurs under the commitment which gave rise to such Commitment Indebtedness, except to the extent that the terms of such Commitment Indebtedness are to be considered pursuant to the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Restrictions as to Incurrence of Additional Indebtedness” in determining the amortization schedule and debt service payable with respect to the Indebtedness supported by the commitment which gave rise to such Commitment Indebtedness. From and after such funding, the amount of such debt service shall be calculated in accordance with the actual amount required to be repaid on such Commitment Indebtedness and the actual interest rate and amortization schedule applicable thereto, utilizing the various assumptions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Restrictions as to Incurrence of Additional Indebtedness” and under this heading. No Additional Indebtedness shall be deemed to arise when any funding occurs under any such commitment or any such commitment is renewed upon terms which provide for substantially the same terms of repayment of amounts disbursed pursuant to such commitment as obtained prior to such renewal.

In making any determination of or with regard to Debt Service under the Master Indenture, the Master Trustee may rely on such opinions or reports of Independent Consultants as it deems appropriate.

The Corporation or any other Obligated Issuer may elect to have Indebtedness issued pursuant to one provision summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Restrictions as to Incurrence of Additional Indebtedness” classified as having been incurred under another provision summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Restrictions as to Incurrence of Additional Indebtedness” by demonstrating compliance with such other provision on the assumption that such Indebtedness is being reissued on the date of delivery of the materials required to be delivered under such other provision including the certification of any applicable Projected Rate. From and after such demonstration, such Indebtedness shall be deemed to have been incurred under the provision with respect to which such compliance has been demonstrated until any subsequent reclassification of such Indebtedness.

If any Obligated Issuer enters an Interest Rate Agreement with a Counterparty requiring the Obligated Issuer to pay a fixed interest rate on a notional amount or requiring the Obligated Issuer to pay a variable interest rate on a notional amount, and the Obligated Issuer has made a determination that the Interest Rate Agreement was entered for the purpose of providing substitute interest payments (or a portion thereof) for Indebtedness of a particular maturity or maturities in a principal amount equal to the notional amount of the Interest Rate Agreement, then during the term of the Interest Rate Agreement and so long as the Counterparty under the Interest Rate Agreement is not in default under the Interest Rate Agreement, then, for purposes of any calculation of Debt Service, the interest rate (or portion thereof) on the Indebtedness of that maturity or maturities will be determined as if the Indebtedness bore interest at the fixed interest rate or the variable interest rate, as the case may be, payable by the Obligated Issuer after giving effect to the Interest Rate Agreement. Any obligations under the Interest Rate Agreement, whether or not secured by a Note, will not be separately included in any calculation of Debt Service payable on Indebtedness. No Additional Indebtedness is deemed to arise when an Interest Rate Agreement is entered or terminated.

**Debt Service Coverage Ratio**

The Obligated Group shall set rates and charges for its facilities such that the Debt Service Coverage Ratio, calculated at the end of each Fiscal Year, will not be less than 1.10. If the Debt Service Coverage Ratio, as
calculated at the end of any Fiscal Year is below 1.10, the Corporation shall retain an Independent Consultant at the end of each such Fiscal Year to make recommendations to increase the Debt Service Coverage Ratio for the subsequent Fiscal Years to at least 1.10; provided, however, that in the event that an Independent Consultant shall deliver a report to the Master Trustee to the effect that state or federal laws or regulations or administrative interpretations of such laws or regulations then in existence do not permit or by their application make it impracticable for the Obligated Group to produce a Debt Service Coverage Ratio of 1.10, then the required Debt Service Coverage Ratio shall be reduced to the highest practicable ratio permitted by the laws or regulations then in effect but in no event less than 1.00 for such subsequent Fiscal Year. Each Obligated Issuer, respectively, agrees in the Master Indenture that it will, to the extent feasible, follow the recommendations of the Independent Consultant. So long as the Corporation shall retain an Independent Consultant at the end of each Fiscal Year in which the Debt Service Coverage Ratio of the Obligated Group is below 1.10 and each Obligated Issuer shall follow such Independent Consultant’s recommendations for the subsequent Fiscal Year to the extent feasible, and so long as the Debt Service Coverage Ratio of the Obligated Group is not less than 1.00 for each of the subsequent two Fiscal Years, the provisions summarized under this heading shall be deemed to have been complied with for such subsequent Fiscal Year even if the Debt Service Coverage Ratio is below 1.10, and those circumstances will not constitute an Event of Default under the Master Indenture.

Sale, Lease or Other Disposition of Property

(a) The Corporation and each other Obligated Issuer, respectively, agrees in the Master Indenture that, except as summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Consolidation, Merger, Sale or Conveyance,” it will not sell, lease or otherwise dispose of any of its Property (other than Excluded Property) except in the ordinary course of business, except to another Obligated Issuer or except as permitted by the provisions summarized in paragraphs (b), (c), (d) or (e) under this heading, unless the Corporation shall certify to the Master Trustee in an Officer’s Certificate that:

(i) in the judgment of the Corporation and each other Obligated Issuer which is the owner of such Property such Property has, or within the next succeeding 24 calendar months is reasonably expected to, become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, provided the sale, lease, removal or other disposition thereof will not materially impair the structural soundness, efficiency or economic value of its remaining Property; or

(ii) immediately after such transaction, the condition described in clause (a) under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Restrictions as to Incurrence of Additional Indebtedness” would be met for the incurrence of one dollar of Long-Term Additional Indebtedness after giving effect to such transaction.

(b) In addition, the Corporation or any other Obligated Issuer may sell, lease or otherwise dispose of its Property, Plant and Equipment (other than in the ordinary course of business and other than Excluded Property which can be disposed of without limit), without satisfying the conditions that must be certified pursuant to the provisions summarized in paragraph (a) under this heading, if such Property, Plant and Equipment is sold, leased or otherwise disposed of pursuant to the provisions summarized in this paragraph (b) and the aggregate Book Value of the Property, Plant and Equipment sold, leased or otherwise disposed of pursuant to the provisions summarized in this paragraph (b) in any Fiscal Year does not exceed 5% of the aggregate Book Value of Unencumbered Property, Plant and Equipment of the Obligated Group as of the beginning of that Fiscal Year.

(c) Nothing herein shall prohibit any Obligated Issuer from making secured or unsecured loans provided that any such loan (i) is evidenced in writing, and (ii) the Master Trustee receives an Officer’s Certificate stating that (a) the Obligated Group Representative reasonably expects such loan to be repaid, (b) such loan bears interest at a reasonable rate of interest as determined in good faith by the Obligated Group Representative and (c) the aggregate of all such loans made pursuant to this provision do not exceed 10% of Cash and Investments.

(d) In addition, Good Samaritan Medical Center of the Franciscan Sisters of Christian Charity (“Good Samaritan”), an Obligated Issuer, may sell, lease or otherwise dispose of its Property (other than in the ordinary course of business), without satisfying the conditions that must be certified pursuant to the provisions summarized in clause (a) under this heading, if such Property is sold, leased or otherwise disposed of pursuant to the provisions summarized in this clause (d) to physicians (or entities controlled by said physicians) who are at the date of, or will
Consolidation, Merger, Sale or Conveyance

(a) The Corporation and each other Obligated Issuer, respectively, covenants in the Master Indenture that it will not merge or consolidate with any other corporation not an Obligated Issuer or sell or convey all or substantially all of its assets to any Person not an Obligated Issuer unless either (A) such Obligated Issuer shall be the surviving corporation, or (B) the successor corporation (if other than such Obligated Issuer) shall be a corporation organized and existing under the laws of the United States of America or a state thereof and such corporation shall expressly assume in writing all of the obligations of such Obligated Issuer to pay principal of and interest and Interest Rate Agreement Payments on the Notes issued under the Master Indenture, and the due and punctual performance and observance of all of the covenants and conditions of the Master Indenture to be performed or observed by such Obligated Issuer by a Supplemental Master Indenture satisfactory to the Master Trustee, executed and delivered to the Master Trustee by such corporation.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for such Obligated Issuer, with the same effect as if it had been named in the Master Indenture as the Corporation or another Obligated Issuer, as the case may be. Such successor corporation thereupon may cause to be signed, and may issue in its own name Notes issuable under the Master Indenture; and upon the order of such successor corporation, instead of such Obligated Issuer, and subject to all the terms, conditions and limitations in the Master Indenture prescribed, the Master Trustee shall authenticate and shall deliver Notes that such successor corporation shall have caused to be signed and delivered to the Master Trustee. All Outstanding Notes so issued by such successor corporation under the Master Indenture shall in all respects have the same legal rank and benefit under the Master Indenture as though all of such Notes had been issued under the Master Indenture at the date of the execution of the Master Indenture.

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

(d) The Master Trustee, subject to the provisions of the Master Indenture, may receive an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of the Master Indenture summarized under this heading and that it is proper for the Master Trustee under the provisions of the Master Indenture to join in the execution of the Supplemental Master Indenture as summarized under this heading.

(e) Any corporation which controls the Corporation (the “New Parent”) may assume all obligations, rights and duties and succeed to all interests of the Corporation under the Master Indenture, and upon completion of such assumption will be the “Corporation” under the Master Indenture if (i) there shall be filed with the Master Trustee (1) a resolution of the Governing Body of the New Parent agreeing to assume all obligations, rights and duties of the Corporation under the Master Indenture, approving the form of and authorizing the execution of the document mentioned in clause (2) below, (2) a document, in form and substance satisfactory to the Master Trustee, executed by the Corporation and the New Parent evidencing such assumption, (3) an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee to the effect that such assumption will not adversely affect any exclusion from gross income for federal income tax purposes of interest payable on any Related Bond to which that interest would otherwise be entitled and (4) an Officer’s Certificate certifying compliance with the requirements of the provisions of the Master Indenture summarized under this heading and (ii) the requirements summarized in paragraphs (a) through (d) under this heading shall have been met to the same extent as if the New Parent and the Corporation had merged.
**Filing of Financial Statements, Certificate of No Default, Other Information**

The Corporation and each other Obligated Issuer, respectively, covenant in the Master Indenture as follows:

(a) as soon as practicable but in no event later than 150 days after the end of each Fiscal Year, the Corporation shall file, or cause to be filed, with the Master Trustee, with each Noteholder who may have so requested or on whose behalf the Master Trustee may have so requested, with each Related Issuer, with each Rating Agency maintaining a rating on any issue of Related Bonds and with each underwriter who has underwritten the sale of a series of Related Bonds who may have so requested (i) a combined or consolidated and consolidating revenue and expense statement of the Corporation and each other Obligated Issuer for such Fiscal Year (all material inter-company transactions and balances shall be eliminated in the preparation of the combined statements), and (ii) a combined or consolidated balance sheet presented on the basis described in (i) above as of the end of such Fiscal Year, accompanied by an Accountant’s Certificate or an opinion of Qualified Accountants to the effect that such statements have been properly compiled from information underlying the audited financial statements of the respective Obligated Issuers;

(b) as soon as practicable but in no event later than 150 days after the end of each Fiscal Year, the Corporation shall file with the Master Trustee, with each Noteholder who may have so requested or on whose behalf the Master Trustee may have so requested, with each Related Issuer, with each Rating Agency maintaining a rating on any issue of Related Bonds and with each underwriter who has underwritten the sale of a series of Related Bonds who may have so requested, (i) an Officer’s Certificate of the Corporation and (ii) a certificate of Qualified Accountants stating whether or not, to the best knowledge of the signers, the Obligated Issuers are in default (including any financial covenant set forth in any supplemental master indenture) in the performance of the Debt Service Coverage Ratio covenant summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Debt Service Coverage Ratio” or in the performance of any financial covenant contained in the Master Indenture as amended or supplemented from time to time, and, if so, specifying each such default of which the signers may have knowledge;

(c) as soon as practicable but in no event later than 45 days after the end of the first three fiscal quarters of a Fiscal Year, the Corporation shall file, or cause to be filed, with the Master Trustee and with each Noteholder who may have so requested, a combined (with all material inter-company transactions and balances eliminated) or consolidated revenue and expense statement of the Corporation and each other Obligated Issuer;

(d) if an Event of Default shall have occurred and be continuing, (i) the Corporation and each other Obligated Issuer shall file with the Master Trustee other financial statements and information concerning the operations and financial affairs of the Corporation and each Obligated Issuer as the Master Trustee may from time to time reasonably request, excluding specifically donor records, patient and resident records and personnel records and (ii) provide access to the facilities of each Obligated Issuer 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; and

(e) within 20 days after the Corporation’s receipt thereof, the Corporation will file with the Master Trustee a copy of each report which any provision of the Master Indenture requires to be prepared by an Independent Consultant or an Independent Insurance Consultant.

To the extent that accounting principles generally accepted in the United States of America would require consolidation of certain financial information of entities which are not Obligated Issuers with financial information of one or more Obligated Issuers, consolidated financial information with respect to entities which are not Obligated Issuers may be delivered in satisfaction of the requirements summarized under this heading so long as: (a) supplemental information in sufficient detail to separately identify the information with respect to the Obligated Issuers is delivered to the Master Trustee with the audited financial statements; (b) such supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements delivered to the Master Trustee and, in the opinion of the accountant, is fairly stated in all material respects in relation to the
consolidated financial statements taken as a whole; and (c) such supplemental information is used for the purposes of the Master Indenture or for any agreement, document or certificate executed and delivered in connection with or pursuant to the Master Indenture.

**Insurance**

Subject to their rights to enter into a program of self insurance in compliance with the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Reduction of Insurance Coverage; Self Insurance,” the Corporation and each other Obligated Issuer, respectively, agrees in the Master Indenture that it will maintain, or cause to be maintained, insurance covering such risks (including, but not limited to, public liability, fire and extended coverage and medical malpractice) and in such amounts as is customary in the case of corporations engaged in the same or similar activities and similarly situated as the Corporation and each other Obligated Issuer which is adequate to protect it and its Properties and operations. The insurance or self insurance program required to be maintained pursuant to the Master Indenture shall be subject to the review of an Independent Insurance Consultant not less frequently than once every two years and the Corporation and each other Obligated Issuer, respectively, agrees in the Master Indenture that it will follow any recommendations of the Independent Insurance Consultant to the extent feasible. In order to establish compliance with the provisions summarized under this heading and under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Reduction of Insurance Coverage; Self Insurance,” the Corporation and each other Obligated Issuer, respectively, agrees in the Master Indenture that it will deliver or cause to be delivered to the Master Trustee not less frequently than once every two years, on or prior to a date designated by it upon reasonable prior notice to the Master Trustee, a report of the Independent Insurance Consultant setting forth a description of the insurance maintained, or caused to be maintained, by such Obligated Issuer pursuant to the provisions summarized under this heading and then in effect and stating whether, in the opinion of the Independent Insurance Consultant, such insurance and any reduction or elimination of the amount of any insurance coverage during the period covered by such report complies with the requirements summarized under this heading and under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Reduction of Insurance Coverage; Self Insurance” and adequately protects such Obligated Issuer and its Properties and operations provided with respect to any self insurance that such report shall be by an independent actuary. Such report shall also set forth any recommendations of the Independent Insurance Consultant as to additional insurance, if any, reasonably required (during the period preceding the next such report) for the protection referred to in the next preceding sentence in light of available insurance coverage in the health care industry (or other industry applicable to an Obligated Issuer).

**Reduction of Insurance Coverage; Self Insurance**

If the Corporation or any other Obligated Issuer has or hereafter obtains any of the following types of insurance, whether from an Insurance Subsidiary or other insurer, it must secure the concurrence of an Independent Insurance Consultant before it may reduce or eliminate the amounts of its insurance coverage for the following types of insurance: (i) comprehensive general public liability insurance, including product liability, blanket contractual liability and automobile insurance including owned, non-owned and hired automobiles (excluding collision and comprehensive coverage thereon), (ii) professional liability or medical malpractice insurance, (iii) worker’s compensation insurance and (iv) boiler insurance.

In making its decision whether to concur in such reductions or eliminations, the Independent Insurance Consultant shall make an estimate of the added financial risk, if any, assumed by the Corporation or the Obligated Issuer, as the case may be, as a result of the lower or amended coverage; it shall consider the availability of commercial insurance, the terms upon which such insurance is available and the cost of such available insurance, and the effect of such terms and such cost upon such Obligated Issuer and charges for its services; and it shall determine whether the additional financial risk, if any, being assumed by such Obligated Issuer, is prudent in light of the savings to be realized from lowered insurance premiums or in light of the general availability of such coverage.

Before the Corporation or any other Obligated Issuer may enter into a program of self insurance (i.e. a program not involving a contract of insurance issued by an insurer licensed by the Commissioner of Insurance of the State of Wisconsin) against any particular risk for which it is not on the date of the Master Indenture self-insuring, it must receive a certificate from an Independent Insurance Consultant to the effect that adequate reserves for such insurance program are deposited and maintained with an independent corporate trustee if recommended by the
Independent Insurance Consultant. The Corporation or any other Obligated Issuer may not enter into a program of self insurance against risks of damage to property, plant and equipment, including business interruption insurance.

**Damage or Destruction**

Each Obligated Issuer agrees in the Master Indenture to notify the Master Trustee immediately in the case of the destruction of its Facilities or any portion thereof as a result of fire or other casualty, or any damage to such Facilities or portion thereof as a result of fire or other casualty, the Net Proceeds of which are estimated to exceed 5% of the property, plant and equipment of the Obligated Issuers at the end of the most recent Fiscal Year for which audited financial statements are available.

In the event such Net Proceeds exceed the amount described above, the Obligated Issuer suffering such casualty or loss shall deposit such Net Proceeds with the Master Trustee and within 12 months after the date on which the Net Proceeds are finally determined elect by written notice of such election to the Master Trustee one of the following three options, subject to the approval of the Master Trustee (which approval may not be unreasonably withheld):

(a) **Option A-Repair and Restoration.** Such Obligated Issuer may elect to replace, repair, reconstruct, restore or improve any of the Facilities of the Obligated Group or acquire additional Facilities for the Obligated Group or repay Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds. In such event such Obligated Issuer shall proceed forthwith to replace, repair, reconstruct, restore or improve Facilities of the Obligated Group or to acquire additional Facilities. So long as the Obligated Issuers are not in default under the Master Indenture, any Net Proceeds of insurance relating to such damage or destruction received by the Master Trustee shall be released from time to time by the Master Trustee to such Obligated Issuer upon the receipt by the Master Trustee of:

(1) an Officer’s Certificate of such Obligated Issuer specifying the expenditures made or to be made or the Indebtedness incurred in connection with such repair, reconstruction, restoration, improvement or acquisition and stating that such Net Proceeds, together with any other moneys legally available for such purposes, will be sufficient to complete such replacement, repair, reconstruction, restoration, improvement or acquisition; and

(2) if such expenditures were or are to be made or such Indebtedness was incurred for the construction or renovation of Facilities, the written approval of such Officer’s Certificate by an Independent Architect.

It is further understood and agreed that in the event such Obligated Issuer shall elect this Option A, such Obligated Issuer shall complete the replacement, repair, reconstruction, restoration, improvement and acquisition of the Facilities, whether or not the Net Proceeds of insurance received for such purposes are sufficient to pay for the same.

(b) **Option B-Prepayment of Notes.** Such Obligated Issuer may elect to have all or a portion of the Net Proceeds payable as a result of such damage or destruction applied to the prepayment of the Notes designated by the Corporation. In such event such Obligated Issuer shall, in its notice of election to the Master Trustee, direct the Master Trustee to apply such Net Proceeds, when and as received, to the prepayment of the Notes provided that if in any such case less than all of the Notes are redeemed the Obligated Group shall have first provided the Master Trustee with a certificate of an Independent Architect or Independent Consultant or other expert approved by the Master Trustee stating (i) that the property that was damaged is not essential to the Obligated Group’s use or occupancy of its Facilities and the damage will not operate to materially reduce the revenues of the Obligated Group or (ii) that the damaged facility has been restored to a condition substantially equivalent to its condition prior to the damage or condemnation. Notwithstanding the foregoing, if the Notes designated by the Corporation for prepayment secure an issue of Related Bonds the Obligated Group further agrees in the Master Indenture to comply with the provisions of the Related Bond Indenture for the prepayment of the Related Bonds and the Notes designated for prepayment by the Corporation pursuant to the provisions summarized under this heading are not deemed prepaid pursuant to the provisions summarized under this heading unless their prepayment results in a corresponding prepayment of the Related Bonds.
(c) **Option C-Partial Restoration and Partial Prepayment of Notes.** Such Obligated Issuer may elect to have a portion of such Net Proceeds applied to the replacement, repair, reconstruction, restoration and improvement of the Facilities of the Obligated Group or the acquisition of additional Facilities for the Obligated Group or the repayment of Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds with the remainder of such Net Proceeds to be applied to prepay Notes, in which event such Net Proceeds to be used for replacement, repair, reconstruction, restoration, improvement and acquisition shall be applied as set forth in subparagraph (a) under this heading and such Net Proceeds to be used for prepayment of the Notes shall be applied as set forth in subparagraph (b) under this heading.

The foregoing notwithstanding, no Obligated Issuer will be required to comply with the provisions summarized under this heading to the extent that the Facilities damaged or destroyed were pledged as security for Non-Recourse Indebtedness incurred in accordance with the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Restrictions as to Incurrence of Additional Indebtedness” and the documents pursuant to which such Indebtedness was incurred require Net Proceeds to be applied in a manner inconsistent with the provisions summarized under this heading or if the Facilities damaged or destroyed are subject to no Liens other than Liens described in clause (xxiv) under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Restrictions as to Creation of Liens.”

**Condemnation**

The Master Indenture contains provisions similar to those described under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Damage or Destruction” which apply in the case of a condemnation, taking or payment received in a sale consummated under threat of condemnation.

**Events of Default**

Event of Default, as used in the Master Indenture, shall mean any of the events described under this heading, whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body:

(a) There shall be a failure to make any payment of the principal of, the premium, if any, interest and Interest Rate Agreement Payments on any Notes issued and Outstanding under the Master Indenture when and as the same shall become due and payable, whether at maturity, by acceleration or otherwise, in accordance with the terms thereof, of the Master Indenture and any Supplemental Master Indenture; or

(b) The Corporation or any other Obligated Issuer shall fail duly to observe or perform any covenant or agreement on its part contained in the Master Indenture or any Supplemental Master Indenture (other than a failure that would result in a default summarized in clause (a), (d) or (e) under this heading) for a period of 30 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Corporation and the other Obligated Issuers by the Master Trustee, or to the Corporation, the other Obligated Issuers and the Master Trustee by the Holders of at least 25% in aggregate principal amount of Notes then Outstanding except that, if such failure can be remedied but not within such thirty (30) day period, such failure shall not become an Event of Default for so long as the Corporation and the other Obligated Issuers shall diligently proceed to remedy same in accordance with and subject to any directions or limitations of time established by the Master Trustee; or

(c) The Corporation or any other Obligated Issuer shall default in the payment of any Indebtedness for borrowed money (other than Notes issued and Outstanding under the Master Indenture) in an amount which exceeds 1% of the net assets of the Obligated Group for its most recently completed Fiscal Year for which audited financial statements are available, whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or an event of default as defined in any mortgage, indenture or instrument, under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, whether such Indebtedness now exists or shall hereafter be created, shall occur, which default in payment or event of default shall result in such
Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise
become due and payable, provided, however, that such default shall not constitute an Event of Default
within the meaning of the provisions summarized under this heading if within the time allowed for service
of a responsive pleading in any proceeding to enforce payment of the Indebtedness under the laws of the
state having jurisdiction or other laws governing such proceeding (i) the Obligated Issuers in good faith
commence proceedings to contest the existence or payment of such Indebtedness, and (ii) sufficient moneys
are escrowed with a bank or trust company for the payment of such Indebtedness; or

(d) (i) without the consent of the Corporation or any other Obligated Issuer, a decree or order
by a court having jurisdiction in the premises shall have been entered adjudging the Corporation or any
other Obligated Issuer as bankrupt or insolvent, or approving as properly filed a petition seeking
reorganization or arrangement of the Corporation or any other Obligated Issuer under the Federal
Bankruptcy Code or any other similar applicable federal or state law, and such decree or order shall have
continued undischarged and unstayed for a period of 90 days; or, without the consent of the Corporation or
any other Obligated Issuer, a decree or order of a court having jurisdiction in the premises for the
appointment of a receiver or trustee or assignee in bankruptcy or insolvency of the Corporation or any other
Obligated Issuer or of its Property, or for the winding up or liquidation of its affairs, shall have been
entered and such decree or order shall have remained in force undischarged and unstayed for a period of 90
days and (ii) the Obligated Issuers shall have failed to deposit with the Master Trustee within 15 calendar
days of the end of such 90 day period either (A) an amount sufficient to pay in full all Notes of such
Obligated Issuer or (B) if acceptable to the Master Trustee in its sole discretion, and then only under such
terms and conditions as the Master Trustee in its sole discretion shall prescribe, a Note or Notes executed
by one or more other Obligated Issuers in substitution for the Note or Notes of such Obligated Issuer; or

(e) (i) the Corporation or any other Obligated Issuer shall institute proceedings to be
adjudicated a voluntary bankrupt, or shall consent to the institution of a bankruptcy proceeding against it,
or shall file a petition or answer or consent seeking reorganization or arrangement under the Federal
Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any
such petition, or shall consent to the appointment of a receiver or trustee or assignee in bankruptcy or
insolvency of it or of its Property, or shall make assignment for the benefit of creditors, or shall admit in
writing its inability to pay its debts generally as they become due, or corporate action shall be taken by the
Corporation or any other Obligated Issuer in furtherance of any of the aforesaid purposes and (ii) the
Obligated Issuers shall have failed to deposit with the Master Trustee within 15 calendar days of such an
event either (A) an amount sufficient to pay in full all Notes of such Obligated Issuer or (B) if acceptable to
the Master Trustee in its sole discretion, and then only under such terms and conditions as the Master
Trustee in its sole discretion shall prescribe, a Note or Notes executed by one or more other Obligated
Issuers in substitution for the Note or Notes of such Obligated Issuer.

The provisions summarized in subparagraph (b) under this heading are subject to the following limitations:
If by reason of force majeure, any Obligated Issuer is unable in whole or in part to carry out its agreements on its
part contained in the Master Indenture, such Obligated Issuer shall not be deemed in default during the continuance
of such disability. The term “force majeure” includes the following: acts of God; strikes; lockouts or other
employee disturbances; acts of public enemies; orders of any kind of the government of the United States of
America, the state or states in which such Obligated Issuer is doing business, or any of their departments, agencies,
political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; storms; floods;
washouts; droughts; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals;
partial or entire failure of utilities; or similar acts or events other than financial not within the control of the
Obligated Issuer.

Remedies for Certain Defaults

Upon the occurrence of an Event of Default described in subparagraphs (a), (c), (d) and (e) under the
heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Events of Default,” then
and in each and every such case, unless the principal of and termination payments (in the case of Interest Rate
Agreements that are authenticated as Notes or secured by Notes) on Notes shall have already become due and
payable, the Master Trustee may, and if requested by the Holders of not less than 25% in aggregate principal amount
of all Notes then Outstanding, the Master Trustee shall, and upon the occurrence of an Event of Default described in
subparagraph (b) under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Events of Default” and if requested by the holders of not less than 25% in aggregate principal amount of all Notes then Outstanding the Master Trustee shall, by notice in writing to the Obligated Issuers declare the principal of and termination payments (in the case of Interest Rate Agreements that are authenticated as Notes or secured by Notes) on all such Notes to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Master Indenture or in such Notes contained to the contrary notwithstanding. In such event, there shall be due and payable on the Notes an amount equal to the aggregate principal amount of and termination payments (in the case of Interest Rate Agreements that are authenticated as Notes or secured by Notes) on all such Notes, plus all interest and other amounts accrued thereon and, to the extent permitted by applicable law, interest on such amounts to the date of payment. This provision, however, is subject to the condition that if, at any time after the principal of all Notes and termination payments (in the case of Interest Rate Agreements that are authenticated as Notes or secured by Notes) shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as provided in the Master Indenture, the Obligated Issuers shall pay or shall deposit with the Master Trustee a sum sufficient to pay all matured installments of interest upon all such Notes and the principal and premium, if any, and Interest Rate Agreement Payments of all such Notes that shall have become due otherwise than by acceleration (with interest on overdue installments of interest and on such principal and premium, if any, and Interest Rate Agreement Payments at the respective rates borne by such Notes to the date of such payment or deposit) and the expenses of the Master Trustee, and any and all Events of Default under the Master Indenture, other than the nonpayment of principal of and accrued interest on such Notes that shall have become due by acceleration, shall have been remedied, then and in every such case the Holders of a majority in aggregate principal amount of all Notes then Outstanding, by written notice to the Obligated Issuers and to the Master Trustee, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or affect any subsequent Event of Default, or shall impair any right consequent thereon.

The Master Trustee, in its own name and as trustee of an express trust shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid and, in addition thereto, such further amount as shall be sufficient to cover the costs 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 negligence or bad faith. The Master Trustee may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Corporation and each other Obligated Issuer, and collect in the manner provided by law out of the Property of the Corporation and each other Obligated Issuer, wherever situated, the moneys adjudged or decreed to be payable. The Master Trustee, upon the bringing of any action or proceeding at law or in equity as summarized under this heading as a matter of right, without notice and without giving bond to the Corporation or any other Obligated Issuer, may, to the extent permitted by law, have a receiver appointed for all of the Property of the Corporation and each other Obligated Issuer pending such action or proceeding with such powers as the court making such appointment shall confer.

In addition, immediately upon the occurrence of an Event of Default described in subparagraph (a) under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Events of Default,” the Corporation and each other Obligated Issuer shall deposit all of their respective Pledged Revenues with the Master Trustee daily until the arrears which caused the Event of Default are satisfied. At the discretion of the Master Trustee, all or any portion of such Pledged Revenues may be released to the Corporation and each other Obligated Issuer to pay the expenses of operating their respective Facilities.

**Additional Remedies and Enforcement of Remedies**

Upon the occurrence and continuance of any Event of Default described in subparagraphs (a) through (e) under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Events of Default,” the Master Trustee may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Notes then Outstanding, together with indemnification of the Master Trustee to its satisfaction therefor, shall proceed forthwith to protect and enforce its rights and the rights of the Holders under the Master Indenture by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:
(i) Enforcement of the rights of the Holders to collect and enforce the payment of amounts due or becoming due under the Notes and the Master Indenture, including the joint and several liability of the Obligated Issuers for the payment of principal and interest and Interest Rate Agreement Payments on Outstanding Notes;

(ii) Suit upon all or any part of the Notes;

(iii) Civil action to require any Person holding moneys, documents or other Property pledged to secure payment of amounts due or to become due on the Notes to account as if it were the trustee of an express trust for the Noteholders;

(iv) Civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Noteholders and to compel the performance of any action required by the Indenture;

(v) Upon bringing any such suit or other proceeding, as a matter of right and without notice or giving bond, to the extent permitted by law, have a receiver appointed of all or any part of the Property of any Obligated Issuer pending such suit or other proceeding with such powers as the court making such appointment shall confer; and

(vi) Enforcement of any other rights or remedy of the Noteholders conferred by law or equity or by the Master Indenture.

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

**Suit by Trustee**

All rights of action and rights to assert claims under any Note may be enforced by the Master Trustee without the possession of such Note in any trial or other proceedings instituted by the Master Trustee. 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 Notes, and it shall not be necessary to make any holders of Notes parties to such proceedings.

**Application of Moneys Collected**

Any amounts collected by the Master Trustee shall be applied, for the equal and ratable benefit of the holders of Notes of all series then due and payable by acceleration or otherwise in the order following, at the date or dates fixed by the Master Trustee for the distribution of such moneys, upon presentation of such Notes 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, and of all amounts payable to the Master Trustee pursuant to the Master Indenture;

(b) to fund any deficiency in any fund or account created by a Related Bond Indenture or otherwise to provide for the payment of amounts required to be paid to the United States pursuant to Section 148 of the Code with respect to any Related Bonds if doing so will prevent owners or holders of the Related Bonds from losing the ability to exclude from their gross incomes interest paid on the Related Bonds for federal income tax purposes;

(c) unless the principal of all of the Notes shall have become or shall have been declared due and payable, all such moneys shall be applied in the following order:
FIRST: to the payment to the persons entitled thereto of all installments of interest and scheduled payments on Interest Rate Agreements then due and payable in the order in which such installments shall have become due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Notes; and

SECOND: to the payment to the persons entitled thereto of the unpaid principal of and termination payments on (in the case of Interest Rate Agreements authenticated as Notes under the Master Indenture or secured by Notes under the Master Indenture) any of the Notes which shall have become due and payable (other than Notes previously called for redemption for the payment of which moneys are held pursuant to the provisions of the Master Indenture) in the order of their due dates, and, if the amount available shall not be sufficient to pay in full such amounts due and payable on any particular date, then to the payment of such amounts, ratably, according to the amounts due on that date, to the persons entitled thereto without any discrimination or preference; and

(d) if the principal of and termination payments on (in the case of Interest Rate Agreements authenticated as Notes under the Master Indenture or secured by Notes under the Master Indenture) all the Notes shall have become or shall have been declared due and payable, moneys shall be applied to the payment of the principal and interest and Interest Rate Agreement Payments then due and unpaid upon the Notes, (other than for Notes previously called for redemption for the payment of which moneys are held pursuant to the provisions of the Master Indenture) without preference or priority of any of principal, termination payments (in the case of Interest Rate Agreements authenticated as Notes under the Master Indenture or secured by Notes under the Master Indenture, interest or Interest Rate Agreement Payments over any of the other of such amounts, or of any installment of any such amounts over any other installment of any such amounts, or of any Note over any other Note, ratably, according to the amounts due respectively for such amounts, to the persons entitled thereto without any discrimination or preference except as to any differences in the respective rates of interest specified in the Notes;

(e) to the payment of any other sums required to be paid by the Corporation or any other Obligated Issuer pursuant to any provisions of the Master Indenture or any of the Notes; and

(f) to the payment of the remainder, if any, to the Obligated Issuers, their successors or assigns, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Suit by Noteholders

Unless otherwise provided in the applicable Supplemental Master Indenture, no Noteholder shall have any right by virtue 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 under the Master Indenture, unless such Noteholder previously shall have given to the Master Trustee written notice of default and of the continuance thereof, as provided in the Master Indenture, and unless also the Holders of not less than 25% in aggregate principal amount of all series of Notes then Outstanding shall have made written request upon the Master Trustee to institute such action, suit or proceeding in its own name as Master Trustee under the Master Indenture and shall have offered to the Master Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Master Trustee, for 30 days after its receipt of such notice, request and offer 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 pursuant to the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Direction of Proceedings and Waiver of Defaults by Noteholders;” it being understood and intended, and being expressly covenanted by the taker and Holder of a Note with every other taker and Holder of a Note and the Master Trustee, that no one or more Noteholders shall have any right in any manner whatever by virtue or by availing of any provision of the Master Indenture to affect, disturb or prejudice the rights of any other Noteholders or to obtain or seek to obtain priority over or preference to any other such Noteholder, or to enforce any right under the Master Indenture, except in the manner provided in the Master...
Indenture and for the equal, ratable and common benefit of all Noteholders. For the protection and enforcement of the provisions summarized under this heading, each and every Noteholder and the Master Trustee shall be entitled to such relief as can be given either at law or in equity.

The Noteholder instituting a suit, action or proceeding in compliance with the provisions summarized under this heading shall be entitled in such suit, action or proceeding to such amounts as shall be sufficient to cover the costs and expenses of collection, including, to the extent permitted by applicable law, a reasonable compensation to its attorneys.

Notwithstanding any other provisions in the Master Indenture, the right of a Noteholder to receive payment of the principal of and interest and Interest Rate Agreement Payments on such Note, on or after the respective due dates expressed in such Note, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Noteholder.

**Direction of Proceedings and Waiver of Defaults by Noteholders**

The Holders of a majority in aggregate principal amount of Notes then Outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred on the Master Trustee; provided, however, that, subject to 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 discretion to take any action deemed proper by the Master Trustee and which is not inconsistent with such direction by the Noteholders.

Prior to the declaration of the maturity of Notes as summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Remedies for Certain Defaults,” the Holders of 25% or more in aggregate principal amount of Notes then Outstanding may on behalf of the Holders of all Notes waive any past Event of Default and its consequences, except a default in the payment of the principal of or interest or Interest Rate Agreement Payments on such Notes or in respect of a covenant or provision of the Master Indenture which under the Master Indenture cannot be modified or amended without the consent of all the Holders of such Notes then Outstanding. In the case of any such waiver the Corporation, each other Obligated Issuer, the Master Trustee and the Noteholders of all series shall be restored to their former positions and rights under the Master Indenture, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

**Remedies Cumulative**

No remedy conferred upon or reserved to the Master Trustee or the Noteholders entitled to the benefits of the Master Indenture is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the Master Indenture or now or hereafter existing at law or in equity or by statute; and the employment of any remedy under the Master Indenture or otherwise, shall not prevent the concurrent employment of any other appropriate remedy or remedies.

**Notice of Default**

The Master Trustee shall, within 10 days after the occurrence of an Event of Default, mail to all Noteholders as the names and addresses of such Noteholders appear in the note register notice of such Event of Default known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice (the term “Event of Default” for the purposes of the Master Indenture summarized under this heading being defined to be the events specified under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Events of Default” not including any periods of grace provided for under said heading) and provided that, except in the case of default in the payment of the principal of or premium, if any, or interest and Interest Rate Agreement Payments on any of the Notes and the Events of Default specified in subparagraphs (d) and (e) under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Events of Default,” the Master Trustee shall be protected in withholding such notice if and so long as the board of directors,
the executive committee, or a trust committee of directors or Responsible Officers of the Master Trustee in good
faith determines that the withholding of such notice is in the interest of the Noteholders.

**Resignation, Removal and Successor Trustee**

The Master Trustee may resign at any time without cause by giving at least 30 days’ prior written notice to
the Obligated Issuers and to each Noteholder, as the names and addresses of such Noteholders appear on the register
maintained pursuant to the Master Indenture, such resignation to be effective upon the acceptance of such
trusteeship by a successor. In addition, the Master Trustee may be removed without cause at the direction of the
Corporation (so long as no Event of Default under the Master Indenture has occurred and is continuing, and no event
has occurred which, with the giving of notice or the passage of time or both, will become an Event of Default) or the
Holders of more than 50% in aggregate principal amount of Notes then Outstanding, delivered to the Obligated
Issuers and the Master Trustee, and the Master Trustee shall promptly give notice thereof in writing to each
Noteholder as provided above. Such removal of the Master Trustee shall not be effective until the acceptance of
such trusteeship by a successor. In the case of the resignation or removal of the Master Trustee, a successor Master
Trustee may be appointed at the direction of the Corporation (so long as no Event of Default under the Master
Indenture has occurred and is continuing, and no event has occurred which, with the giving of notice or the passage
of time or both, will become an Event of Default) or, if an Event of Default under the Master Indenture has occurred
and is continuing or an event has occurred which with the giving of notice or the passage of time or both will
become an Event of Default, the Holders of more than 50% in aggregate principal amount of Notes then
Outstanding. If a successor Master Trustee shall not have been appointed within 30 days after such notice of
resignation or removal, the Master Trustee, the Corporation, any other Obligated Issuer or any Noteholder may
apply to any court of competent jurisdiction to appoint a successor to act until such time, if any, as a successor shall
have been appointed as above provided. The successor so appointed by such court shall immediately and without
further act be superseded by any successor appointed as above provided.

**Evidence of Action by Noteholders; Related Bond Trustees Deemed Noteholders**

Whenever in the Master Indenture it is provided that the Holders of a specified percentage in aggregate
principal amount of Notes may take any action (including the making of any demand or request, the giving of any
notice, consent, or waiver or the taking of any other action), (i) the fact that at the time of taking any such action the
Holders of such specified percentage have joined therein shall be evidenced by any instrument or any number of
instruments of similar tenor executed by such Holders in person or by agent or proxy appointed in writing and
(ii) subject to the provisions of any Supplemental Master Indenture to the contrary, in determining whether the
Holders of the requisite aggregate principal amount of Notes have concurred in taking any such action, Notes owned
or held by a Related Bond Trustee as security for the payment of Related Bonds shall be disregarded and deemed
not Outstanding for the purposes of such determination and each Holder of such a Related Bond then outstanding
under the Related Bond Indenture shall, for the purposes of such determination, be deemed to hold a Note then
Outstanding in a principal amount equal to the aggregate principal amount of such Related Bonds then Outstanding.

**Supplemental Master Indentures without Consent of Noteholders**

The Corporation, when authorized by its Board of Directors, and each other Obligated Issuer, and the
Master Trustee may from time to time and at any time enter into one or more Supplemental Master Indentures for
one or more of the following purposes:

(i) to evidence the succession of another corporation to the Corporation or any other
Obligated Issuer, or successive successions, and the assumption by the successor corporation of the
covents, agreements and obligations of the Corporation or any other Obligated Issuer pursuant to the
Master Indenture;

(ii) to add to the covenants of the Corporation or any other Obligated Issuer such further
covenants, restrictions or conditions as the Master Trustee shall consider to be for the protection of the
holders of Notes issued under the Master Indenture, and to make the occurrence, or the occurrence and
continuance, of a default in any of such additional covenants, restrictions or conditions an Event of Default
permitting the enforcement of all or any of the several remedies provided in the Master Indenture;
provided, however, that in respect of any such additional covenant, restriction or condition such
supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Master Trustee upon such default;

(iii) to cure any ambiguity or to correct or supplement any provision contained in the Master Indenture or in any Supplemental Master Indenture which may be defective or inconsistent with any other provision contained therein or in any Supplemental Master Indenture, or to make any other changes that, in the Master Trustee’s judgment, shall not impair the security of the Master Indenture or adversely affect the interest of the Noteholders;

(iv) to modify or supplement the Master Indenture in such manner as may be necessary or appropriate to qualify the Master Indenture under the Trust Indenture Act of 1939 as then amended (the “1939 Act”), or under any similar federal statute hereafter enacted, or as may be necessary to comply with any applicable state securities laws which require the Master Indenture to comport with any requirements of the 1939 Act regardless of the applicability of the 1939 Act to the Master Indenture, including provisions whereby the Master Trustee accepts such powers, duties, conditions and restrictions under the Master Indenture and the Corporation and each other Obligated Issuer undertakes such covenants, conditions or restrictions additional to those contained in the Master Indenture as would be necessary or appropriate so to qualify the Master Indenture or so to comply with such state securities laws;

(v) to provide for the issuance of additional Notes;

(vi) to add new Obligated Issuers, and if applicable, to add details with respect to existing Liens applicable to the new Obligated Issuers, pursuant to the provisions summarized in clause (vii) under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Restrictions as to Creation of Liens;” and

(vii) to evidence the withdrawal of Obligated Issuers.

The Master Trustee is authorized by the Master Indenture to join with the Corporation and each other Obligated Issuer in the execution of any Supplemental Master Indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer, mortgage, pledge or assignment of any Property thereunder, but the Master Trustee shall not be obligated to enter into any such Supplemental Master Indenture that affects the Master Trustee’s own rights, duties or immunities under the Master Indenture or otherwise.

Any Supplemental Master Indenture authorized by the provisions summarized under this heading may be executed by the Corporation, by each other Obligated Issuer without adoption of resolutions by the Governing Body of such other Obligated Issuers, and by the Master Trustee without the consent of the Noteholders, notwithstanding any of the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Supplemental Master Indentures with Consent of Noteholders.”

Supplemental Master Indentures with Consent of Noteholders

With the consent (evidenced as summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Evidence of Action by Noteholders; Related Bond Trustees Deemed Noteholders) of the Holders of not less than a majority in aggregate principal amount of Notes then Outstanding, the Corporation and each other Obligated Issuer, when authorized by resolution of the Board of Directors and the Governing Bodies, respectively, and the Master Trustee may from time to time and at any time enter into a Supplemental Master Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Master Indenture or of any Supplemental Master Indenture or of modifying in any manner the rights of the Noteholders; provided, however, that no such Supplemental Master Indenture shall, (i) without the consent of the Holders of all Notes then Outstanding which are affected thereby, (A) effect a change in the times, amounts or currency of payment of the principal of, premium, if any, or interest and Interest Rate Agreement Payments on any Note or a reduction in the principal or notional amount or redemption price of any Note or the rate of interest thereon, or rates established in an Interest Rate Agreement or any other amounts payable thereon, (B) reduce the aforesaid percentage of Notes, the Holders of which are required to consent to any such
Supplemental Master Indenture or (C) except as otherwise provided in the Master Indenture, permit the preference
or priority of any Note or Notes over any other Note or Notes or (ii) release any portion of the Master Trust Estate or
any other collateral given to secure the Notes except as specifically provided in the documents pursuant to which the
interest in the collateral is given.

Upon the request of the Corporation and each other Obligated Issuer, accompanied by a copy of a
resolution of each Governing Body certified by the Secretary or an Assistant Secretary of each Obligated Issuer
authorizing the execution of any such Supplemental Master Indenture, and upon the filing with the Master Trustee
of evidence of the consent of the Noteholders as aforesaid, the Master Trustee shall join with the Corporation and
each other Obligated Issuer in the execution of such Supplemental Master Indenture unless such Supplemental
Master Indenture affects the Master Trustee’s own rights, duties or immunities under the Master Indenture or
otherwise, in which case the Master Trustee may in its discretion, but shall not be obligated to, enter into such
Supplemental Master Indenture.

Pursuant to the provisions summarized under this heading, it shall not be necessary for the consent of the
Noteholders to approve the particular form of any proposed Supplemental Master Indenture, but it shall be sufficient
if such consent shall approve the substance thereof.

Promptly after the execution by the Corporation, each other Obligated Issuer and the Master Trustee of any
Supplemental Master Indenture pursuant to the provisions summarized under this heading, the Corporation shall
mail to each Noteholder a letter setting forth in general terms the substance of such Supplemental Master Indenture.
Any failure of the Corporation to publish such notice, or any defect therein, shall not, however, in any way impair or
affect the validity of any such Supplemental Master Indenture.

Supplemental Master Indentures Creating Series of Notes

The Corporation or any other Obligated Issuer, when authorized by a resolution of the Governing Body of
the entity planning to create a series of Notes, and the Master Trustee may from time to time enter into a
Supplemental Master Indenture in order to create a series of Notes. Such Supplemental Master Indenture shall, with
respect to the series of Notes created thereby, set forth the date thereof, and the date or dates upon which principal of
and premium, if any, and interest and Interest Rate Agreement Payments on such Notes shall be payable, and shall
contain such other terms and provisions as shall be established in the Supplemental Master Indenture. Any
Supplemental Master Indenture authorized by the provisions summarized under this heading may be executed
without the consent of the Noteholders, notwithstanding the provisions summarized under the heading “SUMMARY
OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Supplemental Master Indentures with Consent of
Noteholders.”

Conditions to Issue of Notes

With respect to each series of Notes, simultaneously with or prior to the execution, authentication and
delivery of such Notes pursuant to the Master Indenture: (a) all requirements and conditions to the issuance of such
Notes, if any, set forth in the Supplemental Master Indenture shall have been complied with and satisfied; (b) the
Issuer of such Notes shall have delivered to the Master Trustee an Opinion of Counsel to the effect that registration
of such Notes under the Securities Act of 1933, as amended, is not required, or, if such registration is required, that
the Obligated Issuers have complied with all applicable provisions of said Act; and (c) the Corporation and the
applicable Obligated Issuer shall have delivered to the Master Trustee an Officer’s Certificate stating that, to the best
of the knowledge of the signer thereof, each of the persons in whose name such a Note is to be registered upon the
original issuance thereof is not acquiring the interest represented by such a Note directly or indirectly with the assets
of, or in connection with any arrangement or understanding by it in any way involving any employee benefit plan
with respect to which (i) any employee of any Obligated Issuer or the Master Trustee, in its individual capacity, is a
participant or (ii) any Obligated Issuer or the Master Trustee, in its individual capacity, or any of their affiliates is
otherwise a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974, as
amended.
The Obligated Group

Becoming an Obligated Issuer and Member of the Obligated Group

Subject to meeting the criteria with respect to acceptance summarized under the subheading “Acceptance as an Obligated Issuer” below, any Person may, with the consent of the Corporation, become an Obligated Issuer and a member of the Obligated Group.

Acceptance as an Obligated Issuer

Prior to becoming an Obligated Issuer under the Master Indenture, a Person shall in each case deliver to the Master Trustee and each Related Issuer a written instrument in the form attached to the Master Indenture. In addition, a Person may not become an Obligated Issuer unless the Corporation shall deliver to the Master Trustee an Officer’s Certificate to the effect that:

(a) Giving effect to the inclusion of the proposed Obligated Issuer at the beginning of the most recently completed Fiscal Year, (i) the Debt Service Coverage Ratio for the most recently completed Fiscal Year for which combined financial statements which have been reported upon by an independent certified public accountant are available would not have been less than 90% of the actual Debt Service Coverage Ratio for such period, and would in no event have been less than 1.25 and (ii) the condition described under clause (a) under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE - Restrictions as to Incurrence of Additional Indebtedness,” would be met for the incurrence of one dollar of Long-Term Additional Indebtedness by the Obligated Group, after giving effect to the acceptance of such Obligated Issuer, and

(b) Giving effect to the inclusion of the proposed Obligated Issuer, no Event of Default would occur and be continuing under the Master Indenture or any Related Bond Indenture;

Each such acceptance shall be accompanied by a Supplemental Master Indenture duly executed and delivered pursuant the provisions summarized in clause (vi) of the first paragraph under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE - Supplemental Master Indentures without Consent of Noteholders” and by an Opinion of Counsel, addressed to and reasonably satisfactory to the Master Trustee to the effect that all conditions precedent to the addition of a member to the Obligated Group, as set forth in the Master Indenture, have been satisfied, each such Person has the corporate power and authority to execute and deliver the acceptance in the form attached to the Master Indenture and the Supplemental Master Indenture and to perform its obligations under such instruments and such instruments have been duly authorized, executed and delivered by such Person and constitute valid and binding obligations of each of such parties, enforceable in accordance with their terms, except as limited by bankruptcy laws, insolvency laws and other similar laws affecting creditors’ rights generally.

It shall be a condition precedent to the consummation of any transaction involving an instrument to be executed and delivered to the Master Trustee in accordance with the provisions summarized under the subheading “Becoming an Obligated Issuer and Member of the Obligated Group” and under this subheading that the Master Trustee shall also have received an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not adversely affect the exclusions under the Code of the interest payable on any issue of Related Bonds then outstanding from the gross income of the owners of the Related Bonds for federal income tax purposes.

Effects of Becoming an Obligated Issuer

Upon any Person becoming an Obligated Issuer, (i) the Person shall be jointly and severally liable for the payment of principal and interest and Interest Rate Agreement Payments on all of the Outstanding Notes and (ii) the Person shall be required to perform the various covenants applicable to Obligated Issuers contained in the Master Indenture.
Obligated Issuer Remains an Obligated Issuer

A Person becoming an Obligated Issuer shall remain an Obligated Issuer until such time as the Master Indenture shall be discharged pursuant to the Master Indenture or is permitted to withdraw pursuant to the provisions summarized under the subheading “Withdrawal of Obligated Issuers” below.

Withdrawal of Obligated Issuers

An Obligated Issuer may not withdraw from the terms of the Master Indenture and the obligation of such Obligated Issuer under the Master Indenture unless, in each case, the Obligated Issuer shall deliver to the Master Trustee and each Related Issuer a written instrument in the form attached to the Master Indenture. In addition an Obligated Issuer may not withdraw unless the Corporation shall deliver to the Master Trustee an Officer’s Certificate to the effect that:

(a) Giving effect to the proposed withdrawal of the Obligated Issuer, as if such withdrawal had occurred at the beginning of the most recently completed Fiscal Year for which combined financial statements which have been reported upon by an independent certified public accountant are available, (i) (x) the Debt Service Coverage Ratio for that Fiscal Year would not have been less than 90% of the actual Debt Service Coverage Ratio for such period, and would in no event have been less than 1.25, or (y) the Debt Service Coverage Ratio for such period would not have been less than 3.0 and (ii) the condition described under clause (a) under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE - Restrictions as to Incurrence of Additional Indebtedness;” would be met for the incurrence of one dollar of Long-Term Additional Indebtedness by the Obligated Group, after giving effect to the withdrawal of such Obligated Issuer;

(b) Giving effect to the proposed withdrawal of the Obligated Issuer, no Event of Default would occur and be continuing under the Master Indenture or any Related Bond Indenture; and

(c) The Obligated Issuer proposing to withdraw has no series of Notes Outstanding or any such Note has been reissued or assumed by an Obligated Issuer which is not withdrawing in accordance with the provisions of the Master Indenture as if it were new Indebtedness and all applicable provisions of law pursuant to which the Note and any other Indebtedness secured by the Note and any Related Bonds were issued or incurred.

Each such withdrawal shall be accompanied by a Supplemental Master Indenture duly executed and delivered pursuant to the provisions summarized in clause (vii) of the first paragraph under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Supplemental Master Indentures without Consent of Noteholders” and by an Opinion of Counsel, addressed to and reasonably satisfactory to the Master Trustee to the effect that all conditions precedent to the withdrawal of a member of the Obligated Group have been satisfied and that any reissued or assumed Note referred to in subparagraph (c) above is a valid and enforceable obligation under the terms of the Master Indenture.

It shall be a condition precedent to the consummation of any transaction involving an instrument to be executed and delivered to the Master Trustee in accordance with the provisions summarized under this subheading that the Master Trustee shall also have received an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction will not adversely affect the exclusion under the Code of the interest payable on any issue of Related Bonds then outstanding from the gross income of the owners of the Related Bonds for federal income tax purposes.

Satisfaction and Discharge of the Master Indenture

If (i) all Notes theretofore authenticated (other than any Notes which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided in the Master Indenture) and not theretofore canceled are delivered to the Master Trustee for cancellation, or (ii) all Notes not theretofore canceled or delivered to the Master Trustee for cancellation shall have become due and payable and payment thereof shall have been provided for by a deposit of money in accordance with the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Providing for Payment of Notes,” or (iii) the
Corporation or any Obligated Issuer shall deposit with the Master Trustee (or with a bank or trust company acceptable to the Master Trustee pursuant to an agreement between the Corporation or any Obligated Issuer and such bank or trust company in form acceptable to the Master Trustee) as trust funds the entire amount of moneys or Defeasance Obligations (as defined under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Providing for Payment of Notes”) or both which, together in the case of Defeasance Obligations with the income or increment to accrue thereon, will be sufficient to pay at maturity or upon redemption, or termination in the case of Interest Rate Agreements authenticated as Notes under the Master Indenture or secured by Notes under the Master Indenture, or combination of payment, redemption and termination, all Notes not theretofore canceled or delivered to the Master Trustee for cancellation, including principal and interest and Interest Rate Agreement Payments due or to become due to such date of maturity, redemption or termination or combination thereof, as the case may be, and if in any such case the Corporation or any Obligated Issuer shall also pay or cause to be paid all other sums payable under the Master Indenture by the Corporation or any Obligated Issuer, then the Master Indenture, shall cease to be of further effect, and the Master Trustee, on demand of the Corporation or any Obligated Issuer, and at the cost and expense of the Corporation and the Obligated Issuers, shall execute proper instruments acknowledging satisfaction of and discharging the Master Indenture. The Corporation and each Obligated Issuer agrees in the Master Indenture to reimburse the Master Trustee for any costs of expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with the Master Indenture or such Notes.

Providing for Payment of Notes

Payment of one or more series of, but less than all, Notes may be provided for by the deposit with the Master Trustee (or with a bank or trust company acceptable to the Master Trustee pursuant to an agreement between the Corporation or any Obligated Issuer and such bank or trust company in form acceptable to the Master Trustee) as trust funds of moneys or Defeasance Obligations or both. The moneys and the maturing principal and interest income on such Defeasance Obligations, if any, shall be sufficient, as evidenced by a certificate of independent certified public accountants acceptable to the Master Trustee, to pay the principal of and interest or Interest Rate Agreement Payments on such Notes. The moneys and Defeasance Obligations shall be held by the Master Trustee or other bank or trust company irrevocably in trust for the holders of such Notes solely for the purpose of paying the principal of and interest or Interest Rate Agreement Payments on such Notes as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Master Trustee as to the dates upon which any such Notes are to be redeemed prior to their respective maturities.

As used in this summary, Defeasance Obligations shall mean non-callable:

(a) Direct general obligations of, or obligations the payment of principal and interest on which is unconditionally guaranteed by, the United States of America;

(b) Evidences of ownership of proportionate interests in future interest and principal payments on specified obligations described in (a) held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying obligations described in (a), and which underlying obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated;

(c) Evidences of indebtedness issued by any of the following: Bank for Cooperatives; Federal Home Loan Banks, Federal Home Loan Mortgage Corporation (including participation certificates); Federal Land Banks; Federal Financing Banks; or any other agency or instrumentality of the United States of America created by an act of Congress which is substantially similar to the foregoing in its legal relationship to the United States of America;

(d) Debt obligations, whether or not interest thereon is exempt from federal income taxes, which, at the time of deposit, are rated by Moody’s and Standard & Poor’s in the highest long-term debt rating category of such rating agency or, if such debt obligations are then being rated by Moody’s or Standard & Poor’s but not both, are rated by Moody’s or Standard & Poor’s in the highest long-term debt rating category of such rating agency, without regard to any refinement or gradation of such rating category.
by numerical modifier or otherwise; provided, that if any Note or Related Bond being provided for is then
rated by Moody’s or Standard & Poor’s, the obligations deposited must be rated by each rating agency
having a rating in effect on such Notes or Related Bonds in a rating category no lower than that in effect on
such Notes or Related Bonds; and

(e) Obligations described in Section 103(a) of the Code, provision for the payment of the
principal of, premium, if any, and interest on which shall have been made by the irrevocable deposit with a
bank or trust company acting as a trustee or escrow agent for holders of such obligations of securities
described in clauses (a) or (b) the maturing principal of and interest on which, when due and payable, will
provide sufficient moneys to pay when due the principal of, premium, if any, and interest on such
obligations, and which securities described in clauses (a) or (b) are not available to satisfy any other claim,
including any claim of the trustee or escrow agent or of any person claiming through the trustee or escrow
agent or to whom the trustee or escrow agent may be obligated, including in the event of the insolvency of
the trustee or escrow agent or proceedings arising out of such insolvency.

Notwithstanding the foregoing provisions summarized under this heading, the Supplemental Master
Indenture or Related Bond Indenture pursuant to which a Series of Notes or Related Bonds, respectively, is issued
may preclude providing for the payment thereof through the deposit of one or more types of Defeasance Obligations
described in the preceding paragraph, and as to such Series of Notes or Related Bonds, respectively, the provisions
of such Supplemental Master Indenture or Related Bond Indenture shall control.

If payment of a Series of Notes is provided for in compliance with the provisions summarized under this
heading, the Master Trustee shall mail a notice so stating to each Holder of a registered Note so provided for.

Notes the payments of which has been provided for in accordance with the provisions summarized under
this heading shall no longer be deemed Outstanding under the Master Indenture or secured by the Master Indenture,
and the Holders thereof shall thereafter be entitled to payment only from the moneys or obligations deposited in trust
to provide for the payment of such Notes.

Payment of Notes after Discharge of Lien

Notwithstanding the discharge of the lien of the Master Indenture as provided in the Master Indenture, the
Master Trustee shall nevertheless retain such rights, powers and duties under the Master Indenture as may be
necessary and convenient for the payment of amounts due or to become due on the Notes and the registration,
transfer, exchange and replacement of Notes as provided in the Master Indenture. Nevertheless, any moneys held by
the Master Trustee or any paying agent for the payment of amounts due on any Note remaining unclaimed for five
years after the principal of and Interest Rate Agreement Payments on all Notes has become due and payable,
whether at maturity or upon proceedings for redemption or by declaration as provided in the Master Indenture, shall
then be paid to the respective Obligated Issuers and the Holders of any Notes not theretofore presented for payment
shall thereafter be entitled to look only to the Obligated Group for payment thereof and all liability of the Master
Trustee or any paying agent with respect to such moneys thereupon cease.

Subordinated Indebtedness

(In the provisions summarized below, the term “debentures” is, for convenience, used to designate the
instruments issued to evidence subordinated indebtedness, the term “this Indenture” to designate the instrument,
indenture or other document containing such provisions, the term “Master Indenture” to designate the Master
Indenture and the term “Trustee” to designate the Master Trustee.)

All debentures issued under this Indenture shall be issued subject to the following provisions and
each person taking or holding any such debenture whether upon original issue or upon transfer or
assignment thereof accepts and agrees to be bound by such provisions.

All debentures issued hereunder shall, to the extent and in the manner hereinafter set forth, be
subordinated as set forth herein to all Superior Indebtedness as defined in this Section. For all purposes of
this Section the term “Superior Indebtedness” shall mean all payment obligations under the Master
Indenture, as from time to time heretofore or hereafter amended and supplemented, any Notes issued
thereunder and all other Indebtedness (as defined therein) specifically made superior to all debentures issued under this Indenture.

No payment on account of principal, premium, if any, sinking funds or interest on the debentures shall be made, nor shall any property or assets be applied to the purchase or other acquisition or retirement of the debentures, unless full payment of amounts then due and payable for principal, premium, if any, sinking funds and interest on Superior Indebtedness has been made or duly provided for in accordance with the terms of such Superior Indebtedness. No payment on account of principal, premium, if any, sinking funds or interest on the debentures shall be made, nor shall any property or assets be applied to the purchase or other acquisition or retirement of the debentures, if, at the time of such payment application or immediately after giving effect thereto, (i) there shall exist a default of the issuer of the debentures in the payment of principal, premium, if any, sinking funds or interest with respect to any Superior Indebtedness, or (ii) there shall have occurred an event of default (other than a default in the payment of principal, premium, if any, sinking funds or interest) of the issuer of the debentures with respect to any Superior Indebtedness, as defined therein or in the instrument under which the same is outstanding, permitting the holders thereof to accelerate the maturity thereof and written notice of such occurrence shall have been given to the issuer of the debentures pursuant to the instrument under which such Superior Indebtedness is outstanding and such event of default shall not have been cured or waived or shall not have ceased to exist.

Upon (i) any acceleration or maturity of the principal amount due on the debentures or (ii) any payment or distribution of any kind or character, whether in cash, property or securities, upon any dissolution or winding-up or total or partial liquidation, reorganization or arrangement of the issuer of the debentures, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all principal, premium, if any, and interest due or to become due from the issuer of the debentures upon all Superior Indebtedness, shall first be paid in full, or payment thereof provided for in accordance with the terms of such Superior Indebtedness, before any payment is made on account of the principal, premium, if any, or interest on the indebtedness evidenced by the debentures, and upon any such dissolution or winding-up or liquidation, reorganization or arrangement, any payment or distribution of any kind or character, whether in cash, property or securities, to which the holders of the debentures or the Trustee under this Indenture would be entitled, except for the provisions hereof, shall be paid by the issuer of the debentures, or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, to the Trustee with respect to any Notes issued under the Master Indenture, and to the creditor of any other Superior Indebtedness, on a pro rata basis, for application to the payment of all Superior Indebtedness remaining unpaid to the extent necessary to pay all Superior Indebtedness of the issuer of the debentures in full after giving effect to any concurrent payment or distribution to the Trustee or other creditor of Superior Indebtedness for the holders of Superior Indebtedness, before any payment or distribution is made to the holders of the indebtedness evidenced by the debentures or to the trustee under this Indenture.

In the event that, in violation of any of the foregoing provisions, any payment or distribution of any kind or character, whether in cash, property or securities, shall be received by the Trustee under this Indenture or by the holders of the debentures before all Superior Indebtedness then due from the issuer of the debentures is paid in full or provision is made for such payment in accordance with the terms of such Superior Indebtedness, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to the Trustee, with respect to Notes issued under the Master Indenture, and to the creditor of any other Superior Indebtedness, on a pro rata basis, for application to the payment of all Superior Indebtedness remaining unpaid to the extent necessary to pay all such Superior Indebtedness in full in accordance with its terms, after giving effect to any concurrent payment or distribution to the Trustee or other creditor of Superior Indebtedness for the holders of such Superior Indebtedness.

No present or future holder of Superior Indebtedness shall be prejudiced in his right to enforce subordination of the indebtedness evidenced by the debentures by any act or failure to act on the part of the issuer of the debentures or any one in custody of its assets or property.

The foregoing subordination provisions shall be for the benefit of the holders of Superior Indebtedness and may be enforced by the Trustee or other creditor of Superior Indebtedness against the holders of debentures or any trustee therefor; provided, however, that the indentures or other instruments creating or evidencing Subordinated Indebtedness or pursuant to which any Subordinated Indebtedness is
issued shall provide: (i) that the foregoing provisions are solely for the purpose of defining the relative rights of the holders of “Superior Indebtedness” (as defined therein) on the one hand and the holders of the Subordinated Indebtedness on the other hand, and that nothing therein shall impair, as between the issuer of the debentures and the holders of the Subordinated Indebtedness, the obligation of the issuer of the debentures, which is unconditional and absolute, to pay to the holders thereof the principal thereof, premium, if any, and interest thereon in accordance with its terms, nor shall anything therein prevent the holders of the Subordinated Indebtedness or any trustee on their behalf from exercising all remedies otherwise permitted by applicable law or under such Subordinated Indebtedness upon default thereunder, subject to the rights set forth above of the holders of “Superior Indebtedness” to receive cash, property or securities otherwise payable or deliverable to the holders of the Subordinated Indebtedness, (ii) that upon payment or distribution of assets of the issuer of the debentures of the character referred to in the fourth paragraph of the foregoing provisions, the trustee under any indenture relating to Subordinated Indebtedness shall be entitled to rely upon any order or decree of a court of competent jurisdiction in which such dissolution, winding-up, liquidation, reorganization or arrangement proceedings are pending, and upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making any such payment or distribution, delivered to said trustee for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of “Superior Indebtedness” and other Indebtedness of the issuer of the debentures, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to the foregoing provisions, and (iii) that the trustee under any indenture relating to Subordinated Indebtedness and any paying agent therefor shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment of moneys to or by such trustee or such paying agent, unless and until such trustee or such paying agent, as the case may be, shall have received written notice thereof from the issuer of the debentures or from one or more holders of “Superior Indebtedness,” or from the Trustee.

**SUMMARY OF CERTAIN PROVISIONS OF THE TWENTY-SIXTH SUPPLEMENT**

It is the purpose of the Twenty-Sixth Supplement to provide for the issuance by the Obligated Issuers under the Master Indenture of a Promissory Note, Series 2017A.
APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF
THE BOND INDENTURE AND THE LOAN AGREEMENT
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SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE AND THE LOAN AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF  
THE BOND INDENTURE AND THE LOAN AGREEMENT

Brief descriptions of the Bond Indenture and the Loan Agreement are set forth below. Those descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to those documents are qualified in their entirety by reference to each document, copies of which are available for review prior to the issuance and delivery of the Series 2017A Bonds at the offices of the Authority and thereafter at the offices of the Bond Trustee.

DEFINITIONS OF CERTAIN TERMS

“Act” means Chapter 231 of the Wisconsin Statutes, as amended.

“Advance Refunded Municipal Obligations” means obligations of any state of the United States or any political subdivision, public instrumentality or public authority of any state that (a) are not callable prior to maturity or with respect to which irrevocable instructions concerning their calling and redemption have been given by the trustee for them and (b) are fully secured by and payable solely from cash or U.S. Government Obligations that (i) may be applied only to the payment of the principal of, premium, if any, and interest on the obligations, (ii) are held by an escrow agent or the Bond Trustee pursuant to an escrow agreement, (iii) are not redeemable prior to maturity without the consent of their holder and (iv) are not available to satisfy any other claims including those against the Bond Trustee or the escrow agent.

“Arbitrage Bonds” means bonds that are "arbitrage bonds" within the meaning of Section 148 of the Code.

“Authority” means the Wisconsin Health and Educational Facilities Authority.

“Authority’s Documents” means the Loan Agreement, the Purchase Contract, the Bond Indenture, the Tax Exemption Agreement and the Bonds.

“Authorized Corporation Representative” means the person identified in a written certificate that is signed by an officer of the Corporation, that contains a specimen of the Authorized Corporation Representative’s signature and that has been delivered to the Bond Trustee. Authorized Corporation Representative includes any alternate or alternates designated in the certificate in the same manner. An Authorized Corporation Representative may be an employee of the Corporation or a Benefited Affiliate.

“Benefited Affiliate” means any affiliate of the Corporation that owns or uses Bond Financed Property.

“Bond Counsel” means Counsel acceptable to the Authority whose legal opinions on municipal bond issues are nationally recognized.

“Bond Financed Property” means any and all land, equipment, improvements and other real or personal property of the Corporation or a Benefited Affiliate financed or refinanced, directly or indirectly, with the proceeds of the Series 2017A Bonds, including without limitation the Project and all capital expenditures financed or refinanced with the proceeds of the Series 2007 Bonds.

“Bond Fund” means the fund by that name created by the Bond Indenture.

“Bond Indenture” means the Bond Trust Indenture dated as of August 1, 2017 between the Authority and the Bond Trustee, as amended from time to time.

“Bond Indenture Funds” means the Bond Fund, the Project Fund and any other funds or accounts created under the Bond Indenture and does not include the Rebate Fund created pursuant to the Tax Exemption Agreement.
“Bond Interest Payment Date” means each date on which a payment of interest on the Bonds is due.

“Bond Principal Payment Date” means each date on which a payment of principal (whether upon maturity, redemption, acceleration or otherwise) on the Bonds is due.

“Bond Trust Estate” means the property conveyed to the Bond Trustee pursuant to the granting clauses of the Bond Indenture summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE - Granting Clauses.”

“Bond Trustee” means the bond trustee at the time serving under the Bond Indenture. The initial Bond Trustee is U.S. Bank National Association.

“Bonds” or “Series 2017A Bonds” means the Wisconsin Health and Educational Facilities Revenue Bonds, Series 2017A (Franciscan Sisters of Christian Charity Sponsored Ministries, Inc.).

“Business Day” means a day that is not (a) a Saturday, Sunday or legal holiday or (b) a day on which banking institutions are required or authorized to be closed in the city or cities in which the designated corporate trust office of the Bond Trustee is located or (c) a day on which The New York Stock Exchange is closed for the entire day or Federal Reserve Banks are closed.

“Completion Certificate” means a certificate signed by the Authorized Corporation Representative (a) stating, without prejudice as to rights against third parties, the Completion Date and that all costs and expenses incurred in connection with the Project and expected to be paid with proceeds of the Bonds have been paid except for specified amounts that either are not yet due and payable or the Corporation is contesting in good faith by appropriate proceedings, (b) stating that all permits for the occupancy and use of the Project have been obtained, if applicable, and (c) either (i) demonstrating that the weighted average maturity of the Series 2017A Bonds does not exceed 120% of the average reasonably expected economic life of the Bond Financed Property (taking into account any additions to or deletions from the Project as originally contemplated), calculated in accordance with Section 147 of the Code or (ii) containing the agreement of the Corporation to sufficiently shorten the weighted average maturity of the Series 2017A Bonds so that the condition described in (i) will be met through a redemption or defeasance of a portion, if necessary, of the Series 2017A Bonds.

“Completion Date” means the date specified in the Completion Certificate as the date on which the Project and all other necessary facilities related to the Project were substantially completed to the satisfaction of the Corporation.

“Construction Account” means the account by that name in the Project Fund created by the Bond Indenture.

“Corporation” means Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. or any successors or assigns.

“Corporation’s Closing Certificate” means the Officer’s Certificate of the Corporation dated the date of and delivered at the time of the issuance and delivery of the Bonds.

“Corporation’s Documents” means the Loan Agreement, the Series 2017A Master Note, the Purchase Contract, the Tax Exemption Agreement and all other documents (other than the Master Indenture) to which the Corporation is a party related to the issuance of the Bonds.

“Counsel” means an attorney admitted to practice before the highest court of any state.

“Default” means the occurrence of an event that, with the lapse of time or the giving of notice or both, would constitute an Event of Default.
“Defeasance Obligations” means noncallable U.S. Government Obligations not redeemable at the option of the issuer or anyone acting on its behalf prior to maturity and Advance Refunded Municipal Obligations to the extent permitted by law.

“Equipment Account” means the account by that name in the Project Fund created by the Bond Indenture.

“Event of Default” as used in or with reference to (a) the Loan Agreement has the meaning attributed to it under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT - Events of Default,” (b) the Bond Indenture has the meaning attributed to it under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE - Events of Default,” (c) the Master Indenture has the meaning attributed to it under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Events of Default” in Appendix C of this Official Statement and (d) other documents has the meaning attributed to it in them.

“Event of Taxability” means any act, omission or event that results in the interest paid or payable on any Bond being includable for federal income tax purposes in the gross income of any owner.

“Excess Funds” means any money that is or that the Corporation has determined will be on deposit in the Construction Account or the Equipment Account on or after the date on which the Completion Certificate is delivered to the Bond Trustee other than amounts retained in the Construction Account or the Equipment Account to pay Project Costs not then due or that the Corporation or a Benefited Affiliate is contesting in good faith by appropriate proceedings.

“Excess Funds Account” means the account by that name in the Bond Fund created by the Bond Indenture.

“Executive Director” means the Executive Director or Associate Executive Director of the Authority, a duly authorized acting Executive Director or Associate Executive Director of the Authority or the officer succeeding to the duties presently exercised by the Executive Director or Associate Executive Director of the Authority.

“Facility” or “Facilities” means the health care, senior living and related facilities of the Corporation, the other members of the Obligated Group and the Benefited Affiliates, including without limitation the Bond Financed Property and all additions and improvements to the foregoing.

“Financial Statement Recipients” means the Authority, the Bond Trustee, the Purchaser and any firm or corporation that has, at the request of the Corporation, assigned a credit rating to the Bonds.

“Interest Account” means the account by that name in the Bond Fund created by the Bond Indenture.

“Issuing Expenses” means fees and expenses incurred or to be incurred by or on behalf of the Authority, the Bond Trustee, the Corporation or Bond Counsel for the Bonds in connection with the issuance and sale of the Bonds including, but not limited to, underwriting costs (whether in the form of discount in the purchase of the Bonds or otherwise), fees and expenses of legal counsel (including Bond Counsel and Counsel for the Authority, the Bond Trustee, the Purchaser and the Corporation), fees and expenses of financial advisors, feasibility consultants and accountants, rating agency fees, fees and expenses of the Bond Trustee, printing costs, recording expenses, costs associated with the acquisition of securities for any defeasance escrow and for verifying the sufficiency of any defeasance escrow and title insurance and survey costs.

“Issuing Expenses Account” means the account by that name in the Project Fund created by the Bond Indenture.

“Loan” means the loan made by the Authority to the Corporation under the Loan Agreement.

“Loan Agreement” means the Loan Agreement dated as of August 1, 2017 between the Corporation and the Authority, as amended from time to time in accordance with the terms of the Loan Agreement.

“Master Indenture” has the meaning attributed to it in Appendix C of this Official Statement.

“Master Trustee” has the meaning attributed to it in Appendix C of this Official Statement.
“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation, with written notice to the Bond Trustee and the Authority.

“Obligated Group” means the Obligated Group created under the Master Indenture.

“Officer’s Certificate” means (a) with respect to the Authority, a certificate of the Authority signed by the Chairperson, Vice Chairperson, Executive Director or by any other person designated by resolution of the Authority to act for any of those officers, either generally or with respect to the execution of any particular document or other specific matter, if a certified copy of the resolution has been filed with the Bond Trustee and (b) with respect to any corporation, including the Corporation, a certificate of the corporation signed (i) by the president, by any vice president or by any other person designated by resolution of the board of directors of the corporation, either generally or with respect to the execution of any particular document or other specific matter, if a copy of the resolution has been filed with the Bond Trustee or (ii) in the case of the Corporation, by an Authorized Corporation Representative.

“Opinion of Bond Counsel” means a written opinion Bond Counsel.

“Opinion of Counsel” means a written opinion of Counsel selected and paid by the Corporation and not objected to by the Bond Trustee.

“Outstanding” when used with reference to the Bonds means all Bonds that have been authenticated and delivered by the Bond Trustee under the Bond Indenture except (a) Bonds or portions of Bonds that have been canceled after (i) purchase in the open market, (ii) payment at maturity or redemption prior to maturity or (iii) delivery to the Bond Trustee by the Corporation under the Bond Indenture, (b) Bonds for the payment or redemption of which there has been deposited with the Bond Trustee, in trust, cash or Defeasance Obligations in an amount sufficient, including in the case of Defeasance Obligations the income or increment to accrue on them, but without reinvestment, to pay or redeem (when redeemable) the Bonds at or before their respective maturity dates, including interest that has accrued on the Bonds and will accrue through the final payment or redemption of the Bonds and any redemption premium on them, provided that if the Bonds are to be redeemed prior to their maturity irrevocable notice of the redemption has been given or irrevocable arrangements satisfactory to the Bond Trustee have been made for the giving of a notice of redemption and provided further that the requirements summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE – Discharge” have been satisfied with respect to such Bonds, (c) Bonds in lieu of which other Bonds have been authenticated under the Bond Indenture and (d) for purposes of any agreement, acceptance, approval, waiver, consent, request or other action to be taken under the Loan Agreement or the Bond Indenture by the Registered Owners of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the Authority, the Corporation or any Person controlling, controlled by or under common control with any of them, unless such parties own 100% of the outstanding Bonds.

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

“Prepayment Account” means the account by that name in the Bond Fund created by the Bond Indenture.

“Principal Account” means the account by that name in the Bond Fund created by the Bond Indenture.

“Principal Trust Office” means the designated corporate trust office of the Bond Trustee. The address of the Principal Trust Office is initially the address which the Bond Trustee has designated as its address for receiving notices under the Bond Indenture. Any references in the Bond Indenture or Loan Agreement to the Principal Trust Office of the Bond Trustee located in St. Paul, Minnesota shall be a reference to the address set forth in the Bond Indenture in St. Paul, Minnesota.

“Project” means, collectively, the acquisition, construction, renovation and equipping of an outpatient care facility and related health care and senior living facilities owned or operated by the Corporation and/or a Benefited Affiliate and located at the Wisconsin locations identified in the notice of public hearing related to the Bonds (a copy of which is attached to the Tax Exemption Agreement), all as more specifically detailed in the Tax Exemption Agreement.
“Project Cost” means any costs of the Project that are or will be capitalized on the books of the Corporation or a Benefited Affiliate and that are permitted to be financed under the Act and the Code, the payment of which will not cause an Event of Taxability to occur and that are not Issuing Expenses.

“Project Fund” means the fund by that name created by the Bond Indenture.

“Purchase Contract” means the Bond Purchase Agreement among Barclays Capital Inc., the Authority and the Corporation, for itself and on behalf of the Obligated Group, providing for the sale of the Bonds.

“Purchaser” means the initial purchaser(s) of the Bonds, whether one or more, as identified in the Purchase Contract.

“Qualified Investments” means, subject to the provisions of the Tax Exemption Agreement, (a) U.S. Government Obligations and bonds or securities issued or guaranteed as to principal and interest by a commission, board or other instrumentality of the federal government; (b) short-term discount obligations of the Federal National Mortgage Association; (c) certificates of deposit or time deposits constituting direct obligations of any bank the full amount of which is insured by the Federal Deposit Insurance Corporation; (d) time deposits in any credit union, bank, savings bank, trust company or savings and loan association that is authorized to transact business in the State if the time deposits mature in not more than three years; (e) bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the State; (f) any security that matures or that may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by S&P, Moody’s or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer that has such a rating; (g) securities of an open-end management investment company or investment trust if the investment company or investment trust does not charge a sales load, if the investment company or investment trust is registered under the Investment Company Act of 1940, 15 USC 80a-1 to 80a-64, and if the portfolio of the investment company or investment trust is limited to the following: (i) bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government, (ii) bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government and (iii) repurchase agreements that are fully collateralized by bonds or securities described under (i) or (ii); and (h) any other obligation or security that constitutes a permitted investment for money of the Authority as a result of an amendment of the Act subsequent to August 1, 2017 if the prior written consent of the Authority is obtained.

“Rebate Fund” means the fund by that name created by the Tax Exemption Agreement.

“Record Date” means the fifteenth (15th) day of the month (which may or may not be a Business Day) immediately preceding a Bond Interest Payment Date.

“Registered Owner” or “Owner” or “holder” or “Bondholder” when used with reference to a Bond means the person who is the registered owner of a Bond or that person’s legal representative.

“Registered Owner’s Address” means the address, that a Registered Owner may change upon written request to the Bond Trustee, of the Registered Owner of any Bond as it appears in the Registration Books.

“Registration Books” means books maintained by the Bond Trustee on behalf of the Authority at the Principal Trust Office of the Bond Trustee for the purpose of recording the registration, transfer, exchange or replacement of any of the Bonds.

“Revenues” means (a) all payments, income and revenues derived pursuant to the terms of the Loan Agreement (except to the extent included in the Unassigned Rights) including all payments made by the Corporation in respect of the Series 2017A Master Note, (b) all amounts realized upon recourse to the Loan Agreement or any collateral given by the Corporation to secure the Corporation’s obligations under the Loan Agreement, (c) all amounts realized upon recourse to the Master Indenture that are available pursuant to the Master Indenture to pay amounts due on the Series 2017A Master Note and (d) the money and securities (including the earnings from the investment of them) held by the Bond Trustee in the trust funds established under the Bond Indenture (which does not include the Rebate Fund).

“Series 2017A Bonds” means the Bonds.

“Series 2017A Master Note” means the Corporation’s Promissory Note, Series 2017A issued pursuant to the Master Indenture.

“Standard & Poor’s” or “S&P” means S&P Global Ratings, a corporation existing under the laws of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation, with written notice to the Bond Trustee and the Authority.

“State” means the State of Wisconsin.

“Tax Exemption Agreement” means the Tax Exemption Certificate and Agreement among the Authority, the Corporation, the Benefited Affiliates and the Bond Trustee dated the date of issuance and delivery of the Series 2017A Bonds.

“Twenty-Sixth Supplement” means the Twenty-Sixth Supplemental Master Trust Indenture between the Obligated Group and the Master Trustee, as amended from time to time.

“Unassigned Rights” means the Authority’s rights (a) to receive indemnity, payments for its expenses and other payments under the Loan Agreement or any other document associated with the issuance of any Bonds specifically including but not limited to its rights to receive payments under the Loan Agreement, (b) subject to the terms of the Loan Agreement, to execute and deliver amendments to the Loan Agreement and the Bond Indenture and to receive notices and other documents and to provide its consent, acceptance or approval with respect to matters as to which that right is given in the Loan Agreement or the Bond Indenture and (c) to receive indemnification and payment of expenses under the Purchase Contract.

“U.S. Government Obligations” means obligations that are direct, full faith and credit obligations of the United States of America or are obligations with respect to which the United States of America has unconditionally guaranteed the timely payment of all principal or interest or both, but only to the extent of the principal or interest so guaranteed.

“Written Request” means with reference to the Authority, a request in writing signed by the Chairperson, Vice Chairperson or Executive Director of the Authority and with reference to the Corporation means a request in writing signed by an Authorized Corporation Representative, or any other officers designated in writing by the Authority or the Corporation, as the case may be.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE

Granting Clauses

In consideration of the acceptance by the Bond Trustee of the trusts created by the Bond Indenture, the purchase and acceptance of the Series 2017A Bonds by the Purchaser and other good and valuable consideration, and to secure the payment of the principal of, premium, if any, and interest on the Series 2017A Bonds and the performance and observance by the Authority of its obligations under the Bond Indenture and the Series 2017A Bonds, pursuant to the Bond Indenture the Authority pledges and assigns to the Bond Trustee and grants the Bond Trustee a security interest in, with power of sale, the following property: (a) except for the Unassigned Rights, the Authority’s entire right, title and interest in and to each of the Corporation’s Documents and the Master Indenture, specifically including the Authority’s right to receive payments from the Corporation under the Series 2017A Master Note or the Loan Agreement or the payments received under the Master Indenture that are available pursuant to the Master Indenture to pay amounts due on the Series 2017A Master Note and the other Corporation’s Documents; (b) the Authority’s entire right, title and interest in and to all Revenues and all cash, securities or other investments held by the Bond...
Trustee in any of the Bond Indenture Funds (which does not include the Rebate Fund) or otherwise under the terms of the Bond Indenture; and (c) all money and securities from time to time held by the Bond Trustee under the terms of the Bond Indenture (which does not include the Rebate Fund) and all other real or personal property from time to time conveyed, pledged, assigned or transferred to the Bond Trustee as additional security under the Bond Indenture.

Authorization and Issuance of the Series 2017A Bonds

The Bond Indenture authorizes the issuance of the Series 2017A Bonds and limits their aggregate principal amount to the amount stated on the cover page of this Official Statement.

Use of Proceeds from the Sale of the Series 2017A Bonds

The Authority agrees in the Bond Indenture to deposit the purchase price with the Bond Trustee and, upon receipt, the Bond Trustee agrees in the Bond Indenture to apply the purchase price in the manner described in the forepart of this Official Statement. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” in the forepart of this Official Statement.

Bond Fund

The Bond Indenture creates a trust fund designated the “Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. Bond Fund.” Within the Bond Fund are created the following Accounts:

Principal Account. Except as provided in the Bond Indenture, money in the Principal Account will be used solely (i) for the payment or scheduled mandatory redemption of the principal of the Series 2017A Bonds as it becomes due, whether at maturity, redemption, acceleration or otherwise and (ii) for the redemption of the Series 2017A Bonds from amounts transferred to the Principal Account from the Prepayment Account.

Interest Account. Except as provided in the Bond Indenture, money in the Interest Account will be used solely for the payment of the interest on the Series 2017A Bonds as it becomes due.

Excess Funds Account. Money in the Excess Funds Account will be (i) transferred to the Interest Account to the extent necessary to make the next interest payments on the Series 2017A Bonds required to be made within thirteen months from the date of the transfer, then to the Principal Account to the extent necessary to make the next payment of principal on the Series 2017A Bonds so long as the next principal payment is required to be made within thirteen months from the date of the transfer and then to the Prepayment Account or (ii) applied in any other manner directed by the Corporation in writing and accompanied by an Opinion of Bond Counsel to the effect that the alternate application will not adversely affect the validity of the Series 2017A Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled.

Prepayment Account. Money in the Prepayment Account will be used first to make up any deficiencies existing in the Interest Account and the Principal Account (in that order) and second for the payment of the principal of and premium, if any, on Bonds called for optional or extraordinary redemption as provided in the Bond Indenture. Money remaining in the Prepayment Account may be used by the Bond Trustee to purchase Bonds in the open market for immediate cancellation if the Bond Trustee is requested to do so by the Corporation.

Whenever the amount in the Bond Fund from any source is sufficient to pay the principal of the Series 2017A Bonds, unpaid interest that has accrued on the Series 2017A Bonds and will accrue to the date the Series 2017A Bonds are redeemed and any redemption premiums on all the Series 2017A Bonds then Outstanding and is available for that purpose the Bond Trustee, upon the Written Request of the Corporation, is instructed and agrees in the Bond Indenture to take or cause to be taken the necessary steps to pay or redeem all of the Series 2017A Bonds then Outstanding on the next date on which all of the Series 2017A Bonds may be redeemed and for which the required redemption notice may be given.

If (i) on any date on which a payment from the Principal Account or the Interest Account is due there is not enough money in the Principal Account or the Interest Account to make all of the payments then required to be made from the Principal Account or the Interest Account or (ii) an Event of Default has occurred and the Outstanding Bonds have been accelerated, then money in any account of the Bond Fund may be immediately or from time to time
thereafter transferred to any other account in the Bond Fund that the Bond Trustee determines to be appropriate for application as summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE - Application of Proceeds.”

Project Fund

The Bond Indenture creates a trust fund designated “Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. Project Fund” (the “Project Fund”). Within the Project Fund are created the following Accounts:

Issuing Expenses Account. Money in the Issuing Expenses Account will be used to pay Issuing Expenses or to reimburse the Corporation for Issuing Expenses actually paid by it. No money on deposit in any fund or account created by the Bond Indenture will be used to pay Issuing Expenses other than money on deposit in the Issuing Expenses Account. Upon the earlier of the receipt by the Bond Trustee of a Written Request of the Corporation to the effect that all Issuing Expenses have been paid and that the Corporation has been reimbursed for all Issuing Expenses paid by it or the first anniversary of the original issuance and delivery of the Series 2017A Bonds, amounts then on deposit in the Issuing Expenses Account will be transferred to the Construction Account and applied as other amounts on deposit in the Construction Account would be applied, unless the Bond Trustee is provided with an Opinion of Bond Counsel to the effect that some other disposition of those amounts will not adversely affect the validity of the Series 2017A Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Series 2017A Bonds would otherwise be entitled. No funds will be deposited into the Issuing Expenses Account.

Construction Account and Equipment Account. Money in the Construction Account and the Equipment Account, if any, will be used to pay Project Costs or to reimburse the Corporation or Benefited Affiliate, as applicable, for Project Costs actually paid by it or the Benefited Affiliate. Upon the earlier of the receipt by the Bond Trustee of a Completion Certificate or the third anniversary of the original issuance and delivery of the Series 2017A Bonds, amounts on deposit in the Construction Account and the Equipment Account or deposited in the Construction Account or the Equipment Account on any date thereafter will be transferred by the Bond Trustee to the Excess Funds Account, unless the Bond Trustee is provided by the Corporation with an Opinion of Bond Counsel to the effect that some other disposition of those amounts will not adversely affect the validity of the Series 2017A Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Series 2017A Bonds would otherwise be entitled. No funds will be deposited into the Equipment Account.

Upon the occurrence of an Event of Default and an acceleration of Outstanding Bonds, money in any account of the Project Fund may be immediately or from time to time thereafter transferred to the account in the Bond Fund that the Bond Trustee determines to be appropriate for application as summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE – Application of Proceeds.”

The Bond Trustee agrees in the Bond Indenture to keep accurate records pertaining to each transaction within each of the accounts in the Project Fund. After the Completion Certificate has been received, the Bond Trustee agrees in the Bond Indenture to file a statement of transactions for the Project Fund with the Corporation and, upon the Authority’s request, with the Authority.

Completion of the Project

The completion of the Project is to be evidenced by the filing with the Bond Trustee of the Completion Certificate. Upon receipt of the Completion Certificate, the Bond Trustee is authorized and directed to promptly transfer to the Excess Funds Account any Excess Funds then on deposit in the Construction Account, the Equipment Account or the Issuing Expenses Account.

Non-presentment of Bonds

Subject to the Bond Indenture when the Bonds are in book entry form, if funds sufficient to pay the principal of any Bond when due (whether at maturity, redemption, acceleration or otherwise) are on deposit with the Bond Trustee but the Bond is not presented to the Bond Trustee for payment, then all liability of the Authority to the Registered Owner for the payment of the Bond is completely discharged. The Bond Trustee agrees in the Bond Indenture to hold the funds on deposit for any Bonds that have not been presented when due, but without liability for interest, solely for the benefit of the Registered Owners of those Bonds. Thereafter and prior to the transfer
summarized in the succeeding paragraph, the sole claim that any Registered Owner who did not present its Bonds for payment when due has for the payment of its Bonds is to receive the funds held for its Bonds by the Bond Trustee.

Any money held by the Bond Trustee pursuant to the provisions summarized under this heading that remains unclaimed by the Registered Owners entitled to it for a period of five years after the date on which those Bonds became due will, except as may otherwise be provided by law, be paid to the Corporation upon its Written Request or, if required by law, to the officer, board or body as may then be entitled by law to receive it. Thereafter, the Registered Owners of the Series 2017A Bonds not presented for payment may look only to the holder of those funds for the payment of its Bonds and may not look to the Bond Trustee for payment of its Bonds and the Bond Trustee has no responsibility with respect to the money transferred or the unpresented Bonds.

**Investments Generally**

The Bond Trustee agrees in the Bond Indenture to continuously invest and reinvest money on deposit in the Bond Indenture Funds and the Rebate Fund in Qualified Investments as directed in writing by the Corporation according to the Loan Agreement. The Bond Trustee may conclusively rely upon the Corporation’s written instructions as to both the suitability and legality of the directed investments. Ratings of Qualified Investments shall be determined at the time of purchase of such Qualified Investments and without regard to ratings subcategories. In the absence of investment instructions from the Corporation, the Bond Trustee shall not be responsible or liable for keeping the moneys held by it under the Bond Indenture fully invested in Qualified Investments and shall hold any such amounts uninvested in cash, without liability for interest. Investments made with money on deposit in the Bond Indenture Funds and the Rebate Fund may be made by the Bond Trustee through its own bank investment department or that of its affiliates or subsidiaries, and the Bond Trustee may charge its ordinary and customary fees for such trades, including investment maintenance fees, and such investments (a) will have maturities or be readily marketable prior to maturity in the amounts and not later than the dates as may be necessary to provide funds for the purpose for which the money in any account is to be used, (b) will be held by or under the control of the Bond Trustee, (c) will at all times be considered a part of the account for whose benefit the investment was made, (d) will have any loss attributable to them charged to the account for whose benefit the investment was made, (e) in the case of the Interest Account and the Principal Account, will have any interest or profit derived from them applied as provided in the Loan Agreement, (f) in the case of the Excess Funds Account and the Prepayment Account, will have any interest or profit derived from them retained in the Account in which the investment was made until applied as other amounts on deposit in the Account will be applied, (g) in the case of the Issuing Expenses Account will have any interest or profit derived from them credited to the Construction Account until the earlier of three years from the date of the issuance and sale of the Series 2017A Bonds or the date on which the Bond Trustee receives the Completion Certificate and thereafter to the Interest Account in the amount necessary to make any interest payments on the Series 2017A Bonds occurring within 13 months of such transfer and then to the Prepayment Account, (h) in the case of the Construction Account will have any interest or profit derived from them retained in the Construction Account until the earlier of three years from the date of the issuance and sale of the Series 2017A Bonds or the date on which the Bond Trustee receives the Completion Certificate and thereafter to the Interest Account in the amount necessary to make any interest payments on the Series 2017A Bonds occurring within 13 months of such transfer and then to the Prepayment Account, (i) in the case of the Transfer Fund, will have any interest or profit derived from them retained in the Transfer Fund until the redemption date for the Series 2007 Bonds, and thereafter to the Construction Account, and (j) in all other cases will have any interest or profit derived from them retained in the Fund or Account from which the investment was made.

Although the Authority and the Corporation each recognize that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Authority and the Corporation agree that confirmations of permitted investments are not required to be issued by the Bond Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

**Discharge**

*Total Discharge.* The Bond Indenture, the Series 2017A Bonds, and the Loan Agreement and the estate and rights granted by them cease, determine and are void if
(a) the Corporation has performed all of its obligations under the Master Indenture to the extent they relate to the Series 2017A Master Note and under the other Corporation’s Documents, and the Authority has performed its obligations under the Authority Documents,

(b) all expenses of the Bond Trustee that have accrued and will accrue through the final payment of the Series 2017A Bonds have been paid or arrangements satisfactory to the Bond Trustee for their payment have been made,

(c) all expenses of the Authority that have accrued and will accrue through the final payment of the Series 2017A Bonds have been paid or arrangements satisfactory to the Authority for their payment have been made,

(d) provision for the payment of all Outstanding Bonds has been made to the satisfaction of the Bond Trustee in one or more of the following ways: (i) by paying or causing to be paid, when due, the principal of, premium, if any, and interest on all Outstanding Bonds; (ii) by depositing with the Bond Trustee, in trust, at or before maturity, cash in an amount sufficient to pay or redeem (when redeemable) all Outstanding Bonds including unpaid interest that has accrued on the Series 2017A Bonds and will accrue to the final payment or redemption of the Series 2017A Bonds and any redemption premium; (iii) by delivering to the Bond Trustee, for cancellation, all Outstanding Bonds; or (iv) by depositing with the Bond Trustee, in trust, Defeasance Obligations that mature in an amount that will, together with the income or increment to accrue on them but without reinvestment, be sufficient to pay or redeem (when redeemable) all Bonds at or before their respective maturity dates, including interest that has accrued on the Series 2017A Bonds and will accrue to the final payment or redemption of the Series 2017A Bonds and any redemption premium,

(e) a notice of redemption has been given as required by the Bond Indenture if any of the Series 2017A Bonds are to be redeemed before their maturity or if a notice of redemption cannot then be given as provided in the Bond Indenture, then the Corporation has given the Bond Trustee, in a form satisfactory to the Bond Trustee, irrevocable instructions to provide a notice of redemption to the Registered Owners of any Bonds to be redeemed in accordance with the Bond Indenture when a notice of redemption can be timely given under the Bond Indenture,

(f) if the payment of the Series 2017A Bonds has been provided for as summarized in clause (d)(ii) or (d)(iv) under this heading, the Bond Trustee (i) has been furnished with an Opinion of Bond Counsel to the effect that the actions taken as summarized under this heading will not adversely affect the validity of any Bond or any exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled and (ii) has given notice to the Registered Owners of the Series 2017A Bonds at the Registered Owner’s Address of the actions taken pursuant to the provisions summarized in clause (d) under this heading and

(g) if the payment of the Series 2017A Bonds has been provided for as summarized in clause (d)(iv) under this heading, the Bond Trustee has been provided an opinion or report from a firm of certified public accountants of the size and type commonly referred to as nationally known certified public accountants or a firm of independent public accountants or other verification experts selected by the Corporation and not objected to by the Authority to the effect that the funds available or to be available in the escrow for the payment of the Series 2017A Bonds will be sufficient to pay the principal of, premium, if any, and interest on the Series 2017A Bonds.

On the occurrence of the events summarized in clauses (a) through (g) under this heading, the Bond Trustee is authorized and directed to

(1) cancel the Series 2017A Master Note and deliver it to the Corporation;

(2) execute and deliver all appropriate instruments evidencing and acknowledging the satisfaction of the Bond Indenture and the Loan Agreement; and

(3) assign and deliver to the Corporation any money and investments in any Bond Indenture Fund (except money or investments held by the Bond Trustee for the payment of the principal of, premium, if any, and interest on any Bond).

Notwithstanding any other provision of the Bond Indenture that may be contrary to the provisions summarized under this heading, all money and Defeasance Obligations that are set aside and held in trust pursuant to
the provisions summarized under this heading for the payment of the principal of, premium, if any, and interest on the
Series 2017A Bonds will be applied to and used solely for the payment of the principal of, premium, if any, and
interest on the particular Bonds with respect to which it was so set aside in trust. The income derived from Defeasance
Obligations held by the Bond Trustee pursuant to the provisions summarized under this heading that are not needed
for the payment of the principal of, premium, if any, or interest on the Series 2017A Bonds is to be disposed of in a
manner that, in the Opinion of Bond Counsel, will not adversely affect the validity of any Bond or any exclusion from
gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled.

Notwithstanding a discharge of the Bond Indenture as summarized in clause (d)(ii) or (d)(iv) under this
heading, resulting in the Registered Owners of the Series 2017A Bonds having a claim for the payment of their Bonds
solely from the cash and Defeasance Obligations so set aside, the Bond Indenture will continue to govern the method
of making payments of principal and interest on the Series 2017A Bonds, the registration, transfer and exchange of
the Series 2017A Bonds and similar matters.

Partial Discharge. The Bond Indenture, the Series 2017A Master Note, and the Loan Agreement
and the estate and rights granted by them cease, determine and are void with respect to some, but not all of the Bonds, if

(a) the Corporation has performed all of its obligations under the Master Indenture to the extent
they relate to the Series 2017A Master Note and under the other Borrower’s Documents, and the Authority has
performed its obligations under the Authority Documents, in each case relating to such Bonds,

(b) all expenses of the Bond Trustee that have accrued and will accrue through the final
payment of such Series 2017A Bonds have been paid or arrangements satisfactory to the Bond Trustee for their
payment have been made,

(c) all expenses of the Authority that have accrued and will accrue through the final payment
of such Series 2017A Bonds have been paid or arrangements satisfactory to the Authority for their payment have been
made,

(d) provision for the payment of all such Outstanding Bonds has been made to the satisfaction
of the Bond Trustee in one or more of the following ways: (i) by paying or causing to be paid, when due, the principal
of, premium, if any, and interest on all such Outstanding Bonds; (ii) by depositing with the Bond Trustee, in trust, at
or before maturity, cash in an amount sufficient to pay or redeem (when redeemable) all such Outstanding Bonds
including unpaid interest that has accrued on such Series 2017A Bonds and will accrue to the final payment or
redemption of such Series 2017A Bonds and any redemption premium; (iii) by delivering to the Bond Trustee, for
cancellation, all such Outstanding Bonds; or (iv) by depositing with the Bond Trustee, in trust, Defeasance Obligations
that mature in an amount that will, together with the income or increment to accrue on them but without reinvestment,
be sufficient to pay or redeem (when redeemable) all such Bonds at or before their respective maturity dates, including
interest that has accrued on such Series 2017A Bonds and will accrue to the final payment or redemption of such
Series 2017A Bonds and any redemption premium,

(e) a notice of redemption has been given as required by the Bond Indenture if any of such
Series 2017A Bonds are to be redeemed before their maturity or if a notice of redemption cannot then be given as
provided in the Bond Indenture, then the Corporation has given the Bond Trustee, in a form satisfactory to the Bond
Trustee, irrevocable instructions to provide a notice of redemption to the Registered Owners of any Bonds to be
redeemed in accordance with the Bond Indenture when a notice of redemption can be timely given under the Bond
Indenture,

(f) if the payment of such Series 2017A Bonds has been provided for as summarized in clause
(d)(ii) or (d)(iv) under this heading, the Bond Trustee (i) has been furnished with an Opinion of Bond Counsel to the
effect that the actions taken as summarized under this heading will not adversely affect the validity of any Bond or
any exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be
entitled and (ii) has given notice to the Registered Owners of the Series 2017A Bonds at the Registered Owner’s
Address of the actions taken pursuant to the provisions summarized in clause (d) under this heading and

(g) if the payment of such Series 2017A Bonds has been provided for as summarized in clause
(d)(iv) under this heading, the Bond Trustee has been provided an opinion or report from a firm of certified public
accountants of the size and type commonly referred to as nationally known certified public accountants or a firm of independent public accountants or other verification experts selected by the Corporation and not objected to by the Authority to the effect that the funds available or to be available in the escrow for the payment of such Series 2017A Bonds will be sufficient to pay the principal of, premium, if any, and interest on such Series 2017A Bonds.

Notwithstanding any other provision of the Bond Indenture that may be contrary to the provisions summarized under this heading, all money and Defeasance Obligations that are set aside and held in trust pursuant to the provisions summarized under this heading for the payment of the principal of, premium, if any, and interest on a portion of the Series 2017A Bonds will be applied to and used solely for the payment of the principal of, premium, if any, and interest on the particular Bonds with respect to which it was so set aside in trust. The income derived from Defeasance Obligations held by the Bond Trustee pursuant to the provisions summarized under this heading that are not needed for the payment of the principal of, premium, if any, or interest on the Series 2017A Bonds to be partially discharged is to be disposed of in a manner that, in the Opinion of Bond Counsel, will not adversely affect the validity of any Bond or any exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled.

Notwithstanding a partial discharge of the Bond Indenture with respect to a portion of the Series 2017A Bonds as provided in (d)(ii) or (d)(iv) under this heading, resulting in the Registered Owners of such Bonds having a claim for the payment of their Bonds solely from the cash and Defeasance Obligations so set aside, the Bond Indenture will continue to govern the method of making payments of principal and interest on such Series 2017A Bonds, the registration, transfer and exchange of such Series 2017A Bonds and similar matters. Nothing contained under this heading with respect to a partial discharge of the Series 2017A Bonds shall discharge the obligations of the Authority under the Bond Indenture or the obligations of the Borrower under the Loan Agreement or the Series 2017A Master Note with respect to the Outstanding Series 2017A Bonds that have not been partially discharged in accordance with the provisions under this heading.

Redemption After Satisfaction of Bond Indenture

Notwithstanding anything to the contrary in the Bond Indenture, upon the provision for payment of the Bonds or a portion thereof through a date after any optional redemption date as summarized in clauses (d)(ii) or (d)(iv) under the headings “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE – Discharge – Total Discharge and Partial Discharge,” the optional redemption provisions of the Bond Indenture allowing such Bonds to be called prior to maturity upon proper notice (notwithstanding provision for the payment of such Bonds having been made through a date after the first optional redemption date provided for in the Bond Indenture) shall remain available to the Authority, upon direction of the Corporation, unless, in connection with making the deposits referred to in the Bond Indenture, the Authority, at the direction of the Corporation, shall have irrevocably elected to waive any future right to call the Bonds or portions thereof for redemption prior to maturity. No such redemption shall occur, however, unless the Corporation shall deliver on behalf of the Authority to the Bond Trustee (a) Defeasance Obligations or cash sufficient to discharge such Bonds (or portion thereof) on the redemption or maturity date or dates selected, (b) an opinion or report of a recognized independent certified public accountant or other verification experts selected by the Corporation and not objected to by the Authority verifying that such Defeasance Obligations, together with the expected earnings thereon, and/or cash will be sufficient to provide for the payment of such Bonds to the redemption or maturity dates, and (c) an Opinion of Bond Counsel to the effect that such earlier redemption will not, in and of itself, adversely affect any exclusion from gross income for federal income tax purposes to which interest on the Series 2017A Bonds would otherwise be entitled (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds). The Bond Trustee will give written notice of any such redemption to the owners of the Bonds affected thereby.

Events of Default

The occurrence and continuance of any of the following events is an Event of Default under the Bond Indenture:

(a) failure to pay when due the principal of (whether at maturity, redemption, acceleration or otherwise), premium, if any, or interest on any Bond; or

(b) the Authority shall for any reason be rendered incapable of fulfilling its obligations under the Bond Indenture; or
(c) the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Series 2017A Bonds or in the Bond Indenture or any indenture supplemental to the Bond Indenture to be performed on the part of the Authority, and such default shall continue for a period of thirty (30) days after written notice specifying such default and requiring it to be remedied shall have been given to the Authority and the Corporation by the Bond Trustee, which the Bond Trustee may give in its discretion and shall give at the written request of the owners of not less than 25% in aggregate principal amount of the Series 2017A Bonds then Outstanding; 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 Authority to remedy such default within such 30-day period shall not constitute a default under the Bond Indenture if the Authority 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 until the default is remedied and provides the Bond Trustee with a certification to that effect; or

(d) the occurrence of any event of default as summarized under the headings “SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT - Events of Default” or “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Events of Default” in Appendix C of this Official Statement and the continuation of that event of default from and after (i) the date the Authority is entitled under the Loan Agreement to request that the Master Trustee declare the Series 2017A Master Note to be immediately due and payable, (ii) the date on which the Master Trustee is entitled under the Master Indenture to declare any Note (as that term is defined in Appendix C of this Official Statement) immediately due and payable or (iii) the date the Master Trustee declares any Note (as that term is defined in Appendix C of this Official Statement) immediately due and payable.

Acceleration and Other Remedies

Upon the occurrence of an Event of Default under the Bond Indenture the Bond Trustee may and, upon receipt of a request to do so from the Registered Owners of not less than a majority of the aggregate principal amount of the Series 2017A Bonds then Outstanding, must by written notice to the Authority and the Corporation declare the principal of and accrued interest on the Series 2017A Bonds (if not then due and payable) to be due and payable immediately.

Upon the occurrence of any Event of Default under the Bond Indenture the Bond Trustee may take whatever action at law or in equity it deems necessary or desirable (i) to collect any amounts then due under the Bond Indenture, the Series 2017A Bonds, the Loan Agreement, the Master Indenture or the Series 2017A Master Note, (ii) to enforce performance of any obligation, agreement or covenant of the Authority under the Bond Indenture or the Series 2017A Bonds, of the Corporation under any of the Corporation’s Documents or the Master Indenture, of a guarantor under any guaranty given with respect to any Bond or the Series 2017A Master Note or of the grantor of any other collateral given to secure the payment of the Series 2017A Bonds or the Series 2017A Master Note or (iii) to otherwise enforce any of its rights.

None of the remedies under the Bond Indenture is exclusive of any other remedy or remedies. Each remedy given under the Bond Indenture is cumulative and is in addition to every other remedy that is given or that now or hereafter exists at law, in equity or by statute. No delay or omission in the exercise of any right or power accruing upon an Event of Default impairs the right or power or is a waiver of or acquiescence in any Event of Default. Every right and power given by the Bond Indenture may be exercised from time to time and as often as may be deemed expedient. No waiver of any Event of Default extends to or affects any subsequent or other Event of Default or impairs any rights or remedies consequent thereon.

In the event that the Master Trustee has accelerated the Series 2017A Master Note and is pursuing its available remedies under the Master Indenture, the Bond Trustee, without waiving any Event of Default under the Bond Indenture, agrees in the Bond Indenture not to pursue its available remedies under the Bond Indenture or the Loan Agreement in a manner that would hinder or frustrate the pursuit by the Master Trustee of its remedies under the Master Indenture provided that the Bond Trustee may take any action permitted of a noteholder under the Master Indenture.

Right To Direct Proceedings

Anything in the Bond Indenture to the contrary notwithstanding (excluding the provisions summarized in the first paragraph under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE –
Acceleration and Other Remedies"), the Registered Owners of a majority of the aggregate principal amount of the Bonds Outstanding have the right to direct the exercise of any rights or remedies under the Bond Indenture or any of the Corporation’s Documents and the method and place of conducting all proceedings to be taken in connection with the enforcement of the Bond Indenture or any of the Corporation’s Documents. The directions of the Registered Owners summarized under this heading are to be (a) contained in a request that is signed by the Registered Owners of at least a majority of the aggregate principal amount of the Series 2017A Bonds then Outstanding and delivered to the Bond Trustee, (b) in accordance with law and the provisions of the Bond Indenture and (c) accompanied with indemnification of the Bond Trustee as is provided in the Bond Indenture.

**Application of Proceeds**

(a) Subject to the provisions summarized in paragraph (c) under this heading, if the principal of all the Series 2017A Bonds is not due, whether by declaration by the Bond Trustee pursuant to the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE - Acceleration and Other Remedies” or otherwise, then any money received by the Authority or the Bond Trustee as a result of the exercise of one or more of the remedies granted by the Bond Indenture or any of the Corporation’s Documents will be applied as follows:

FIRST: To the payment of (i) the costs and expenses associated with the exercise of any remedy granted by the Bond Indenture or any of the Corporation’s Documents, including reasonable compensation to the Authority, the Bond Trustee and either of their attorneys and agents, (ii) any expenses of the Authority and (iii) any expenses of the Bond Trustee.

SECOND: To fund any deficiency in the Rebate Fund if doing so will prevent the occurrence of an Event of Taxability.

THIRD: To the payment of interest then due on the Series 2017A Bonds, in the order of the maturity of the payments of interest then due, and, if the amount available is not sufficient to pay in full any particular installment of interest, then to the payment of interest ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege.

FOURTH: To the payment of principal and premium, if any, then due on the Series 2017A Bonds (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Bond Indenture), in the order of the maturity of the payments of principal and premium then due, and, if the amount available is not sufficient to pay in full the Series 2017A Bonds due on any particular date then to their payment ratably, according to the amount of principal due, to the persons entitled to it without any discrimination or privilege.

FIFTH: To the payment of any other sums required to be paid by the Corporation pursuant to any provisions of the Bond Indenture or any of the Corporation’s Documents.

SIXTH: To the payment of any other sums required to be paid by the Corporation pursuant to any provisions of the Master Indenture.

SEVENTH: Any balance is to be paid to the Corporation, its successors or assigns, upon its written request, or to whomever may be lawfully entitled to receive it, upon its written request, or as any court of competent jurisdiction may direct.

(b) Subject to the provisions summarized in paragraph (c) under this heading, if the principal of the Series 2017A Bonds is due, whether by declaration by the Bond Trustee pursuant to the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE - Acceleration and Other Remedies” or otherwise, then any money received by the Authority or the Bond Trustee as a result of the exercise of one or more of the remedies granted by the Bond Indenture or any of the Corporation’s Documents will be applied as follows:

FIRST: To the payment of (i) the costs and expenses associated with the exercise of any remedy granted by the Bond Indenture or any of the Corporation’s Documents, including reasonable
compensation to the Authority, the Bond Trustee and either of their attorneys and agents, (ii) any expenses of the Authority and (iii) any expenses of the Bond Trustee.

SECOND: To fund any deficiency in the Rebate Fund if doing so will prevent the occurrence of an Event of Taxability.

THIRD: To the payment of the full amount of the principal of, premium, if any, and interest then due and unpaid on the Series 2017A Bonds. In the event money available for that purpose is insufficient to pay the full amount due, then the money that is available for that purpose will be applied ratably, according to the aggregate of principal, interest and premium, if any, then due without preference or priority as between principal, interest or premium.

FOURTH: To the payment of any other sums required to be paid by the Corporation pursuant to any provisions of the Bond Indenture or any of the Corporation’s Documents.

FIFTH: To the payment of any other sums required to be paid by the Corporation pursuant to any provisions of the Master Indenture or any of the Corporation’s Documents.

SIXTH: Any balance is to be paid to the Corporation, its successors or assigns, upon its written request, to whomever may be lawfully entitled to receive it, upon its written request, or as any court of competent jurisdiction may direct.

(c) If the principal of all the Series 2017A Bonds has been declared due and payable and if the declaration is thereafter rescinded and annulled under the provisions of the Bond Indenture then, subject to the provisions summarized in paragraph (b) under this heading in the event that the principal of all the Series 2017A Bonds later becomes due or is declared due and payable, the money is to be applied in accordance with the provisions summarized in paragraph (a) under this heading and any amounts transferred to the Principal Account and Interest Account of the Bond Fund from any other Bond Indenture Fund will be returned to the fund or account from which they were taken.

(d) Whenever money is to be applied pursuant to the provisions summarized under this heading, the money is to be applied at the times the Bond Trustee determines, having due regard for the amount of money available for application and the likelihood of additional money becoming available for application in the future. Whenever the Bond Trustee applies funds pursuant to the provisions summarized under this heading it will fix the date (which will be a Bond Interest Payment Date unless it deems another date more suitable) upon which the application is to be made and on that date interest on the amounts of principal paid ceases to accrue. The Bond Trustee agrees in the Bond Indenture to give any notice it deems appropriate of the deposit with it of any money pursuant to the provisions summarized under this heading and of the fixing of the payment date. Subject to the Bond Indenture, when the Series 2017A Bonds are in book entry form, payments of principal to the Registered Owner of any unpaid Bonds will not be made until the Bond is presented to the Bond Trustee at its Principal Trust Office in Saint Paul, Minnesota for appropriate endorsement or for cancellation if fully paid.

Remedies Vested in Bond Trustee

All rights of action (including the right to file proofs of claim) under the Bond Indenture or under any Bonds may be enforced by the Bond Trustee without the possession of any of the Series 2017A Bonds or the production of them in any trial or other proceeding relating to them. Any suit or proceeding instituted by the Bond Trustee is to be brought in its name as Bond Trustee without the necessity of joining as plaintiffs or defendants the Registered Owners. Any resulting recovery or judgment is for the benefit of the Registered Owners of the Outstanding Bonds in accordance with the terms of the Bond Indenture.

Rights and Remedies of the Registered Owners

No Registered Owner of any Bond has any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Bond Indenture, for the execution of any trust created under the Bond Indenture, for the appointment of a receiver or any other remedy, unless (a) an Event of Default has occurred of which the Bond Trustee has been notified as provided in the Bond Indenture or it is deemed to have notice, (b) the Bond Trustee has received a request to do so from the Registered Owners of at least a majority in aggregate principal amount of the Series 2017A
Bonds then Outstanding and has been offered a reasonable opportunity either to proceed to exercise the powers granted in the Bond Indenture or to institute an action, suit or proceeding in its own name, (c) the Bond Trustee has been offered indemnity as provided in the Bond Indenture and (d) the Bond Trustee thereafter fails or refuses to exercise the powers granted in the Bond Indenture or to institute an action, suit or proceeding in its own name.

No Registered Owner has any right to affect, disturb or prejudice the security of the Bond Indenture by its action or to enforce any right under the Bond Indenture except in the manner provided in the Bond Indenture and all proceedings at law or in equity are to be conducted in the manner provided in the Bond Indenture for the equal and ratable benefit of all the Registered Owners. Nothing in the Bond Indenture, however, affects or impairs the right of any Registered Owner to enforce the payment of the principal of, premium, if any, and interest on any Bond owned by it at and after its maturity or the obligation of the Authority to pay the principal of, premium, if any, and interest on the Series 2017A Bonds issued under the Bond Indenture to the Registered Owners at the time, place, from the source and in the manner expressed in the Bond Indenture and the Series 2017A Bonds.

**Termination of Proceedings**

Subject to the Bond Indenture, if the Bond Trustee has proceeded to enforce any right under the Bond Indenture and the proceedings have been discontinued, abandoned for any reason or determined adversely, then any amounts transferred to the Principal Account and the Interest Account from any other Bond Indenture Fund will be returned to the fund or account from which they were taken, the Authority and the Bond Trustee are restored to their former positions and rights under the Bond Indenture and all rights, remedies and powers of the Bond Trustee continue as if no proceedings had been taken.

**Waivers of Events of Default**

The Bond Trustee (a) may waive any Event of Default under the Bond Indenture and its consequences and rescind any declaration of maturity of principal of and interest on the Series 2017A Bonds and (b) must do so upon receipt of a written request to do so from the Registered Owners of a majority in aggregate principal amount of all the Series 2017A Bonds then Outstanding in respect of which a default in the payment of the principal of, premium, if any, or interest on the Bonds exists or from the Registered Owners of at least a majority in principal amount of the Series 2017A Bonds then Outstanding in the case of any other default. Notwithstanding the preceding sentence, the Bond Trustee may not waive any Event of Default in the payment of the principal of, premium, if any, or interest on any Bond unless prior to the waiver all arrears of principal, premium, if any, and interest on the Series 2017A Bonds, and all expenses of the Authority and the Bond Trustee in connection with the Event of Default have been paid or provided for.

**Removal of the Bond Trustee**

The Bond Trustee may be removed at any time without cause upon 30 days’ prior notice (a) at the written direction of the Corporation (so long as no Default or Event of Default under the Bond Indenture, any of the Corporation’s Documents or the Master Indenture has occurred and is continuing) delivered to the Bond Trustee and the Authority or (b) by an instrument or concurrent instruments in writing signed by the Registered Owners of a majority of the aggregate principal amount of the Series 2017A Bonds then Outstanding and delivered to the Bond Trustee, the Authority, and the Corporation. A removal takes effect upon the appointment of a successor or temporary Bond Trustee pursuant to the Bond Indenture by the Registered Owners, the Authority or the Corporation and the successor or temporary Bond Trustee’s acceptance of its appointment.

**Supplemental Bond Indentures Not Requiring the Consent of the Registered Owners**

The Authority and the Bond Trustee may, without the consent of, or notice to the Registered Owners, 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;

(b) to grant to or confer upon the Bond Trustee for the benefit of the Owners of the Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Bonds or the Bond Trustee or any of them;
(c) to subject to the Bond Indenture additional revenues, properties or collateral;

(d) to add to the covenants and agreements of the Authority contained in the Bond Indenture other covenants and agreements thereafter to be observed for protection of the Bondholders, or, if such is not to the prejudice of the Bondholders, to surrender or limit any right, power or authority reserved to or conferred upon the Authority in the Bond Indenture, including, without limitation, the limitation of rights of redemption;

(e) to evidence any succession to the Authority and the assumption by such successor of the covenants and agreements of the Authority contained in the Bond Indenture, the Loan Agreement or any subsequent loan agreement or other instruments providing for the Bonds;

(f) to modify, amend or supplement the Bond Indenture or any Bond Indenture supplemental thereto in such manner as shall not be prejudicial to the interest of the owners of the Bonds, so as to permit the qualification thereof under any state blue sky law;

(g) to conform the Bond Indenture to any changes in the Loan Agreement permitted by the Bond Indenture;

(h) to permit the use of a book entry system to identify the owner of any interest in an obligation issued by the Authority under the Bond Indenture, whether that obligation was formerly, or could be, evidenced by a physical security;

(i) to permit the Bond Trustee to comply with any duties imposed upon it by law;

(j) to specify further the duties and responsibilities of the Bond Trustee;

(k) to provide for the issuance of Bonds in another form (whether or not involving certificates or other written evidence of ownership), provided that the Bond Trustee shall have received an Opinion of Bond Counsel to the effect that issuance of Bonds in any such form will not adversely affect the validity of the Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled;

(l) to modify or supplement the Bond Indenture in such manner as may be necessary or appropriate to qualify the Bond Indenture under the Trust Bond Indenture Act of 1939 as then amended (the “1939 Act”), or under any similar federal statute hereafter enacted, or as may be necessary to comply with any applicable state securities laws which require the Bond Indenture to comport with any requirements of the 1939 Act regardless of the applicability of the 1939 Act thereto, including provisions whereby the Bond Trustee accepts such powers, duties, conditions and restrictions under the Bond Indenture and the Corporation undertakes such covenants, conditions or restrictions additional to those contained in the Bond Indenture as would be necessary or appropriate so to qualify the Bond Indenture or so to comply with such state securities laws; and

(m) to supplement the Bond Indenture in any other way that is not to the material prejudice of the Bond Trustee or the owners of the Bonds.

Supplemental Bond Indentures Requiring the Consent of the Registered Owners

Exclusive of supplemental indentures summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE - Supplemental Bond Indentures Not Requiring the Consent of the Registered Owners,” the Authority and the Bond Trustee, with the prior written consent of the Registered Owners of a majority of the aggregate principal amount of the Series 2017A Bonds then Outstanding, may enter into an indenture or indentures supplemental to the Bond Indenture as the Authority and the Bond Trustee deem necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular manner, any of the terms or provisions contained in the Bond Indenture or in any supplemental indenture. No supplemental indenture, however, may permit, (a) an extension of the stated maturity or reduction in the principal amount of, reduction in the interest rate or extension of the time for paying interest on, a reduction of any premium payable on the redemption of or a reduction in the amount or extension of the time for any payment required by any principal fund applicable to any Bonds without the consent of the Registered Owners of all Bonds at the time Outstanding that would be affected by
the action to be taken, (b) the creation of any lien prior to or on a parity with the lien of the Bond Indenture, without the consent of the Registered Owners of all Bonds at the time Outstanding, (c) a reduction in the aggregate principal amount of the Registered Owners that are required to consent to any supplemental indenture without the consent of the Registered Owners of all Bonds at the time Outstanding that would be affected by the action to be taken or (d) a modification of the rights, duties or immunities of the Bond Trustee without the written consent of the Bond Trustee.

If at any time the Authority requests the Bond Trustee to enter into a supplemental indenture for any of the purposes covered under this heading, the Bond Trustee agrees in the Bond Indenture, upon being satisfactorily indemnified with respect to expenses, to send notice of the proposed execution of the supplemental indenture by registered or certified mail to the Registered Owner of each of the Series 2017A Bonds at the Registered Owner’s Address subject, for so long as the Series 2017A Bonds are in a book entry system, to the letter of representations or in such other manner or at such other address as DTC may subsequently require. The notice will briefly set forth the nature of the proposed supplemental indenture and state that copies of it are on file at the Principal Trust Office of the Bond Trustee for inspection by the Registered Owner of any Bond. If, within sixty days or any longer period as is prescribed by the Authority following the mailing of the notice, consent of the Registered Owners of a majority of the aggregate principal amount of the Series 2017A Bonds then Outstanding has been obtained, no Registered Owner of any Bond has any right to object to any of the terms and provisions summarized under this heading or their operation, in any manner to question the propriety of the execution of the supplemental indenture or to enjoin or restrain the Bond Trustee or the Authority from executing the supplemental indenture or from taking any action pursuant to the provisions of the supplemental indenture.

Consent of Corporation: Opinion

Anything in the Bond Indenture to the contrary notwithstanding, so long as the Corporation is not in default of any of its obligations under any of the Corporation’s Documents or the Master Indenture, a supplemental indenture is not effective unless the Corporation has consented to its execution and delivery.

Before the Authority and the Bond Trustee shall enter into any supplemental indenture as summarized above, there shall have been delivered to the Authority and the Bond Trustee an Opinion of Counsel stating that such supplemental indenture is authorized or permitted by the terms of the Bond Indenture. Such opinion may rely upon certifications of financial advisors, investment bankers or others experienced in health care and/or health care finance. The Bond Trustee shall not be required to execute any supplemental indenture that materially adversely affects the Bond Trustee’s rights, duties, indemnities or immunities.

Amendments to Certain of the Corporation’s Documents Not Requiring the Consent of the Registered Owners

The Authority and the Bond Trustee may, without the consent of or notice to the Registered Owners, consent to any amendment, change or modification of the Loan Agreement or the Series 2017A Master Note (a) as may be required by the provisions of the Loan Agreement and the Bond Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission in the Loan Agreement or the Series 2017A Master Note, (c) to more precisely identify, substitute or augment Project descriptions contained in the Loan Agreement or (d) in connection with any other change in the Loan Agreement or the Series 2017A Master Note that is not to the material prejudice of the Bond Trustee or the Registered Owners.

Before the Authority or the Bond Trustee shall consent to any modification, alteration, change, amendment or supplement to the Loan Agreement or the Series 2017A Master Note under the Bond Indenture, there shall be delivered to the Authority and the Bond Trustee an Opinion of Counsel stating that such modification, alteration, change, amendment or supplement is authorized or permitted by the Bond Indenture.

Amendments to Certain of the Corporation’s Documents Requiring the Consent of the Registered Owners

Except for the amendments, changes or modifications summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE - Amendments to Certain of the Corporation’s Documents Not Requiring the Consent of the Registered Owners,” neither the Authority nor the Bond Trustee will consent to any other amendment, change or modification of the Loan Agreement or the Series 2017A Master Note without sending a notice to all Registered Owners and obtaining the prior written consent of the Registered Owners of a majority of the aggregate principal amount of the Series 2017A Bonds then Outstanding in the manner summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE - Supplemental Bond Indentures
Requiring the Consent of the Registered Owners.” No amendment to the Loan Agreement or the Series 2017A Master Note, however, may permit, (a) an extension of the stated maturity or reduction in the principal amount of, reduction in the interest rate or extension of the time for paying interest on, a reduction of the amount or an extension of the time for paying any premium payable on the prepayment of, or a reduction in the amount or extension of the time for any payment of principal on any of the obligations described in the Loan Agreement or the Series 2017A Master Note without the consent of the Registered Owners of all the Series 2017A Bonds that would be affected by the action to be taken, (b) the creation of any lien prior to or on a parity with any lien created by the Bond Indenture without the consent of the Registered Owners of all Bonds at the time Outstanding, (c) a reduction in the aggregate principal amount of Bonds the Registered Owners of which are required to consent to any amendment of the Loan Agreement or the Series 2017A Master Note without the consent of the Registered Owners of all Bonds at the time Outstanding that would be affected by the action to be taken or (d) modify the rights, duties or immunities of the Bond Trustee without the written consent of the Bond Trustee. If at any time the Authority and the Corporation request the consent of the Bond Trustee to any proposed amendment, change or modification of the Loan Agreement or the Series 2017A Master Note, the Bond Trustee agrees in the Bond Indenture, upon being satisfactorily indemnified with respect to expenses, to send notice of the proposed amendment, change or modification in the same manner as summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE - Supplemental Bond Indentures Requiring the Consent of the Registered Owners.” The notice will briefly set forth the nature of the proposed amendment, change or modification and state that copies of the instrument embodying it are on file at the Principal Trust Office of the Bond Trustee for inspection by the Registered Owners.

Before the Authority or the Bond Trustee shall consent to any modification, alteration, change, amendment or supplement to the Loan Agreement or the Series 2017A Master Note under the Bond Indenture, there shall be delivered to the Authority and the Bond Trustee an Opinion of Counsel stating that such modification, alteration, change, amendment or supplement is authorized or permitted by the Bond Indenture. Such opinion may rely upon certifications of financial advisors, investment bankers or others experienced in health care and/or health care finance.

**Replacement of Series 2017A Master Note with Note Issued Under a Separate Master Indenture**

Without the consent of or notice to the Registered Owners, the Series 2017A Master Note shall be surrendered by the Bond Trustee and delivered to the Master Trustee for cancellation upon receipt by the Bond Trustee and the Authority of the following:

(a) a Written Request of the Corporation requesting such surrender and delivery and stating that the Corporation (and, if applicable, other then-current members of the Obligated Group) have become members of an obligated group under a replacement master indenture (other than the Master Indenture) and that an obligation is being issued to the Authority under such replacement master indenture (the “Replacement Master Indenture”) and delivered to the Bond Trustee;

(b) a properly executed obligation (the “Replacement Master Note”) issued under the Replacement Master Indenture and registered to the Bond Trustee (as the assignee of the Authority) with the same tenor and effect as the Series 2017A Master Note (in a principal amount equal to the then Outstanding principal amount of the Series 2017A Bonds), duly authenticated by the master trustee under the Replacement Master Indenture and endorsed by the Authority to the Bond Trustee;

(c) an Opinion of Counsel, addressed to the Bond Trustee and the Authority, to the effect that the Replacement Master Note has been validly issued under the Replacement Master Indenture and constitutes a valid and binding obligation of the Corporation (and, if applicable, other then-current members of the Obligated Group) and each other member of the obligated group (if any) that is jointly and severally liable under the Replacement Master Indenture, subject to such qualifications as are not unreasonably objected to by the Authority;

(d) a copy of the Replacement Master Indenture, certified as a true and accurate copy by the master trustee under the Replacement Master Indenture;

(e) written confirmation from each rating agency then rating the Series 2017A Bonds at the request of the Corporation that the replacement of the Series 2017A Master Note will not, by itself, result in a reduction in, or withdrawal of, the then-current rating(s) (not considering outlook) on the Series 2017A Bonds; and
(f) an Opinion of Bond Counsel, addressed to the Bond Trustee and the Authority, to the effect that the action proposed to be taken is authorized or permitted by the Bond Indenture and will not adversely affect the validity of the Series 2017A Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Series 2017A Bonds would otherwise be entitled.

Upon satisfaction of such conditions, all references in the Bond Indenture and the Loan Agreement to the Series 2017A Master Note shall be deemed to be references to the Replacement Master Note, all references to the Master Indenture shall be deemed to be references to the Replacement Master Indenture, all references to the Master Trustee shall be deemed to be references to the master trustee under the Replacement Master Indenture, all references to the Obligated Group and the members of the Obligated Group shall be deemed to be references to the obligated group and the members of the obligated group under the Replacement Master Indenture and all references to the Twenty-Sixth Supplement shall be deemed to be references to the supplemental master indenture pursuant to which the Replacement Master Note is issued.

**SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT**

**Loan of Proceeds**

The Corporation and the Authority will enter into the Loan Agreement pursuant to which the Authority will lend the proceeds of the sale of the Series 2017A Bonds to the Corporation. The Corporation will execute and deliver to the Authority the Series 2017A Master Note to evidence the loan and the obligation of the Corporation to repay it. The Series 2017A Master Note will be issued in a principal amount equal to the aggregate principal amount of the Series 2017A Bonds and will provide for payments of principal, premium, if any, and interest sufficient to permit the Authority to make the required payments of principal, premium, if any and interest on the Bonds.

**Deposits in Respect of the Series 2017A Master Note**

The Corporation agrees in the Loan Agreement to make the following payments as evidenced by the Series 2017A Master Note, directly to the Bond Trustee for deposit into the appropriate fund established by the Bond Indenture, on the following dates:

(a) for deposit into the Interest Account on or before each March 1 and September 1 commencing on March 1, 2018, the amount necessary, together with any money then on deposit in the Interest Account and available for that purpose, to pay the next installment of interest due on the Series 2017A Master Note and

(b) for deposit into the Principal Account on or before each September 1 commencing on September 1, 2018, the amount necessary, together with any money then on deposit in the Principal Account and available for that purpose, to pay the next installment of principal due on the Series 2017A Master Note.

**Obligation of the Corporation Unconditional**

The Corporation agrees in the Loan Agreement that its obligation to make the payments described in the Loan Agreement and the Series 2017A Master Note and to perform its obligations under the Loan Agreement and the Series 2017A Master Note are absolute and unconditional and are not subject to diminution by any defense (other than payment), by any right of set off, counterclaim or abatement, by the happening or non-happening of any event or for any other reason whatsoever.

**Pledge of the Loan Agreement and the Series 2017A Master Note**

Except for Unassigned Rights, all of the Authority’s right, title and interest in the Loan Agreement and the Series 2017A Master Note (including the right to receive the payments to be made by the Corporation pursuant to the Series 2017A Master Note) have been assigned to the Bond Trustee by the Bond Indenture. The Corporation consents to that assignment and agrees in the Loan Agreement that the Bond Trustee may enforce any of the rights, privileges and remedies of the Authority under the Loan Agreement and the Series 2017A Master Note other than the Unassigned Rights.
Agreement To Complete the Project; Changes to Project

The Corporation agrees in the Loan Agreement to complete or cause the completion of the Project. The Corporation also agrees in the Loan Agreement to construct, acquire and install any additional land, improvements or equipment that are necessary, in the judgment of the Corporation, for the operation of the Project. The Corporation may make changes to the Project as provided in the Loan Agreement.

Establishment of the Completion Date

Upon the completion of all of the respective components of the Project to be financed with proceeds of the Bonds, the Corporation agrees in the Loan Agreement to deliver a Completion Certificate to the Bond Trustee and the Authority.

Project Fund Insufficiency

If amounts in the Construction Account and the Equipment Account available for the payment of Project Costs are insufficient to pay the costs of the Project in full, the Corporation agrees in the Loan Agreement to complete the Project with another source of funds other than proceeds of the Series 2017A Bonds. If amounts in the Issuing Expenses Account available for the payment of Issuing Expenses are insufficient to pay Issuing Expenses in full, the Corporation agrees in the Loan Agreement to complete the payment of the Issuing Expenses from its own funds.

Inspection of the Bond Financed Property

The Corporation agrees in the Loan Agreement that each of the Authority, the Bond Trustee and the authorized agents of either of them, on reasonable prior written notice and as often as the Authority and the Bond Trustee reasonably determine to be desirable, (a) have the right at reasonable times to enter upon the Facilities in order to examine and inspect the Bond Financed Property, (b) have the right to any access to the Facilities that is reasonably necessary to complete the Project or to repair and maintain the Bond Financed Property in the event the Corporation fails to do so, (c) will be permitted to discuss the affairs and finances of the Corporation with its officers and independent accountants and (d) will be permitted at all reasonable times to examine and copy the books and records of the Corporation; provided, however, the Corporation shall not be required to disclose or discuss information that it is required to hold confidential either by law or contract.

Sufficient Revenues

Notwithstanding any other provision of the Loan Agreement or any other of the Corporation’s Documents or the Master Indenture, the Corporation unconditionally agrees in the Loan Agreement that it will pay pursuant to the Loan Agreement and the Series 2017A Master Note the full amount needed and at the times needed to enable the Authority to make timely payment of the principal of (whether due upon maturity, redemption, acceleration or otherwise), premium, if any, and interest on the Bonds.

Financial Information and Reports

The Corporation agrees in the Loan Agreement to (a) keep proper books of record and account in which full, true and correct entries will be made of all the Corporation’s business and affairs in accordance with generally accepted accounting principles consistently applied and (b) furnish to the Financial Statement Recipients, at the same time it is provided to the Bond Trustee to the Master Trustee, the materials and notices required to be delivered to the Master Trustee under the Master Indenture. The Bond Trustee shall have no duty to review or analyze any financial statements provided to the Bond Trustee pursuant to the provisions summarized under this heading and shall hold such financial statements solely as a repository for the benefit of the Bondholders; the Bond Trustee shall not be deemed to have notice of any information contained therein or Event of Default that may be disclosed therein in any manner.

Maintenance of Tax Status

The Corporation agrees in the Loan Agreement that it and each Benefited Affiliate will at all times maintain its existence as a nonprofit corporation and its status as an organization described in Section 501(c)(3) of the Code and exempt from federal income taxation under Section 501(a) of the Code. The Corporation agrees in the Loan
Agreement that it will not take any action or permit any action to be taken by others that will adversely affect its agreement summarized in this paragraph.

**Maintenance of Existence**

Except as otherwise provided in the Master Indenture, the Corporation agrees in the Loan Agreement that during the term of the Loan Agreement it will maintain its corporate existence and will be duly qualified to transact business in the State, will not dissolve, will not sell, lease, transfer or otherwise dispose of all or substantially all of its assets, will not receive from any other corporation by sale, lease, transfer or otherwise all or substantially all of its assets, will not consolidate with or merge into another corporation and will not permit one or more other corporations to consolidate with or merge into it.

**Tax Exempt Bonds**

The Corporation and Authority intend that the interest paid on the Series 2017A Bonds will be excluded from the gross income of the owners of the Series 2017A Bonds for federal income tax purposes pursuant to Section 103 of the Code. The Corporation agrees in the Loan Agreement that it will not take any action or permit any action to be taken by a Benefited Affiliate that would, or fail to take any action or permit a Benefited Affiliate to fail to take any action the omission of which would, cause an Event of Taxability to occur. The obligations of the Corporation summarized under this heading survive a defeasance of the Series 2017A Bonds pursuant to the provisions summarized under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE - Discharge” and continue until all the Series 2017A Bonds have been paid in full.

**Maintenance of Status as a Member of the Obligated Group**

The Corporation agrees in the Loan Agreement that as long as any Bonds remain outstanding it will remain a member of the Obligated Group; provided, however, the foregoing shall not preclude a merger among members of the Obligated Group.

**Events of Default**

The occurrence and continuance of any of the following events is an Event of Default under the Loan Agreement:

(a) Failure by the Corporation to pay when due the principal of (whether at maturity, redemption, acceleration or otherwise), premium, if any, or interest on the Series 2017A Master Note.

(b) Failure by the Corporation to observe and perform any covenant, condition or agreement in the Corporation’s Documents to be observed or performed by it, other than those summarized in paragraph (a) under this heading, for a period of thirty days after written notice specifying the failure and requesting that it be remedied is given to the Corporation by the Bond Trustee provided that if the failure is one which can be remedied but cannot be remedied within that thirty day period, the Bond Trustee may grant an extension of the thirty day period if the Corporation institutes corrective action within that thirty day period and diligently pursues that action until the default is remedied.

(c) Any representation or warranty made by the Corporation in the Corporation’s Closing Certificate, any of the Corporation’s Documents, the Master Indenture, or any financial statement or other document delivered in connection with the issuance of the Bonds proving to be false or misleading in any material respect as of the date given or made.

(d) The occurrence of an event of default under the Master Indenture that would permit the acceleration of any Note (as defined in Appendix C of this Official Statement) issued pursuant to the Master Indenture.

**Remedies**

Upon the occurrence of an Event of Default, the Bond Trustee, as assignee of the Authority, may, and, upon receipt from the Registered Owners of at least a majority of the principal amount of the Bonds then Outstanding of a
request to do so, shall by written notice to the Master Trustee, request that the Master Trustee declare the principal of
the Series 2017A Master Note (if not then due and payable) to be due and payable immediately subject to the
provisions of the Master Indenture regarding waiver of events of default, anything in the Series 2017A Master Note
or in the Loan Agreement contained to the contrary notwithstanding.

Upon the occurrence of any Event of Default the Bond Trustee, as assignee of the Authority, may take
whatever action at law or in equity the Authority or the Bond Trustee deem necessary or desirable (i) to collect any
amounts then due under the Loan Agreement, the Series 2017A Master Note or the Master Indenture, (ii) to enforce
performance of any obligation, agreement or covenant of the Corporation or any Benefited Affiliate under any of the
Corporation’s Documents, the Series 2017A Master Note or the Master Indenture or (iii) to otherwise enforce any of
its rights.

None of the remedies of the Authority and the Bond Trustee as its assignee under the Loan Agreement is
exclusive of any other remedy or remedies, and each remedy given is cumulative and is in addition to every other
remedy that is given or that now or hereafter exists at law, in equity or by statute. No delay or omission by the
Authority of the Bond Trustee in the exercise of any right or power accruing upon an Event of Default impairs the
right or power or is a waiver of or acquiescence in any Event of Default. Every right and power given by the Loan
Agreement to the Authority and assigned to the Bond Trustee may be exercised from time to time and as often as may
be deemed expedient by the Authority or the Bond Trustee. No waiver of any Event of Default extends to or affects
any subsequent Event of Default or impairs any rights or remedies consequent thereon.

Waivers of Events of Default

The Authority, or the Bond Trustee, as its assignee, may waive any Event of Default under the Loan
Agreement and its consequences and rescind any action previously taken and must do so upon receipt of a request
from the Registered Owners of at least a majority of the principal amount of the Series 2017A Bonds then Outstanding.
There may not be waived, however, any Event of Default summarized in paragraph (a) under the heading
“SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT - Events of Default” unless, prior to the
waiver, all arrears of principal, premium, if any, and interest on the Series 2017A Bonds and all expenses of the
Authority and the Bond Trustee in connection with the Event of Default have been paid or provided for. If any waiver
of any Event of Default occurs under the provisions summarized under this heading or any proceeding taken by the
Bond Trustee on account of any Event of Default is discontinued, abandoned or determined adversely, then the
Authority, the Corporation, the Bond Trustee and the Registered Owners will be restored to their former positions and
rights under the Loan Agreement. No waiver summarized under this heading, whether by the Bond Trustee or the
Registered Owners, extends to or affects any subsequent or other Event of Default or impairs any rights or remedies
consequent thereon.

Remedies Subject to Law

All rights, remedies and powers given by the Loan Agreement to the Authority and to the Bond Trustee, as
its assignee, may be exercised only to the extent that the exercise does not violate any applicable provision of law.
All the provisions of the Loan Agreement are intended to be subject to all applicable mandatory provisions of law that
may be controlling and to be limited to the extent necessary so that they will not render the Loan Agreement invalid
or unenforceable under the provisions of any applicable law.
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August 11, 2017

We have acted as bond counsel in connection with the issuance by the Wisconsin Health and Educational Facilities Authority (the “Authority”) of $34,425,000 of its Revenue Bonds, Series 2017A (Franciscan Sisters of Christian Charity Sponsored Ministries, Inc.) (the “Bonds”). The Bonds are being issued pursuant to Chapter 231 of the Wisconsin Statutes (the “Act”) and a resolution adopted by the Authority on June 30, 2017 (the “Resolution”) and under a Bond Trust Indenture dated as of August 1, 2017 (the “Bond Indenture”) between the Authority and U.S. Bank National Association, as bond trustee (the “Bond Trustee”).

Under a Loan Agreement dated as of August 1, 2017 (the “Loan Agreement”) between the Authority and Franciscan Sisters of Christian Charity Sponsored Ministries, Inc. (the “Corporation”), the Authority is loaning to the Corporation the proceeds from the sale of the Bonds to (a) currently refund the outstanding Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2007 (Franciscan Sisters of Christian Charity HealthCare Ministries, Inc. Obligated Group) (the “Series 2007 Bonds”) and (b) finance or reimburse the Corporation and/or certain of its affiliates (the “Benefited Affiliates”) for costs associated with the acquisition, construction, renovation and equipping of the projects described in the Loan Agreement (collectively, the “Project”).

The Corporation’s obligation to repay the loan is evidenced by the Promissory Note, Series 2017A dated August 11, 2017 (the “Note”) issued pursuant to a Master Trust Indenture dated as of March 1, 1987 between the Obligated Group created thereby (of which the Corporation is a member) and U.S. Bank National Association, as trustee thereunder (the “Master Trustee”), as amended and restated by a Fifteenth Supplemental Master Trust Indenture dated as of April 1, 2007 between the Obligated Group and the Master Trustee, and as further supplemented and amended in accordance with its terms, including the Twenty-Sixth Supplemental Master Trust Indenture dated as of August 1, 2017.

The Bonds are issuable as fully registered bonds in the denominations, bear interest at the rates and mature on the dates and in the amounts as provided in the Bond Indenture. The Bonds are subject to redemption prior to maturity at the times, in the manner and upon the terms set forth in the Bonds and the Bond Indenture.

We have examined (a) copies of Bonds numbered R-1 through R-19 (b) the Loan Agreement, (c) the Note, (d) the Bond Indenture, (e) a Tax Exemption Certificate and Agreement dated August 11, 2017 (the “Tax Exemption Agreement”) among the Authority, the Corporation, the Benefited Affiliates and the Bond Trustee, (f) a Bond Purchase Agreement dated August 1, 2017 (the “Bond Purchase Agreement”) among the Authority, Barclays Capital Inc. and the Corporation, for itself and on behalf of the Obligated Group, providing for the sale of the Bonds and (g) the Resolution.
As to questions of fact material to our opinion, we have also examined and relied upon representations and certifications of officials of the Authority, the Corporation, the Benefited Affiliates and others delivered in connection with the issuance of the Bonds (including without limitation, certifications as to the use of proceeds of the Bonds, and the Series 2007 Bonds, and the ownership, operation and use of the property financed and refinanced therewith) without undertaking to verify the same by independent investigation.

We have also relied upon a legal opinion dated the date hereof of Hall, Render, Killian, Heath & Lyman, P.C., counsel to the Corporation and the Obligated Group, with respect to various matters concerning the Corporation and the other members of the Obligated Group, including (a) the status of each as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), which is exempt from federal income taxation pursuant to Section 501(a) of the Code and is not a private foundation as defined in Section 509(a) of the Code, (b) their corporate existence, (c) the authorization, execution and delivery of the Loan Agreement, the Tax Exemption Agreement and the Note by the Corporation and the other members of the Obligated Group and (d) the validity, binding effect and enforceability of the Loan Agreement, the Tax Exemption Agreement and the Note against the Borrower.

We have also examined the other documents we deemed relevant and necessary in rendering this opinion.

Based upon the examination described above, it is our opinion under existing law that:

1. The Authority is a public body corporate and politic created and existing under the laws of the State of Wisconsin and has authority under the Act to issue the Bonds and to enter into and perform its obligations under the Loan Agreement, the Tax Exemption Agreement, the Bond Purchase Agreement and the Bond Indenture.

2. The Bonds are in the form required by law and have been authorized, executed, issued and delivered by the Authority in accordance with law, the Resolution and the Bond Indenture. The Bonds are valid and binding limited obligations of the Authority and are entitled to the protection given by the Bond Indenture except that enforceability may be limited by bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent transfer or other laws affecting creditors’ rights generally. Enforceability of the Authority’s obligations is also subject to general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law). The principal of, premium, if any, and interest on the Bonds are payable solely out of the revenues derived from the Loan Agreement or, in the event of default under the Loan Agreement, as otherwise permitted by the Bond Indenture or the Resolution and by law. The Bonds do not constitute or give rise to a pecuniary liability of the Authority or a charge against its general credit. The Authority has no taxing power.

3. The Loan Agreement, the Note and the amounts payable under the Loan Agreement and the Note by the Corporation and the other members of the Obligated Group have been pledged and assigned under the Bond Indenture as security for payment of the principal of, premium, if any, and interest on the Bonds.
4. The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code, on corporations (as that term is defined for federal income tax purposes) and individuals. The interest on the Bonds is, however, included in adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from the gross income of the owners of the Bonds for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The Authority, the Bond Trustee, and the Corporation and the Benefited Affiliates have agreed to comply with all of those requirements and the opinion set forth in the first sentence of this paragraph is subject to the condition that the Authority, the Bond Trustee, and the Corporation and the Benefited Affiliates comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

This opinion letter deals only with the specific legal issues that it explicitly addresses and no opinions may be inferred or implied beyond the matters expressly contained herein. The opinions expressed herein are specifically limited to the laws of the United States and the present internal laws of the State of Wisconsin. The opinions expressed herein are based upon those facts and circumstances in existence and laws in effect on the date hereof, and we assume no obligation or responsibility to update or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in laws that may hereafter occur, or to inform any person of any change in circumstances occurring after the date hereof that would alter the opinions rendered herein.