WASHINGTON ADVENTIST HOSPITAL
PATIENT CARE POLICY MANUAL

ADMISSION/DISCHARGE/TRANSFER CRITERIA FOR THE IMCU

Effective Date: 5/95 **Policy No: WAH.5617**
Cross Referenced: Origin: SCC
Reviewed: Authority:SM
Revised: 3/98, 9/00, 4/04, 5/13

SCOPE

All Patient Care Areas

PURPOSE

To establish guidelines for the admission of patients to Unit 4100/IMCU, along with criteria for discharge, in order to provide for appropriate utilization of the units' beds.

POLICY

Admission or transfer to the IMCU is made by the private physician, Intensivist or house officer through the Admitting Office. The Emergency Department or the Admitting Office notifies the Charge Nurse.

A. ELIGIBILITY

1. Patients admitted to the IMCU may require frequent interventions and assessments but do not require the level of support given in the intensive care unit. Monitoring capabilities include non-invasive monitoring such as NIBP, oxygen saturation and telemetry monitoring. During times of high utilization and scarce beds, patients will be triaged in order of priority classification. Eligibility is based on admission and discharge criteria as well as the reversibility of the clinical problem, the likely benefits of IMCU care, and expectation of recovery.

2. In case of conflict regarding the admission or discharge criteria or during periods of high utilization and scare beds, the Medical Director, or designee, will decide final triage decisions, in consultation with the attending physician.

B. OBLIGATIONS OF ATTENDING PHYSICIANS

1. The attending physician assumes responsibility for the overall coordination of the care of the patient, and agrees to be available to the unit in a timely fashion to address problems as they arise. If the training, expertise or availability of the patient's own attending physician does not permit the fulfillment of that responsibility, then the overall responsibility of care may be transferred to another physician.

2. When a patient is admitted from outside the hospital to the IMCU, the patient must be seen within eight (8) hours of admission by the admitting physician (or designee). This requirement begins when the patient is admitted to the hospital, not the unit. An admitting note and history and physical shall be placed on the chart within eight (8) hours of admission. When these items are dictated, a note should be written to that effect and sufficient information given so that emergency treatment can be appropriately administered. When a patient is admitted to the unit as an overflow medical-surgical or cardiac telemetry patient, the patient will be seen by the attending physician according to guidelines for those patients.

3. IMCU patient's admission orders should be obtained upon the patient's arrival to the admitting unit. When a patient is transferred from another facility or unit to the IMCU, the admission orders cannot merely state "continue all the same medications and treatments".

4. The attending physician or designee will see patients at least once daily and record in the progress notes.

C. ADMISSION CRITERIA

1. Patients that meet the following criteria are candidates for admission to IMCU:

   a. Patients being transferred out of ICU who require a transition period of care and/or observation that exceeds the resources of a general medical-surgical unit. Examples include but are not limited to:

      1) Patients undergoing extubation within the past 12 hours.

      2) Patients with O2 therapy with frequency of interventions not > every 2 hours.

      3) Patients with GI bleed stabilized with absence of gross GI bleeding and stable hematocrit.

      4) Hemodynamic stability without assist or support devices.

      5) Absence of invasive monitoring lines.

      6) Patients requiring mechanical ventilation support.

      7) Patients on Vapotherm or continuous BiPaP.

   b. Patients who require care and/or observation that exceeds the resources of a general medical-surgical unit. Examples include but are not limited to:

      1) No greater than every 2 hour measurement of VS, I&O, neuro/vascular checks, labs.

      2) Patients with in-dwelling airways receiving assisted ventilation on a continuous or intermittent basis.

      3) IV medications not deliverable on a general floor.

   c. Patients who meet the admission criteria for cardiac telemetry and medical/surgical units but for whom there is not an available bed may be boarded on the IMCU until a bed becomes available in telemetry or med/surg.

2. Patients who do not fit the above criteria will be reviewed for admission or transfer to another unit.

3. Patients for whom limits have been placed on treatment or resuscitation may be admitted to the IMCU if they meet other admission criteria.

4. Patients who do not meet routine admission criteria include:

   a. Otherwise stable patients with chronic ectopy for which therapy is not intended.

b. Otherwise stable patients requiring frequent observation due to anxiety or confusion.

c. Terminal patients receiving comfort measures only, not on mechanical ventilator support.

d. Stable patients requiring intervention or assessment less frequently than every 2 hours. These patients would be admitted to IMCU only under unusual circumstances and they should be discharged as necessary to make room for Priority I and II patients.

D. FURTHER SPECIFIC CRITERIA

1. Only patients whose condition is not currently deteriorating, and who are determined to not be at significant risk for requiring intervention to prevent or treat life threatening conditions are appropriate. Patients who are deteriorating and are at significant risk should be cared for in ICU.

2. Direct admission: considered based on bed availability.

3. The attending physician (or designee) shall decide if the patient medically requires an IMCU bed.

4. If the attending physician orders IMCU and the patient does not meet criteria for admission, the Medical Director shall be notified.

5. IMCU patients admitted to another setting due to non-availability of beds will receive the level of care appropriate to an IMCU patient.

6. When an IMCU bed is needed and all attending physicians report that their patients are not transferable, the Director, or designee, will confer with the Medical Director, or designee, who will, in consultation with the attending physician, make final triage decisions.

E. DISCHARGE CRITERIA

1. It is the responsibility of the attending physician to promptly transfer patients meeting discharge criteria.

2. Patients are discharged when their need for the special services provided by IMCU is no longer present, when their condition has stabilized such that they can be cared for on the general telemetry or medical-surgical floor or when treatment has failed, prognosis is poor and there is little likelihood of recovery or benefit from continued IMCU treatment.

3. The Charge Nurse will evaluate patients each shift to determine readiness for discharge. Attending physicians are responsible for discharging patients from the IMCU in a timely manner when they no longer meet criteria. Patients shall be evaluated by the attending physician every 24 hours to determine progress and readiness for discharge. The patient who derives the least benefit from the facilities of the IMCU unit shall be the first to be transferred out of the unit.

4. Patients unlikely to benefit from continued IMCU treatment include:

a. Patients who are brain dead or who have non-traumatic coma leading to a permanently vegetative state and a very low probability of meaningful recovery.

b. Patients who have had formal limits placed upon their care consistent with “comfort care only”.

c. Patients with protracted respiratory failure who have not responded to initial aggressive efforts and who are also suffering from irreversible malignancy.

d. Patients with a variety of other diagnoses (advanced COPD, end-stage cardiac disease, or widespread carcinoma) who have failed to respond to ICU therapy, who short-term prognosis is also extremely poor, and for whom no potential therapy exists to alter that prognosis.

5. It is expected that there will arise situations for individual patients in which the discharge decision does not conform exactly with this policy. It is the intent of this hospital and medical staff to make the best decisions for the individual in the context of the overall need for care. If a patient is discharged for the IMCU who does not meet discharge criteria or is retained in the IMCU although meeting discharge criteria, an explanation should be documented in the chart by the attending physician.

F. NURSING RESPONSIBILITIES

1. The IMCU Nurse will give a complete report to the receiving nurse, and assist staff with orientation to unusual therapies or equipment.

2. The attending physician, patient and family shall be notified of discharge.

WASHINGTON ADVENTIST HOSPITAL
PATIENT CARE POLICY MANUAL

INTERDISCIPLINARY CARE & DISCHARGE PLANNING

Effective Date: 11/82
Cross Referenced: 5564, 5852, 5922
Reviewed: 3/87, 3/88, 4/89, 5/90, 6/98
Revised: 1/86, 2/91, 5/92, 6/95, 7/95, 5/01, 1/04 ,7/04, 6/06, 5/13

Policy No: WAH. 5921

Origin: NRSG
Authority: SM

SCOPE

All Patient Care Areas

PURPOSE

To describe the discharge planning process and the responsibilities of the members of the patient care team in implementing the discharge planning process.

POLICY

Discharge planning is the process whereby patient needs are identified and evaluated, and assistance is given in preparation for discharge from the Hospital.

GUIDELINES

In order to provide safe and timely continuity of care, discharge planning begins before or at the time of admission. The process is multi-disciplinary and takes into account the patient's right, in collaboration with his/her physician, to make decisions regarding his/her medical care, and involves the patient's family/significant other, when appropriate. Patients having one or more of the intervention parameters undergo more intensive planning efforts.

The preadmission information and screening identifies the needs of the patients so an interdisciplinary plan of care can be implemented and the patient can be treated in the most appropriate care setting.

The interdisciplinary plan of care is continually assessed and reassessed to address specific needs, including tests or procedures, referrals, treatments and therapies, and education.

Prior to discharge, an interdisciplinary team identifies patient needs relating to home services, ancillary services, or transfer to another facility. At discharge the patient is referred to practitioners, settings, and organizations to meet his or her continuing needs.

DEFINITIONS

Intervention Parameters: Factors that might prolong the length of stay or complicate the discharge plan. These factors are established by a multi disciplinary discharge planning team, and include:

- Primary/Secondary diagnoses: Amputee, cancer with metastasis, CVA, ESRD with HTN and DM, uncontrolled DM, HIV, change in mental status, mental health diagnosis, substance abuse.
- Expected LOS greater than 48 hours
- Complexity of care: More than three (3) physicians involved
- New dialysis
- Scarce finances or inadequate insurance coverage for anticipated needs
- Repeat admission (within 30 days)
- Behavioral problems
- Non-compliance
- Lack of support systems/unclear decision-maker status
- Over 75 years of age and living alone

- Admitted from nursing home or assisted living facility
- Any suspicion of abuse/neglect
- Homeless

I. RESPONSIBILITIES:

A. ATTENDING/ADMITTING PHYSICIAN

The attending/admitting physician shall:

1. Assess and identify discharge planning needs of his/her patients and order appropriate consults to address these needs in a timely manner.
2. Collaborates with the patient, family, and members of the health-care team to determine and implement an appropriate discharge plan and to complete necessary paperwork to refer his/her patient to outside agencies and facilities.
3. Determine when the patient is ready for discharge and orders the discharge.
4. Document the discharge needs and follow-up plan of care in the patient's medical record.

B. NURSING

1. The nurse will assess the patient's physical, social, and psychological condition upon admission to the unit, recording the data on the admission assessment form. This assessment will also include the current self-care needs of the patient as well as needs that may exist at discharge. The initial discharge plan will be based on this assessment which includes:

   a. Current health status
   b. Projected level of care needed upon discharge
   c. Teaching necessary prior to discharge
   d. Patient strengths and weaknesses
   e. Resources available for post-hospital care
   f. Ability of the patient/significant other/care giver to arrange continuing care needs

2. Make referrals to appropriate disciplines for further assessment. Patients determined to require intensive planning will be reviewed and/or discussed at regularly scheduled interdisciplinary care discharge planning meetings and the discharge plan will be modified as appropriate.

3. The charge nurse will lead the unit specific interdisciplinary care planning meetings, assure that meetings start and end on time and remain focused on the patients with discharge planning needs. He/she will initiate and document updates on the Interdisciplinary Plan of Care for those patients requiring intensive planning.

4. Initiate the patient discharge process as ordered by the physician.

   a. Attending physician, or his/her designee, must issue or approve an order for patient discharge.
   b. If a consulting physician writes an order to initiate patient discharge, the nurse contacts the attending physician (or designee) and obtain approval for the discharge.
   c. The attending physician's order for discharge must be recorded on the Physician's Order Form.
   d. If the patient's condition, readiness for discharge or discharge plan is unclear to the nurse, the attending physician must be contacted for clarification.

C. REHABILITATION MEDICINE

1. All patients undergo screening for functional assessment.
2. Rehabilitation Medicine Therapist will attend the interdisciplinary care planning meetings as needed.

3. Discharge instructions given to the patient/care giver as well as equipment issued by the therapist and instructions for its use will be documented in their daily charting.

D. CASE MANAGEMENT

The Social Worker (SW) or RN Case Managers (CM) will:

1. Assess the needs of those patients on his/her unit utilizing, but not limited to, the Intervention Parameters list and the admission assessment screen. Referrals to case management may come from any source including, but not limited to: physician, nursing staff, patient, family, external agency.

2. Further assess patients who trigger a screen through the nursing assessment process, and initiate discharge planning on those patients identified as meeting any of the intervention parameters within two (2) working days. On weekends, the SW or CM may be contacted for facilitating the discharge of patients with complex needs.

3. Contact the attending physician to coordinate plans and to keep him/her informed of progress and changes.

4. Review the patient chart and interview the patient/care giver to gather pertinent information about resources, previous level of care, and willingness to engage in discharge planning.

5. Coordinates the interdisciplinary care planning process through discharge, including:
- Determine availability of services to meet the patient's identified needs at discharge, including education about options and patient/family (SO)agreement with plan, and final discharge plan in the patient's medical record.
- Track patient progress to discharge, identifying potential obstacles and team member responsibilities for follow through
- Make appropriate internal and external referrals, including arrangements for Home Health, DMEs, home IVs or oxygen.
- Refer patients to ancillary services and community resources as appropriate.
- Facilitate discharge to continuum of care facility.

6. Participate in the unit specific interdisciplinary care planning meetings.

7. Case management will document pertinent assessment information (Assessment Form) and continuing interventions (Patient Progress Notes).

8. Perform case management on a case-by-case basis to assure continuity of care and prevent discharge delays.

E. NUTRITIONAL SERVICES

1. Patients will be screened upon admission to the hospital for a length of stay of greater than 24 hours to identify nutritional problems and to evaluate the need for further nutritional intervention.

2. Referrals will be sent for the dieticians to conduct nutritional assessments. A follow-up screening and assessment will be performed by Nutrition Services, as appropriate.

3. Prior to discharge, any patient needing nutrition education will receive instructions, which is documented on the Patient Progress note.

4. Attendance at the interdisciplinary care planning meetings will be determined by the dietician covering the individual unit in consultation with the other interdisciplinary team members.

F. PASTORAL CARE

1. A chaplain or student intern will attend the interdisciplinary care planning meetings whenever possible.
2. Emergency needs will be seen to as soon as possible.
3. Requests for services may be made by any discipline by calling Pastoral Care.
4. Interventions are documented on the Patient Progress note.

G. RESPIRATORY CARE

1. Education required by the patient/care giver in the use of equipment and/or home treatments will be provided by the respiratory care practitioner prior to discharge and documented in their daily charting.
2. Attendance at the interdisciplinary care planning meetings is a must in Critical Care and will be on an as needed basis outside of Critical Care.

H. PHARMACY

1. Instruction concerning medications will be provided by the RN with additional support from the pharmacist when needed. Patient/care giver instruction will be documented on the discharge record.
2. The pharmacist will attend interdisciplinary care planning meetings in Critical Care and as needed outside of Critical Care..

I. SOCIAL WORKER

1. The Social Worker initiates psychosocial assessment for all referred patients.

2. The Social Worker counsels patient and family for emotional adjustment to illness and discharge plan.

V. PATIENT, PATIENT'S FAMILY, GUARDIAN

The patient, if competent, makes the ultimate decision regarding the final discharge plan after taking into account the recommendation of the physician and other members of the health-care team and involved family members. He/she needs to participate in learning about discharge planning needs and available options, weigh the risks and benefits of these options and communicate his/her decision to the health-care team. If the patient is judged incompetent by a court of law or by two physicians who certify that the patient is disabled ("lacks sufficient understanding or capacity to make or communicate a responsible decision on health care"), or if the patient is a minor, the decision-making responsibility falls to the patient's guardian, legally-authorized representative or next-of-kin as detailed by Maryland State Law. (See Policy WAH.5852).

II. INTERDISCIPLINARY CARE PLANNING MEETINGS

A. Interdisciplinary Care Planning meetings are held daily (Monday – Friday) all in-patient nursing units to facilitate inter-disciplinary collaboration for discharge planning. Meetings are attended by Nursing and Case Management staff (case manager and/or Social Work) to review all patients on the unit, to identify patients who have discharge planning needs, to track care planning progress, and to facilitate meeting identified needs. Other members of the care team may attend the meetings on an "as needed" basis. Included in the discussion will be patient's diagnosis, overall plan of care, reason for continued acute admission, plan for the day, anticipated discharge date, and anticipated discharge needs. While all patients are reviewed for discharge planning needs, there is focused effort on those patients requiring intensive planning and or those in observation/extended recovery status..

B. Interdisciplinary Treatment Team meetings are held daily on the Behavorial Health Unit. They are attended by Psychiatrists, Nursing, Social Work, Utilization Management and Day Treatment. Other members of the health care team attend as needed.

C. Designated team members are responsible to contact physician and/or ancillary for follow-up and concerns.

D. Each discipline to document relevant information obtained from the meetings in their daily charting.

Reference:

Dept. of Health. (2008). Information for a healthy New York: Suggested model for transitional care planning.

WASHINGTON ADVENTIST HOSPITAL
PATIENT CARE POLICY MANUAL

DISCHARGE OF PATIENT

Effective Date: 8/76
Cross Referenced:
Reviewed: 5/86, 6/87, 6/89
Revised: 5/88, 6/90, 2/91, 4/92, 4/95, 4/98, 7/01, 5/04, 6/06, 5/13, 9/13

SCOPE

This policy has hospital-wide application.

PURPOSE

To outline the guidelines to be followed by Hospital personnel in the discharge of a patient.

POLICY

The nurse on the nursing unit shall be responsible for coordinating all activities concerned with the discharge of a patient.

A. Discharge of Inpatients

1. In preparation for discharge, continuing care needs are assessed and referrals for such care are documented in the patient's medical record. [See Discharge Planning, WAH.5921.]
2. At the time of discharge, the nurse responsible for the patient will review the patient's current status and the most recent nursing assessment documented, and update as appropriate. The plan of care will reflect progress made toward goals.
3. The reason for discharge will be documented on the Discharge Instruction form and/or discharge summary.
4. The physician will complete Sections 1 and 4 of the Discharge Instruction form and dictate or write a discharge summary.
5. To ensure continuity of care, discharge instructions and pertinent copies of the medical record will be provided to the patient or care provider as detailed below.

   a. Patients discharged home: The nurse responsible for the patient's care shall ensure completion of the Discharge Instructions form. The instructions provided will include information on medications, allergies, wound care, conditions to report to the physician, follow up care, diet, activity restrictions, and community resources or referrals and any other arranged assistance. The nurse will document understanding of the instructions provided.
   b. Patients discharged home with home health services: The home health liaison reviews the patient's medical records prior to discharge in preparation for home assistance. The Discharge Instructions form is completed as outlined above. Pertinent copies of the medical record are provided to external health care providers.
   c. Patients discharged/transferred to another acute or non-acute care facility: The Discharge Instructions and pertinent copies of the medical record are provided to the receiving facility. A copy of the physician's transfer summary is provided. For patients going to another acute care facility, report is telephoned to the receiving facility prior to transfer. [See Patient Transfer, External, WAH.5777.]
   d. Patients requesting an electronic copy of their discharge instructions will be registered for myAdventistHealthCare, AHC's patient portal, for retrieval of their discharge instructions from home.

6. The patient or person responsible for the patient shall go to the Admitting Office and satisfy any financial obligations or meet with a financial counselor to construct a payment plan.

7. Partially used medications may be sent home with the patient in accordance with Policy WAH.5015.

8. Pediatric patients may only be discharged if accompanied by their parent or guardian unless otherwise specified in writing by the parent or guardian. The parent or guardian must specify by name the responsible adult who will accompany the patient, and notify the intended adult to be prepared to provide appropriate identification (e.g. driver's license). The nurse will require the adult to provide proof of identification prior to discharging the pediatric patient. In such cases as this, pediatric patients may be discharged to the responsible designated adult.

B. Discharge of Outpatients Post Procedure

1. The discharge of outpatients who have had a procedure performed under spinal or general anesthesia, or moderate sedation, will be in accordance with the standards outlined in this policy. These standards do not apply to procedures performed under local anesthesia.

2. Patients will be advised pre-procedure of any discharge requirements, including the need to arrange for appropriate transportation and be accompanied by a responsible adult. The mode of transportation may be private or public.

3. The following discharge criteria apply:

   a. Patients must demonstrate an Aldrete score of 9 or greater; an Aldrete score of 8 or lower requires that an anesthesiologist or other physician accept responsibility for discharge. [See PACU policy 401 for explanation of score.]
   b. Patients must also demonstrate: (SSU Criteria)
      1) stable vital signs,
      2) return to preoperative state of alertness and orientation,
      3) absence of respiratory distress,
      4) presence of swallow, cough and gag reflexes,
      5) return to preop state of ability to ambulate, (exclusion: procedure on extremity)
      6) minimal or absent nausea, vomiting and dizziness.

4. It is the responsibility of the Physician or Anesthesiologist to discharge a patient from the outpatient setting. The discharge may be by physician order or protocol.

5. If it is determined post-procedure that the patient did not make prior arrangements or the arrangements made for accompaniment by a responsible adult are not forthcoming, and the patient meets discharge criteria and is competent:
   a. The patient may go home by taxi or other similar mode either with an adult escort who is able to see the patient into their residence or the driver agrees to observe the patient successfully enter their residence.
6. In the event a patient does not meet discharge criteria but is insisting on leaving the hospital, the physician or anesthesiologist will assess the patient and determine the competency of the patient and risk of leaving against medical advice. If the patient is incompetent, the patient should be detained. If the patient is deemed competent, and elects to disregard the counsel of the hospital and go home contrary to medical advice, such information shall be documented on the patient's chart in accordance with the Discharge Against Medical Advice policy (WAH.5592).

Reference:

APPENDIX X

(Source: Washington Adventist Hospital Department of Surgery Rules and Regulations)

VII-2 The Thoracic and Cardiovascular Surgery Section

Number Requirement For Open Heart Surgery For Reappointment: The following year/number requirement for open heart procedures for reappointment were approved by the Thoracic Cardiovascular Surgery Section on April 27, 1989.

(a) For CVT surgeons who came on staff after 1988, the following requirements are in force:

Number of Cases required /Year to Maintain privileges

1st Year	10
2nd Year	15
3rd Year	25
4th Year	40

(b) For CVT surgeons who were on staff prior to 1988, the following requirements are in force:

Number of Cases required/Year to Maintain privileges

1988	10
1989	15
1990	25
1991 & Thereafter	40

Effective, January 1, 1992 at least 50% of the cardiac procedures required to maintain clinical privileges for open heart surgery must be performed as the primary surgeon.

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park Campus Master Plan

September 5, 2013

Site Development Planning

Critical Planning Issues

- Available site building area does not support retaining existing low-rise buildings

  Current site restricted areas, including stream buffer setback and Pond agreement development restrictions, limits site future development potential

  To provide available site building area for medical office and structured parking facilities, future site development will require higher-density building footprints

- Limited building floor to floor heights

  10’-9” and 11’-0” floor to floor heights do not support high-acuity services, limiting future repositioning for contemporary acute care healthcare services

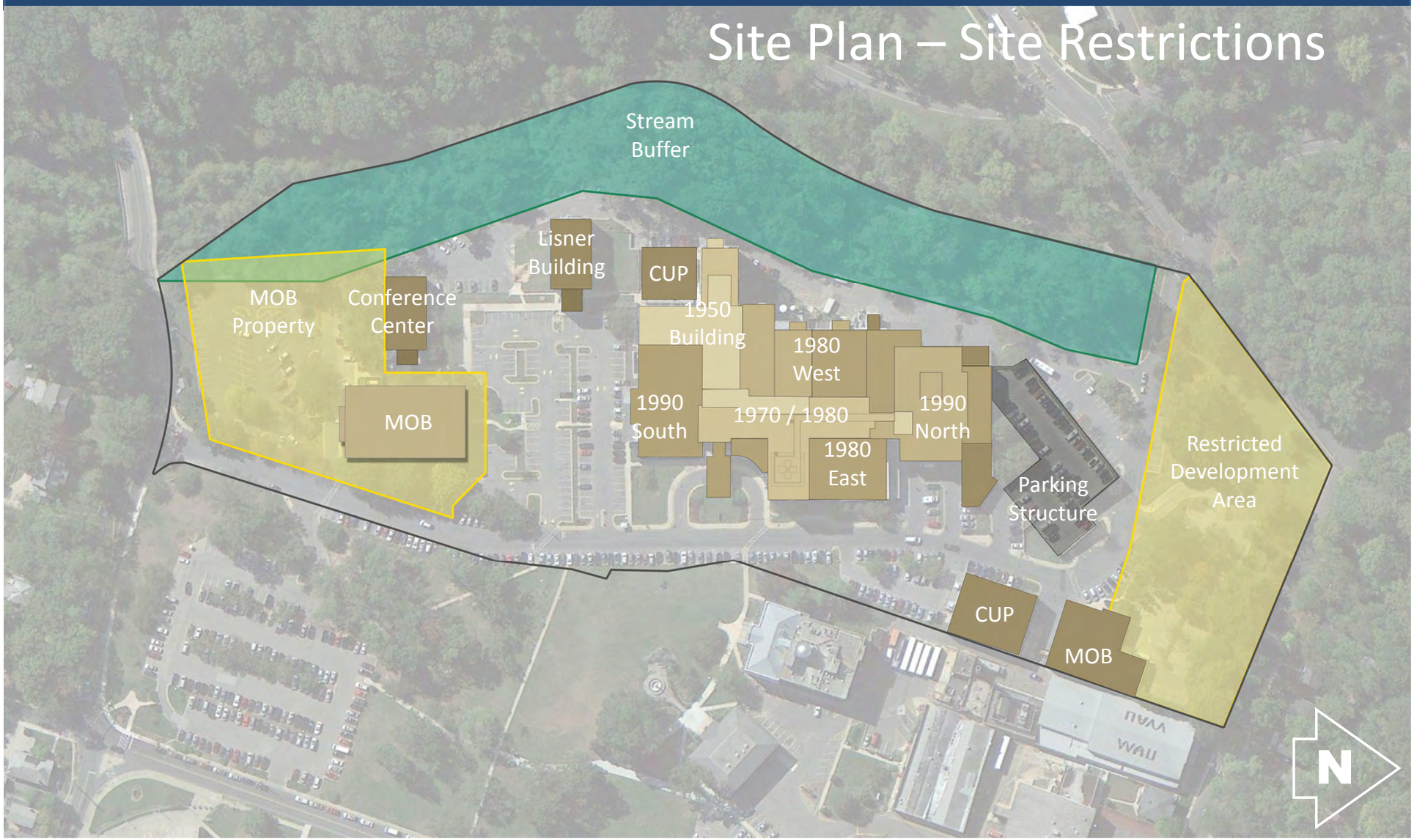
- Aging facilities limit asset value of existing facilities

  1950 era building is over 60 years old with substantial deferred maintenance and building upgrade issues, providing diminished asset value going forward

  1970 era building is approaching 50 years old with substantial deferred maintenance and building upgrade issues, providing diminished asset value going forward

Site Development Planning

Site Plan – Site Restrictions



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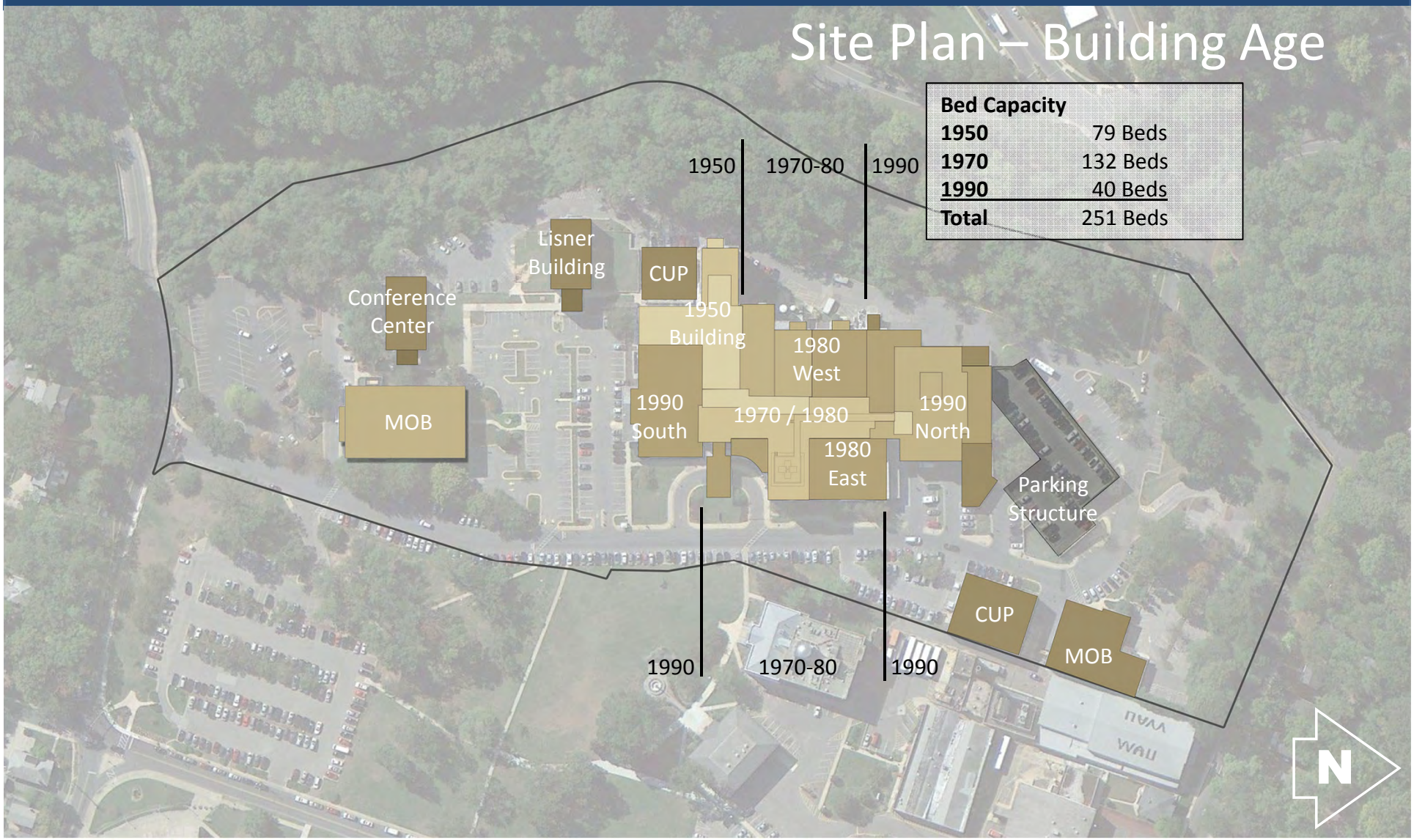
Takoma Park Campus Master Plan

Site Development Planning

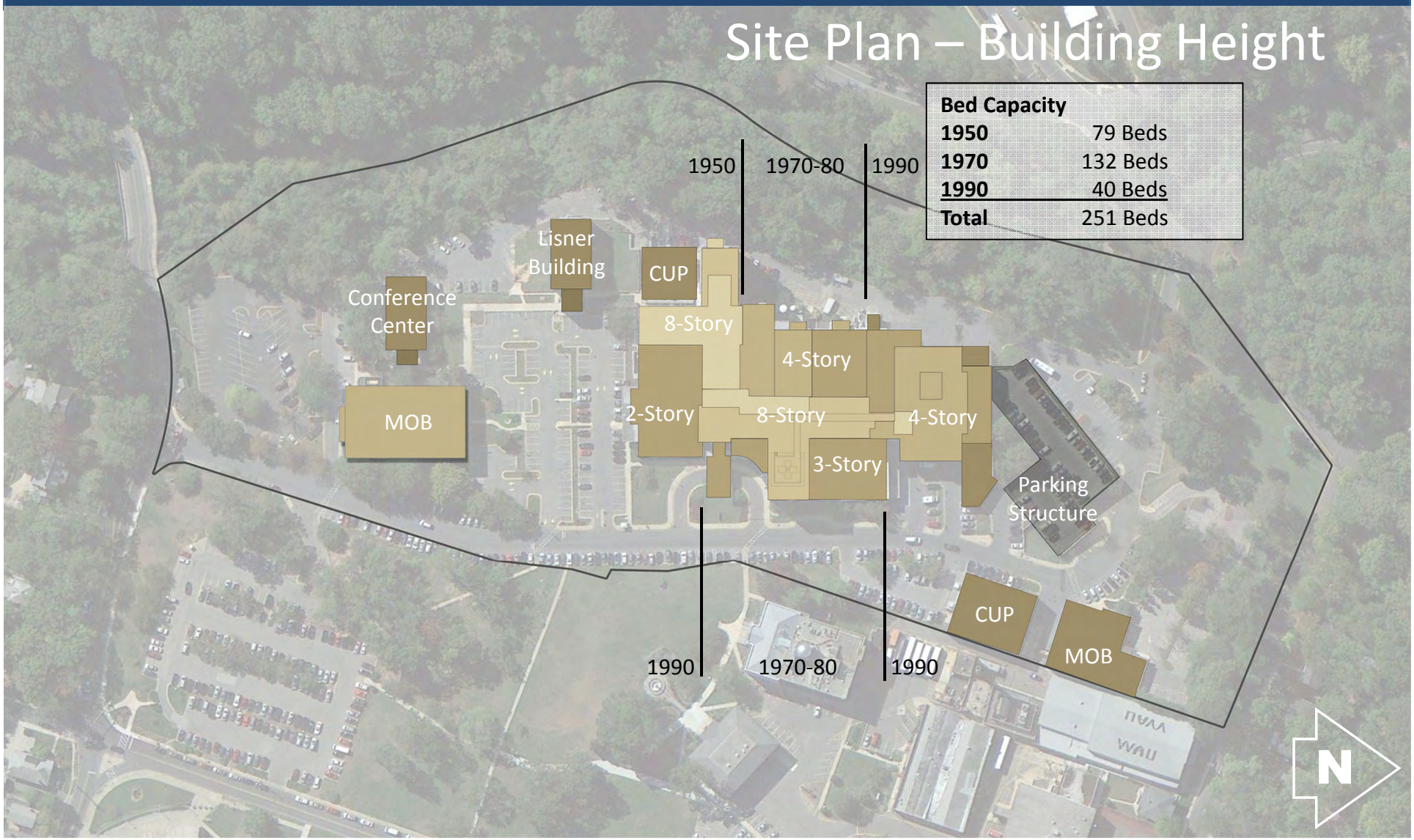
Site Plan – Building Age



Bed Capacity	
1950	79 Beds
1970	132 Beds
1990	40 Beds
Total	251 Beds

Site Development Planning

Site Plan – Building Height



Bed Capacity	
1950	79 Beds
1970	132 Beds
1990	40 Beds
Total	251 Beds

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park Campus Master Plan

Development Approach

- Campus Planning Concept

  Long-range institutional campus regeneration requires an “empty chair” site planning approach to facilitate development of replacement facilities while maintaining operations

  1990 development on-campus constructed relatively low-rise additions to the main hospital building on both the north and south sides, restricting the ability to economically replace aging assets going forward without disruption to services or loss of services for a period of time

- Maximize Future Campus Development Potential

  To maximize utilization of the limited existing available site area, future site development will require higher-density building footprints

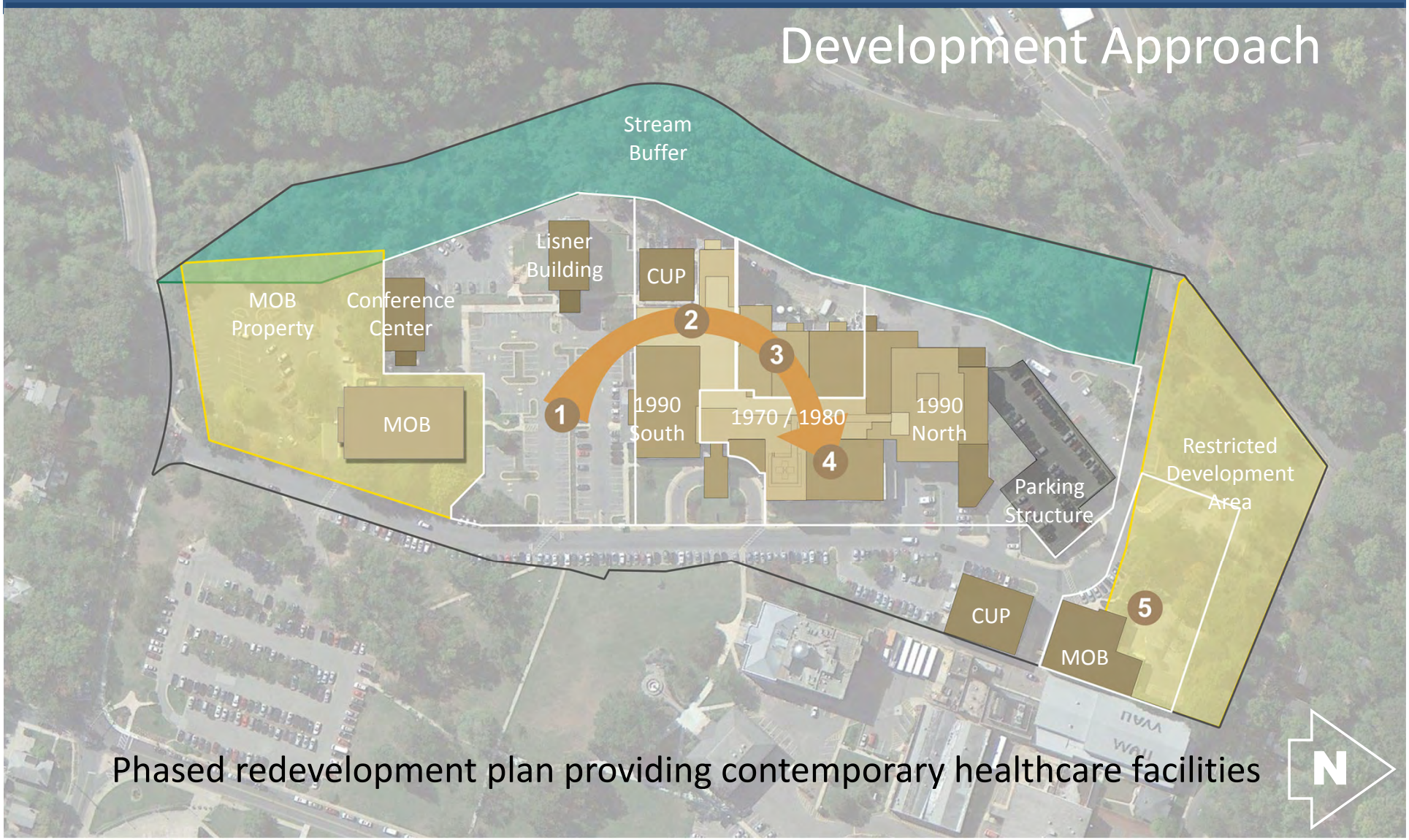
  Low-density building areas less than 7-stories include:

  - 1980 East & West 4-story additions
  - 1990 South 2-story addition
  - 1990 North 4-story addition

  These building areas are considered to provide limited asset value going forward

Site Development Planning

Development Approach



Phased redevelopment plan providing contemporary healthcare facilities

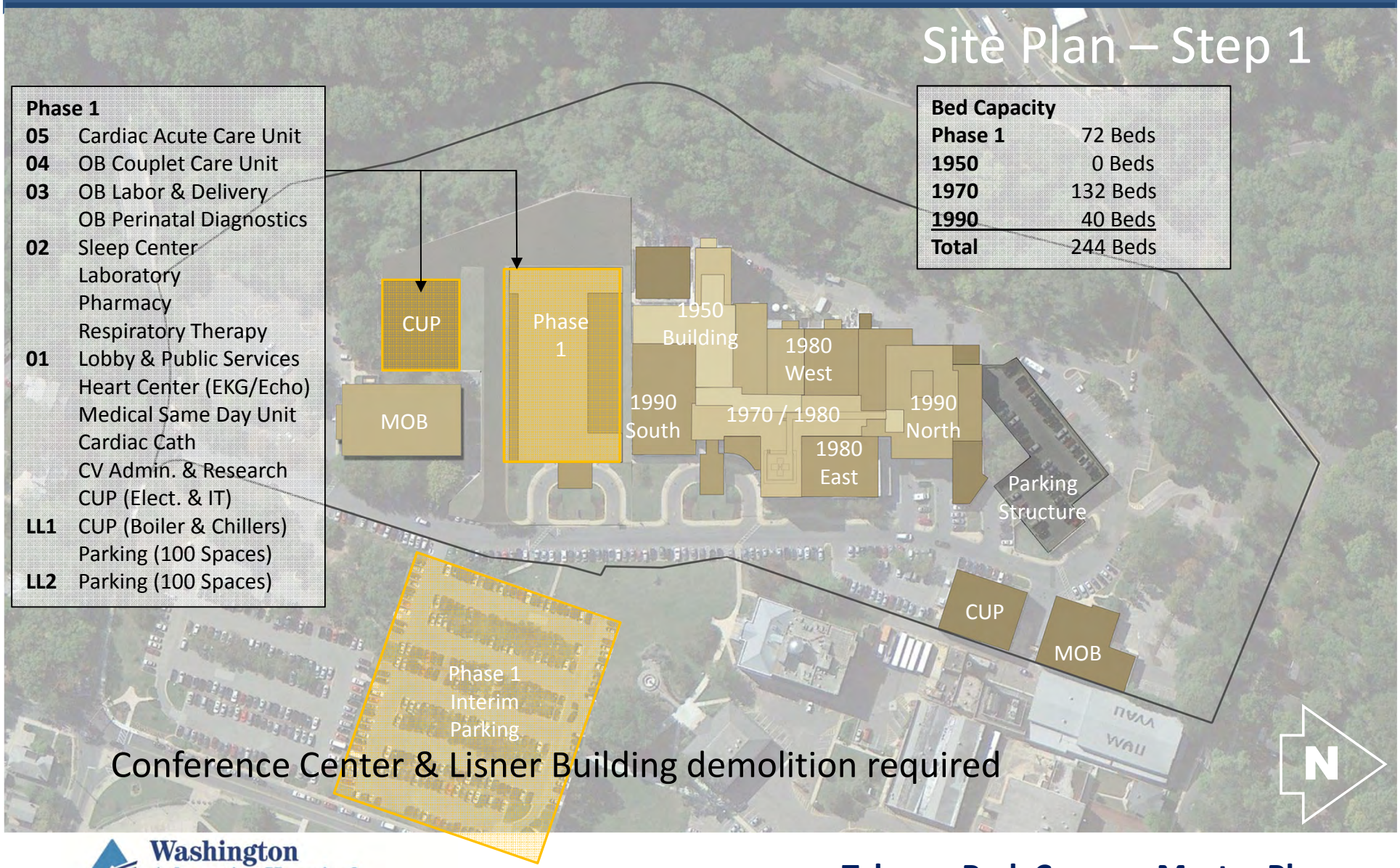
Site Development Planning

Site Plan – Step 1

Phase 1

05	Cardiac Acute Care Unit
04	OB Couplet Care Unit
03	OB Labor & Delivery
	OB Perinatal Diagnostics
02	Sleep Center
	Laboratory
	Pharmacy
	Respiratory Therapy
01	Lobby & Public Services
	Heart Center (EKG/Echo)
	Medical Same Day Unit
	Cardiac Cath
	CV Admin. & Research
	CUP (Elect. & IT)
LL1	CUP (Boiler & Chillers)
	Parking (100 Spaces)
LL2	Parking (100 Spaces)

Bed Capacity	
Phase 1	72 Beds
1950	0 Beds
1970	132 Beds
1990	40 Beds
Total	244 Beds



Conference Center & Lisner Building demolition required

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park Campus Master Plan

Site Development Planning

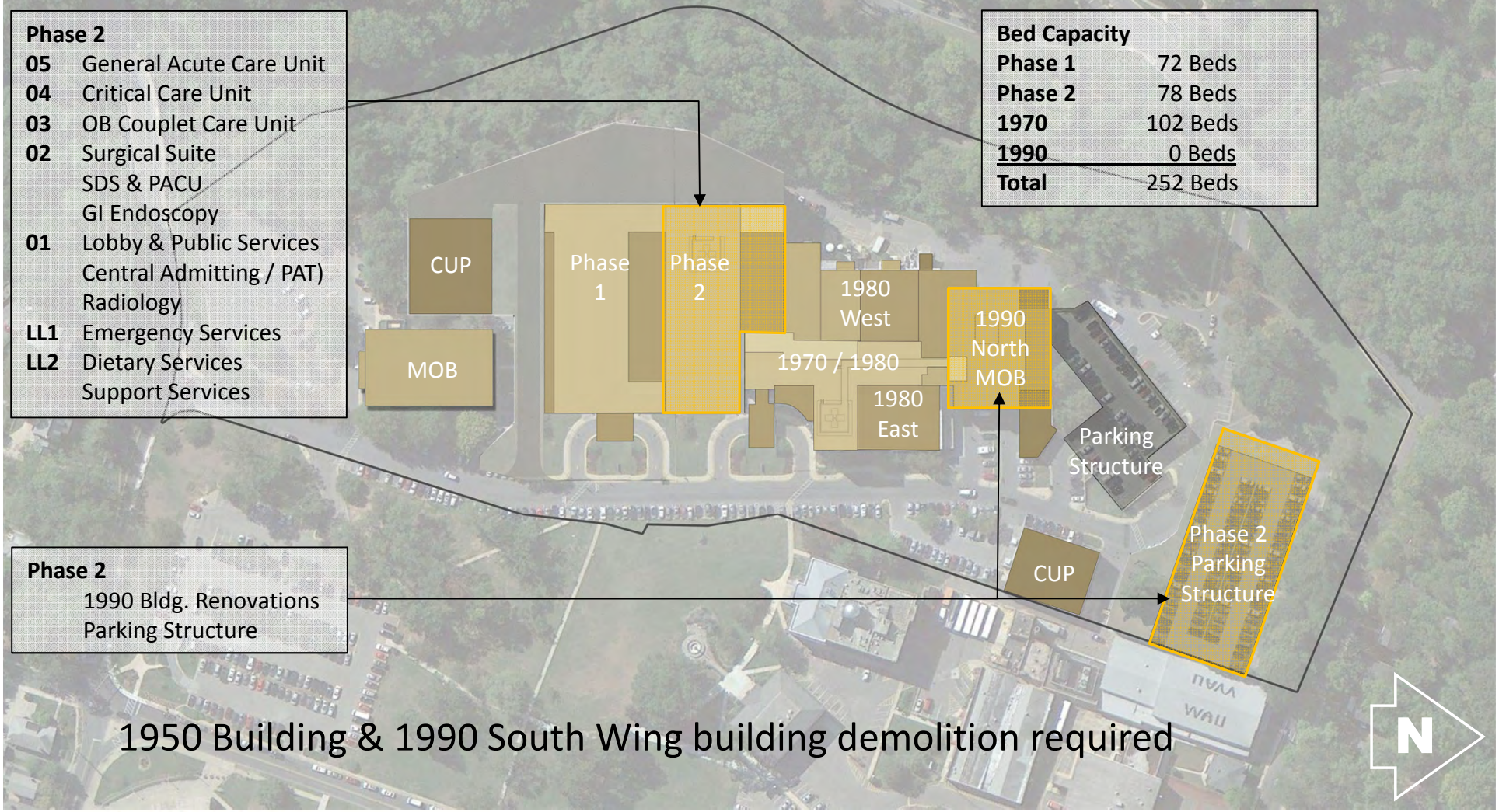
Site Plan – Step 2

Phase 2

05	General Acute Care Unit
04	Critical Care Unit
03	OB Couplet Care Unit
02	Surgical Suite
	SDS & PACU
	GI Endoscopy
01	Lobby & Public Services
	Central Admitting / PAT)
	Radiology
LL1	Emergency Services
LL2	Dietary Services
	Support Services

Bed Capacity

Phase 1	72 Beds
Phase 2	78 Beds
1970	102 Beds
1990	0 Beds
Total	252 Beds



Phase 2

1990 Bldg. Renovations
Parking Structure

1950 Building & 1990 South Wing building demolition required

Washington Adventist Hospital
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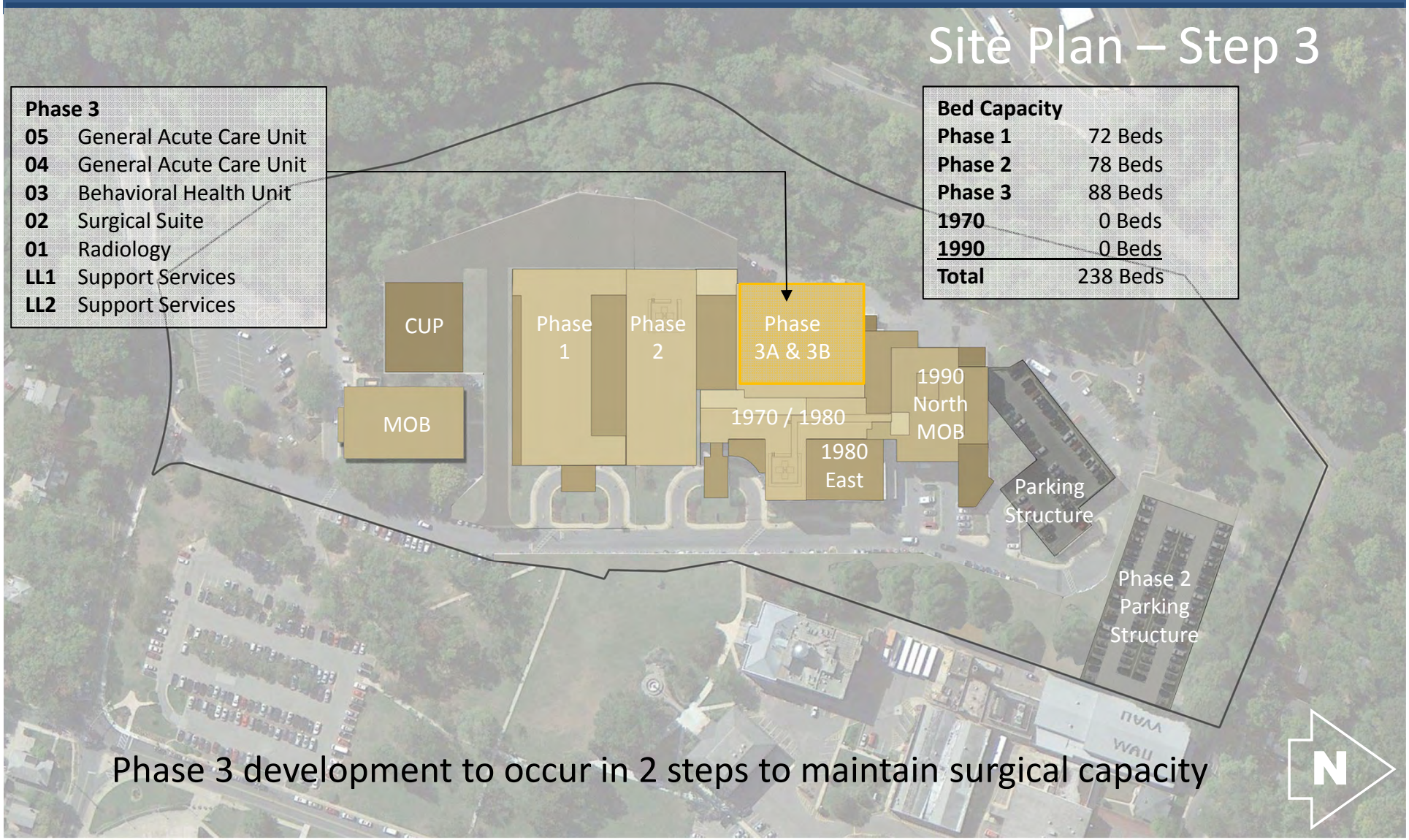
Site Development Planning

Site Plan – Step 3

Phase 3	
05	General Acute Care Unit
04	General Acute Care Unit
03	Behavioral Health Unit
02	Surgical Suite
01	Radiology
LL1	Support Services
LL2	Support Services

Bed Capacity	
Phase 1	72 Beds
Phase 2	78 Beds
Phase 3	88 Beds
1970	0 Beds
1990	0 Beds
Total	238 Beds



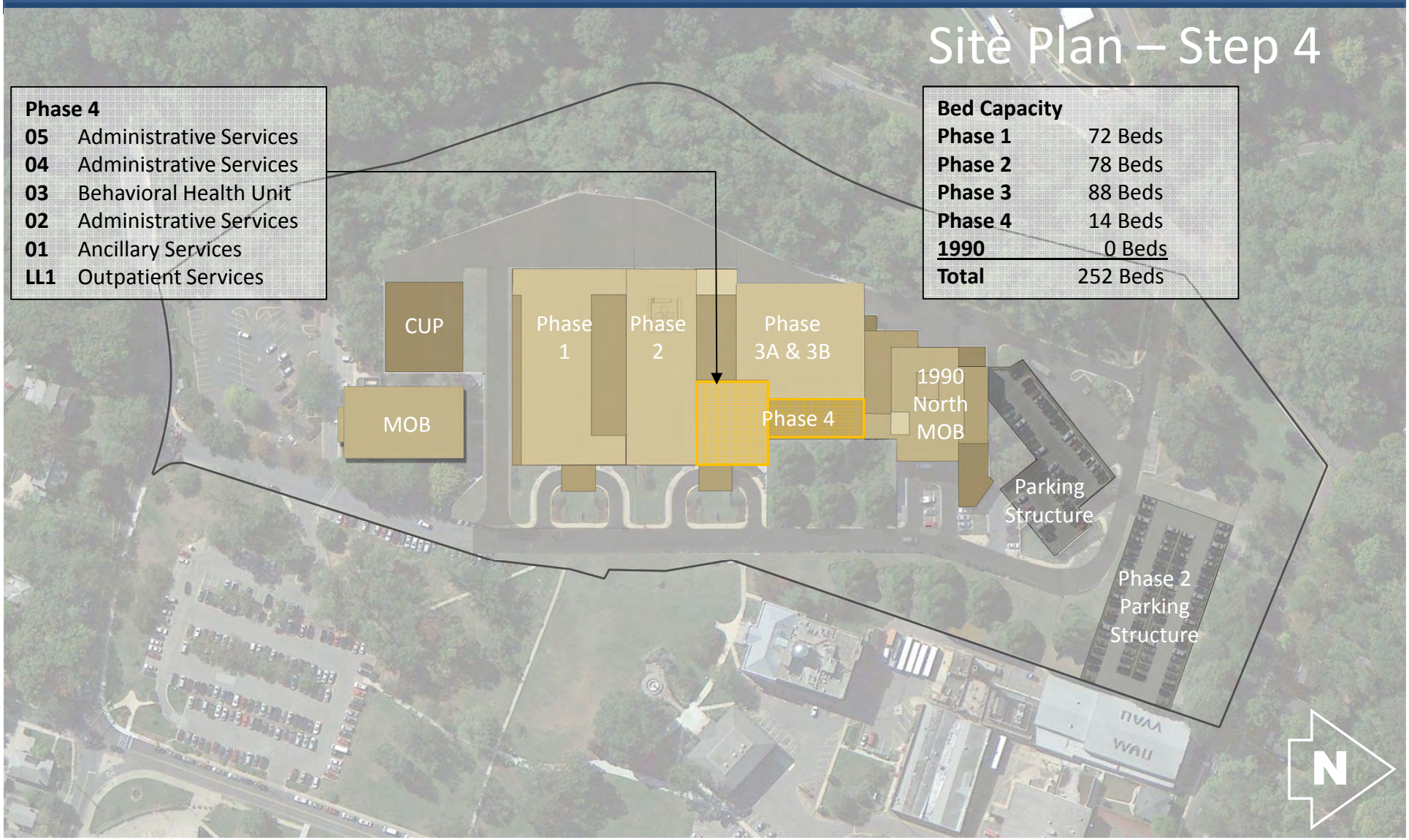
Phase 3 development to occur in 2 steps to maintain surgical capacity

Site Development Planning

Site Plan – Step 4

Phase 4	
05	Administrative Services
04	Administrative Services
03	Behavioral Health Unit
02	Administrative Services
01	Ancillary Services
LL1	Outpatient Services

Bed Capacity	
Phase 1	72 Beds
Phase 2	78 Beds
Phase 3	88 Beds
Phase 4	14 Beds
1990	0 Beds
Total	252 Beds



Washington Adventist Hospital
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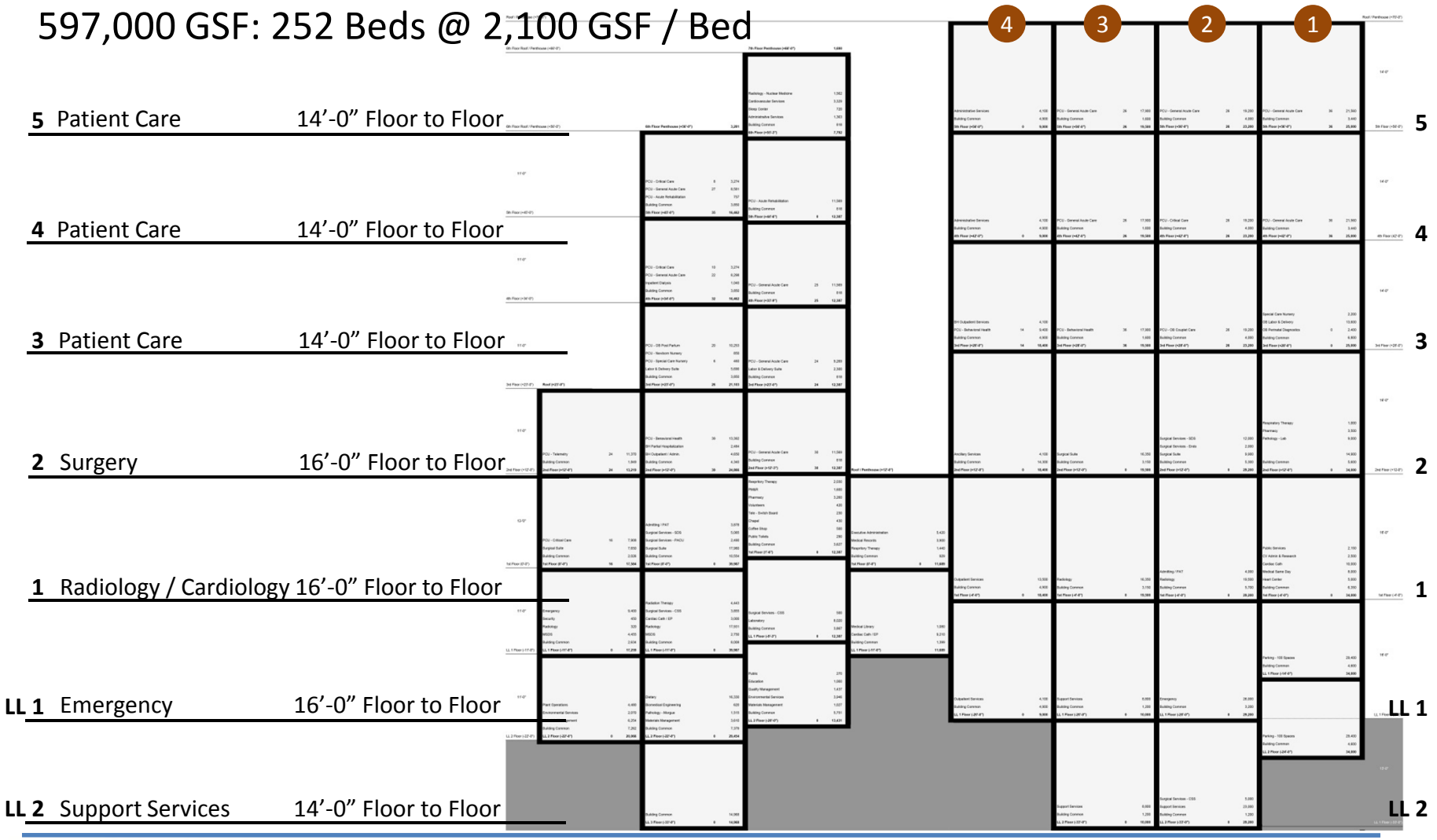
Takoma Park Campus Master Plan

Site Development Planning

597,000 GSF: 252 Beds @ 2,100 GSF / Bed



Washington Adventist Hospital
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Takoma Park Campus Master Plan

Phase 1 Detail

Compelling Priorities

- 1950 Building Construction

  10’-9” floor to floor heights do not support high-acuity services such as OB L&D, Clinical Laboratory, Nuclear Medicine and Inpatient Services

  Site is critical to providing OB Post-Partum patient care adjacent to Phase 1 L&D Suite

- Critical Adjacencies

  Priorities include locating emergency services in close proximity to cardiac cath, and locating radiology, surgery & critical care in close proximity to the ED

- Empty Chair

  Site is planned to accommodate remaining services located in 1980 West Building

Project Scope

- Interim Development

  Parking relocation to Adventist University leased open site area

- New Construction

  211,000 gross building area

  143,000 hospital building area

  68,000 structured parking area

- Services

  Inpatient Services

  - 72 beds
  - OB Labor & Delivery & Special Care Nursery

  Ancillary Clinical Services

  - Pathology Clinical Laboratory
  - Pharmacy
  - Respiratory Therapy

Phase 1 Detail

Critical Phasing Issues

- Education Building

  Federally Qualified Health Center (FQHC) future location unresolved

- Lisner Building

  Services located in this building location unresolved

- Unresolved Hospital Departments

  Acute Rehabilitation Hospital

  Utilization Review & Quality Management

  Risk Management

  Coffee Shop

  Education Private Dining Room

  Environmental Services Linen Distribution

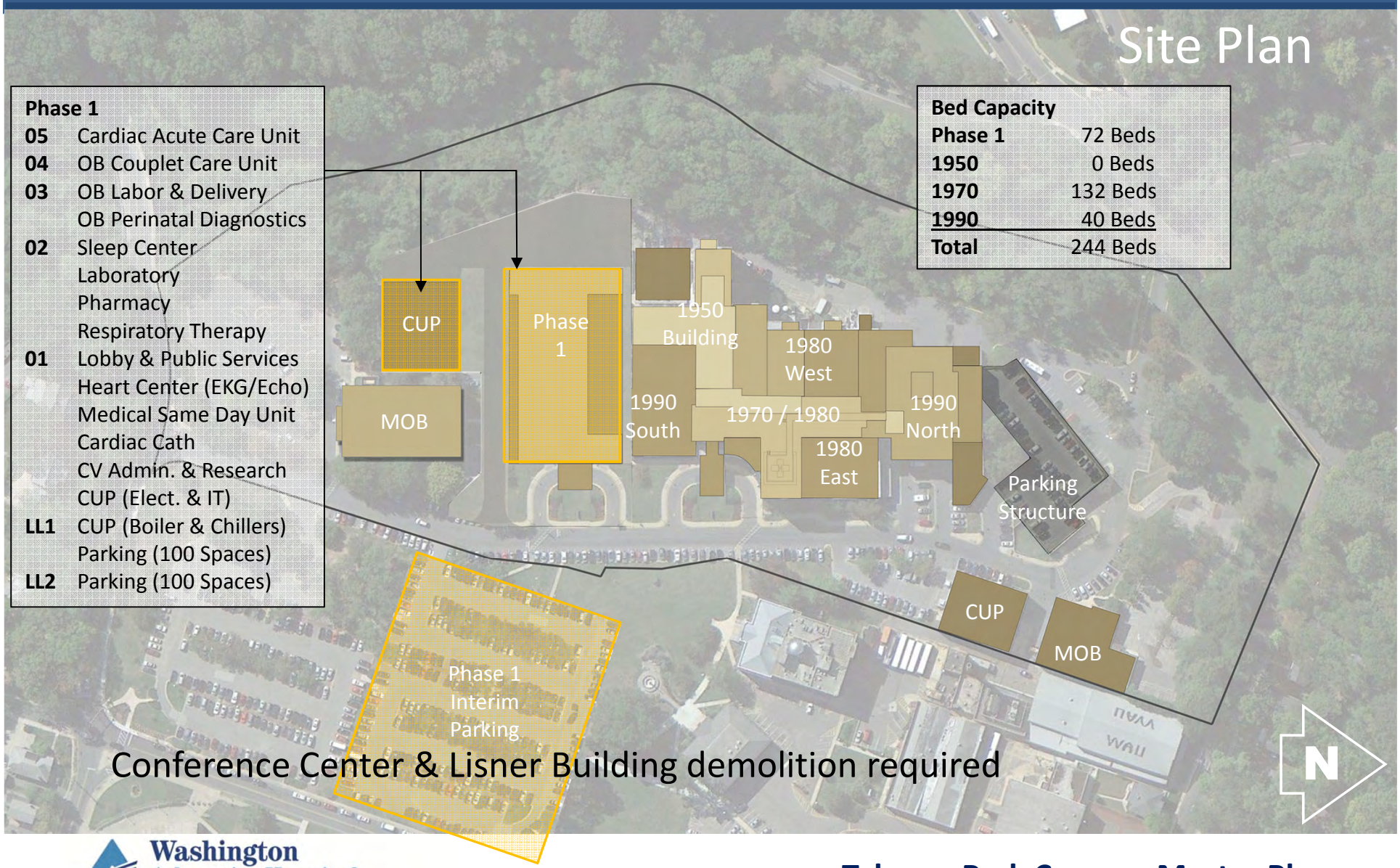
Phase 1 Detail

Site Plan

Phase 1

05	Cardiac Acute Care Unit
04	OB Couplet Care Unit
03	OB Labor & Delivery
	OB Perinatal Diagnostics
02	Sleep Center
	Laboratory
	Pharmacy
	Respiratory Therapy
01	Lobby & Public Services
	Heart Center (EKG/Echo)
	Medical Same Day Unit
	Cardiac Cath
	CV Admin. & Research
	CUP (Elect. & IT)
LL1	CUP (Boiler & Chillers)
	Parking (100 Spaces)
LL2	Parking (100 Spaces)

Bed Capacity	
Phase 1	72 Beds
1950	0 Beds
1970	132 Beds
1990	40 Beds
Total	244 Beds



Conference Center & Lisner Building demolition required

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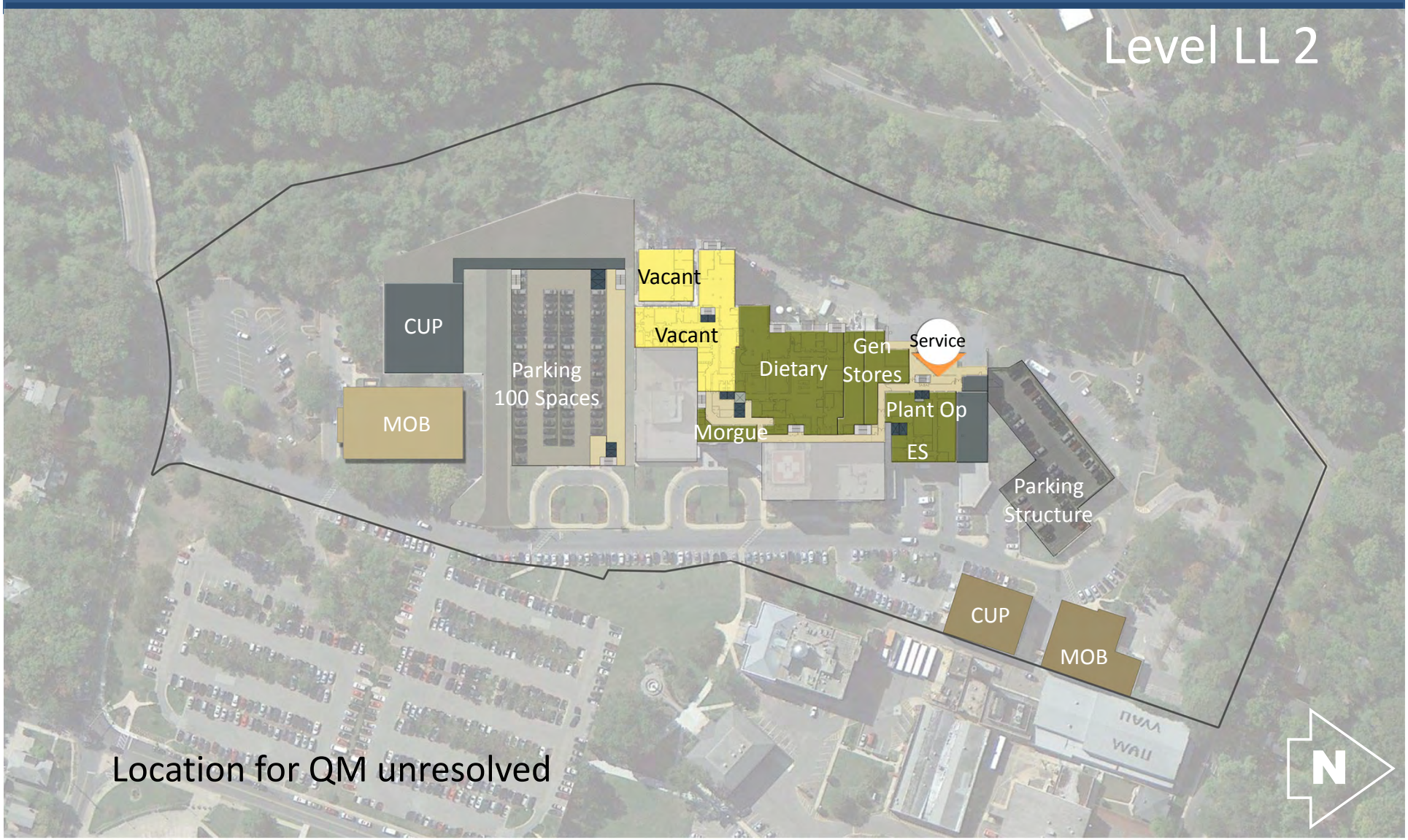
Takoma Park Campus Master Plan

Phase 1 Detail

Level LL 2



Location for QM unresolved

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Phase 1 Detail

Level LL 1

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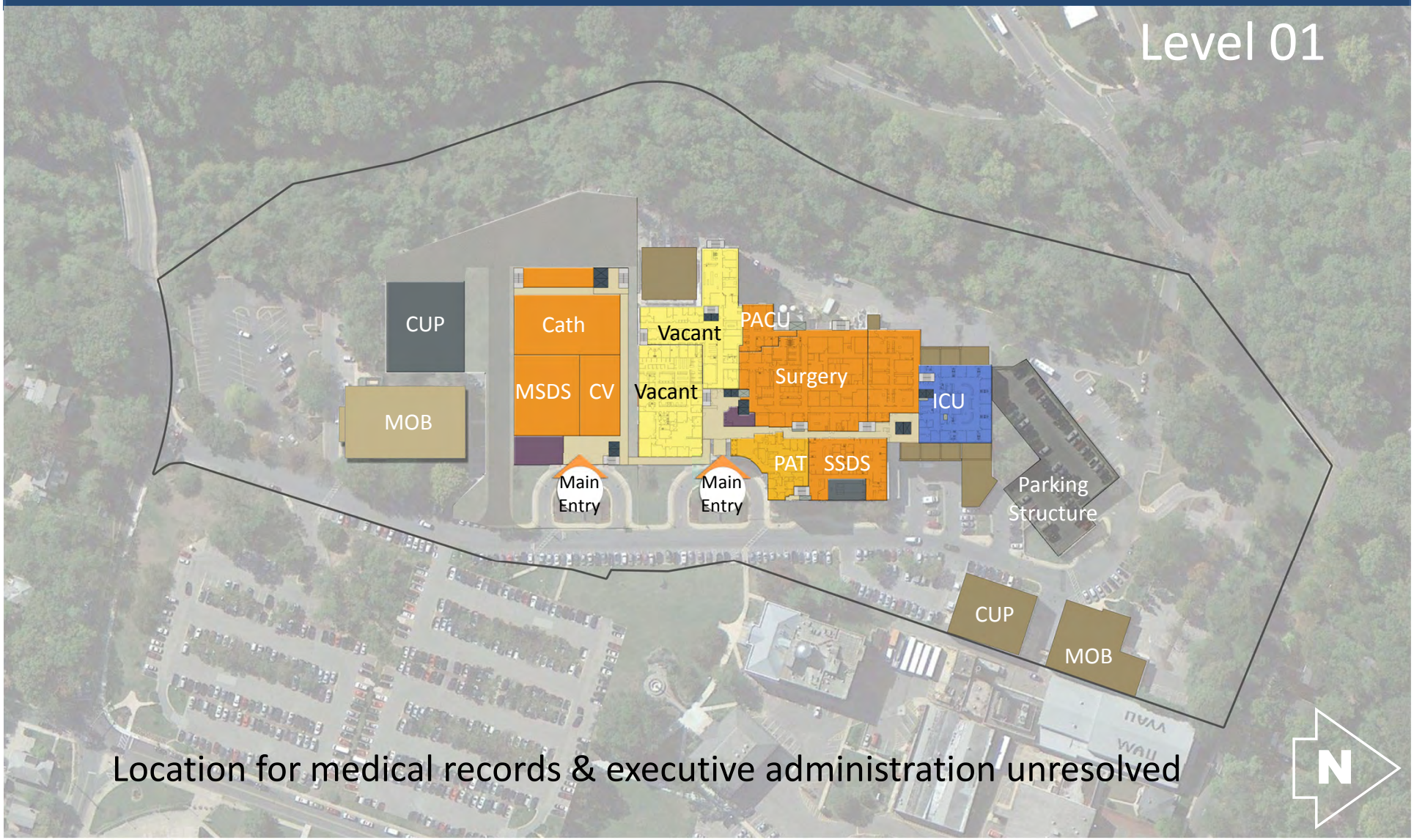
Takoma Park Campus Master Plan

Phase 1 Detail

Level 01



Location for medical records & executive administration unresolved

Phase 1 Detail

Level 02

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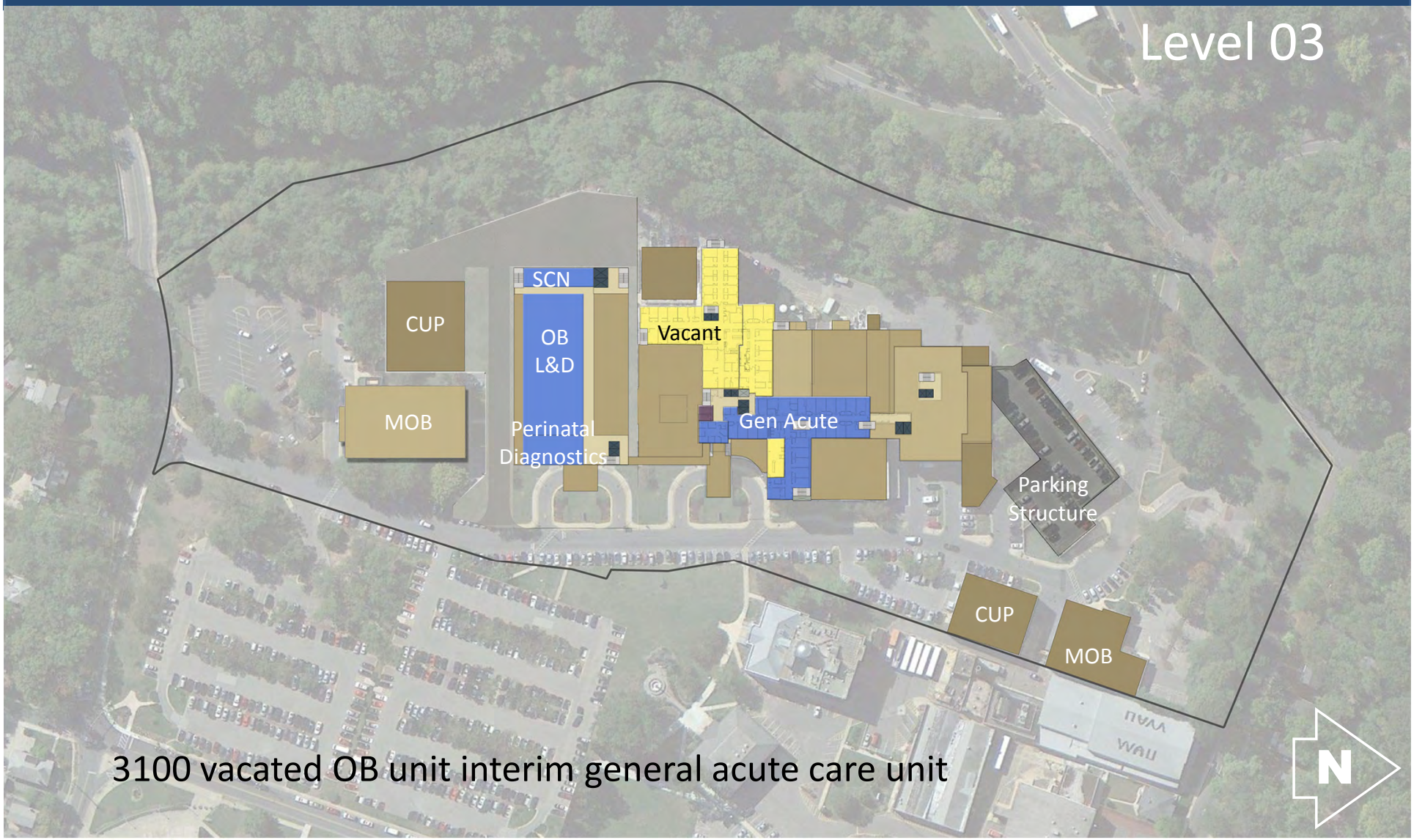
Takoma Park Campus Master Plan

Phase 1 Detail

Level 03



3100 vacated OB unit interim general acute care unit

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Takoma Park Campus Master Plan

Phase 1 Detail

Level 04

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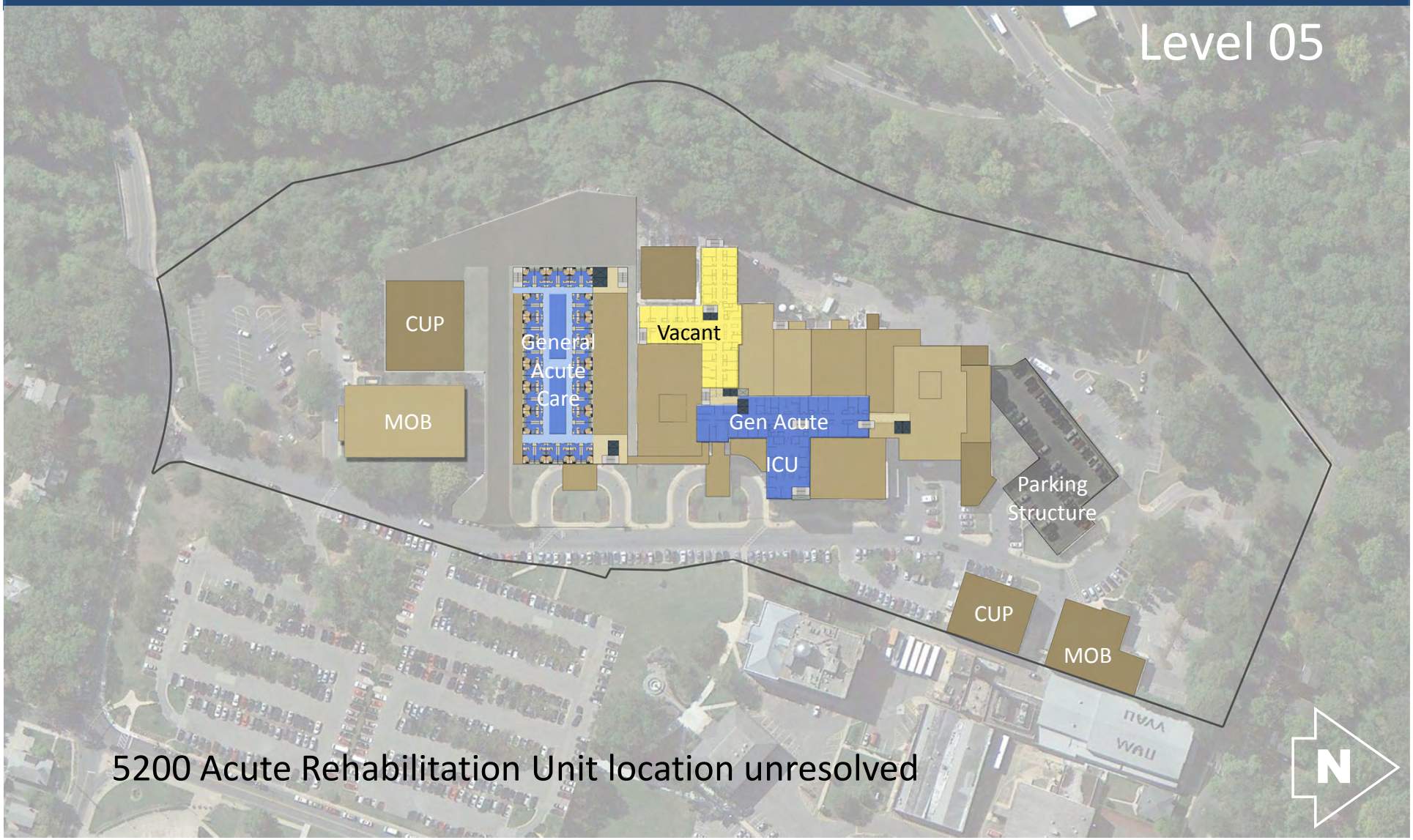
Takoma Park Campus Master Plan

Phase 1 Detail

Level 05



5200 Acute Rehabilitation Unit location unresolved

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Takoma Park Campus Master Plan

Phase 1 Detail

Level 06

Washington Adventist Hospital
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Takoma Park Campus Master Plan

Phase 2 Detail

Compelling Priorities

- 1950 Building Construction

  11’-0” floor to floor heights do not support high-acuity services such as OB L&D, Clinical Laboratory, Nuclear Medicine and Inpatient Services

  Site is critical to providing OB Post-Partum patient care adjacent to Phase 1 L&D Suite

- Critical Adjacencies

  Priorities include locating emergency services in close proximity to cardiac cath, and locating radiology, surgery & critical care in close proximity to the ED

- Empty Chair

  Site is planned to accommodate remaining services located in 1980 West Building

Project Scope

- Building Demolition

  1950 Building 98,200 gross area

  1990 South Building 24,160 gross area

- New Construction

  186,400 gross building area

- Services

  Inpatient Services

  - 78 beds

  Ancillary Clinical Services

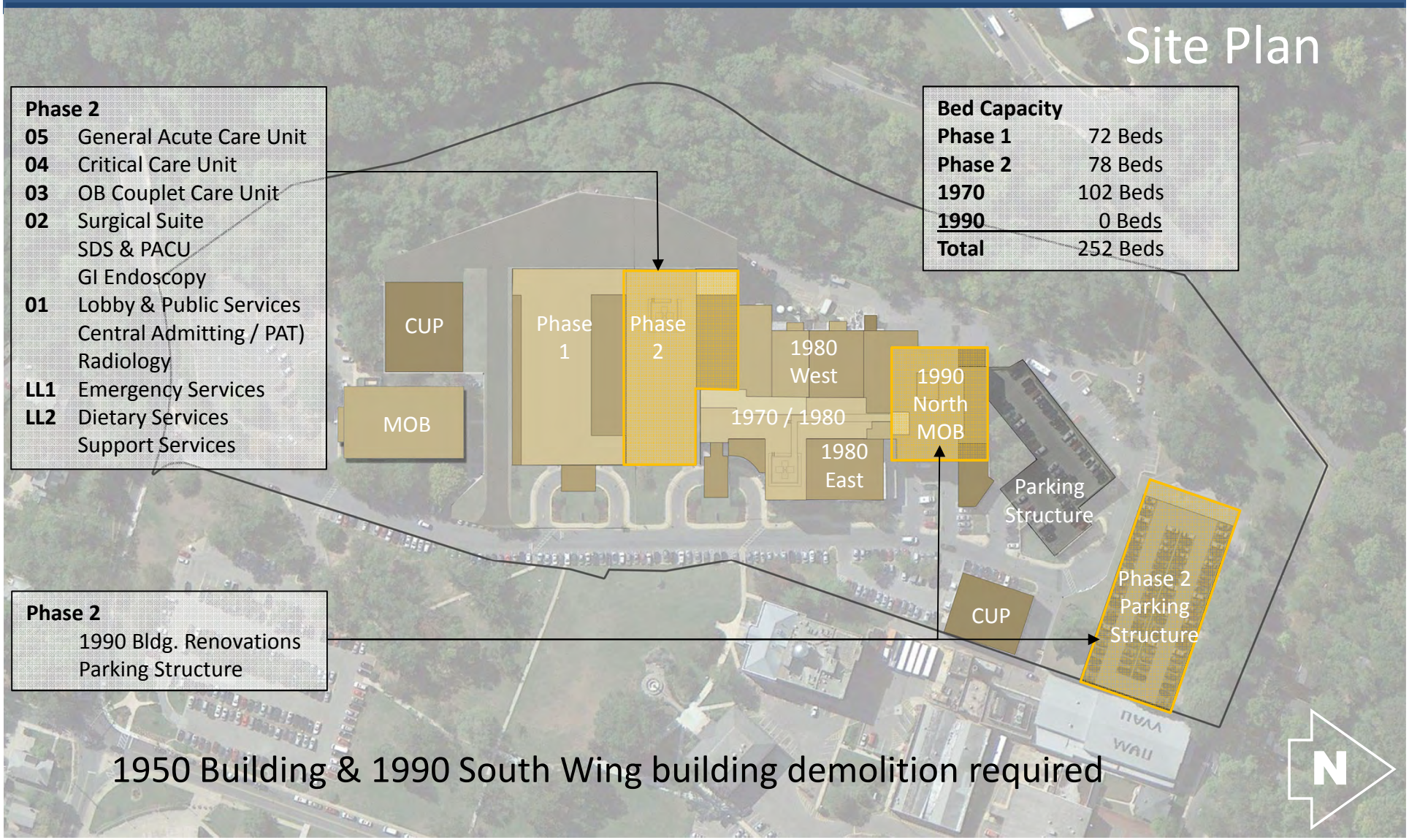
  - Emergency Services
  - Radiology suite
  - Surgical Suite

  Support services

  - Dietary Services
  - Central Sterile Supply (CSS)

Phase 2 Detail

Site Plan



Washington Adventist Hospital
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Takoma Park Campus Master Plan

Phase 2 Detail

Level LL 2

Washington Adventist Hospital
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Takoma Park Campus Master Plan

Phase 2 Detail

Level LL 1

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Takoma Park Campus Master Plan

Phase 2 Detail

Level 01

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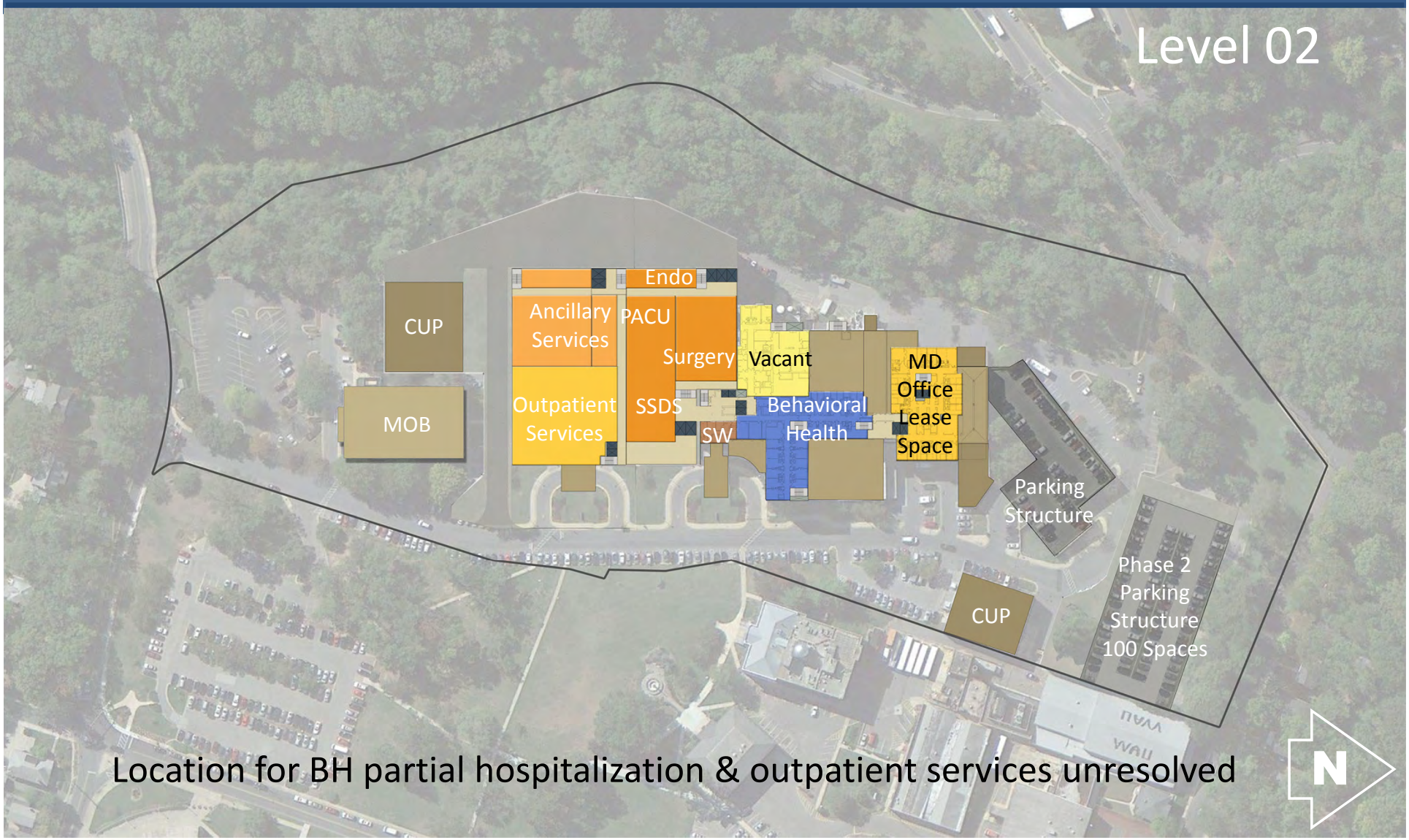
Takoma Park Campus Master Plan

Phase 2 Detail

Level 02



Location for BH partial hospitalization & outpatient services unresolved

Phase 2 Detail

Level 03

Washington Adventist Hospital
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Takoma Park Campus Master Plan

Phase 2 Detail

Level 04

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Takoma Park Campus Master Plan

Phase 2 Detail

Level 05

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Takoma Park Campus Master Plan

Phase 3 Detail

Compelling Priorities

- 1980 West Building Construction

  11’-0” floor to floor heights do not support high-acuity services such as radiology and surgical services

  Site is critical to providing total area required for radiology and surgical services partially located in Phase 2 development

- Empty Chair

  West site is planned to accommodate remaining services located in 1970-80 Central & East Buildings and 1990 North Building

Project Scope

- Building Demolition

  1980 West – 64,650 gross area

- New Construction

  117,500 gross building area

- Hospital Services

  Inpatient Services

  - 88 beds

  Ancillary Clinical Services

  - Radiology suite
  - Surgical Suite

  Support services

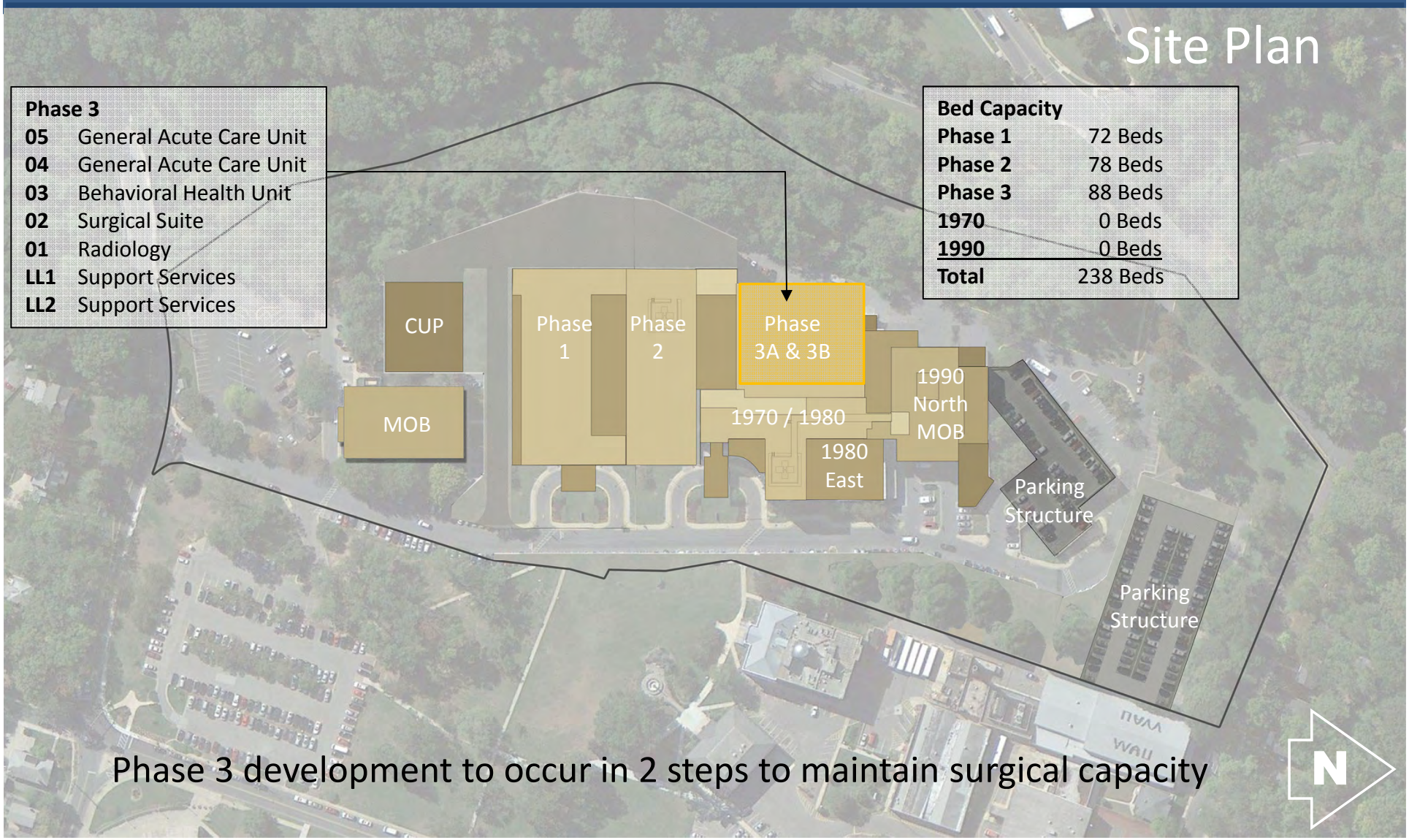
  - Environmental Services
  - Materials Management
  - Plant Operations

- 1990 North Building MOB

  72,630 gross building area renovations

Phase 3 Detail

Site Plan



Phase 3 development to occur in 2 steps to maintain surgical capacity

Phase 3 Detail

Level LL 2

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Takoma Park Campus Master Plan

Phase 3 Detail

Level LL 1

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Takoma Park Campus Master Plan

Phase 3 Detail

Level 01

Washington Adventist Hospital
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Takoma Park Campus Master Plan

Phase 3 Detail

Level 02

Washington Adventist Hospital
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Takoma Park Campus Master Plan

Phase 3 Detail

Level 03

Washington Adventist Hospital
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Phase 3 Detail

Level 04

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Takoma Park Campus Master Plan

Phase 3 Detail

Level 05

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Takoma Park Campus Master Plan

Phase 4 Detail

Compelling Priorities

- 1970-80 Central & East Construction

  11'-0" floor to floor heights do not support high-acuity services such as Radiation Oncology, Surgical Same Day Services, MRI Suites and Inpatient Services

  Site is critical to providing total area required for behavioral health services partially located in Phase 3 development

- Floor Level Alignment

  If 1970-80 Central & East Buildings remain, their floor levels will not align with Phase 1-3 new facility development, impacting way-finding

Project Scope

- Building Demolition

  1970-80 Central – 107,485 gross area

  1970-80 East 35,480 gross area

- New Hospital Construction

  82,200 gross building area

  Hospital Services

  - Inpatient Services

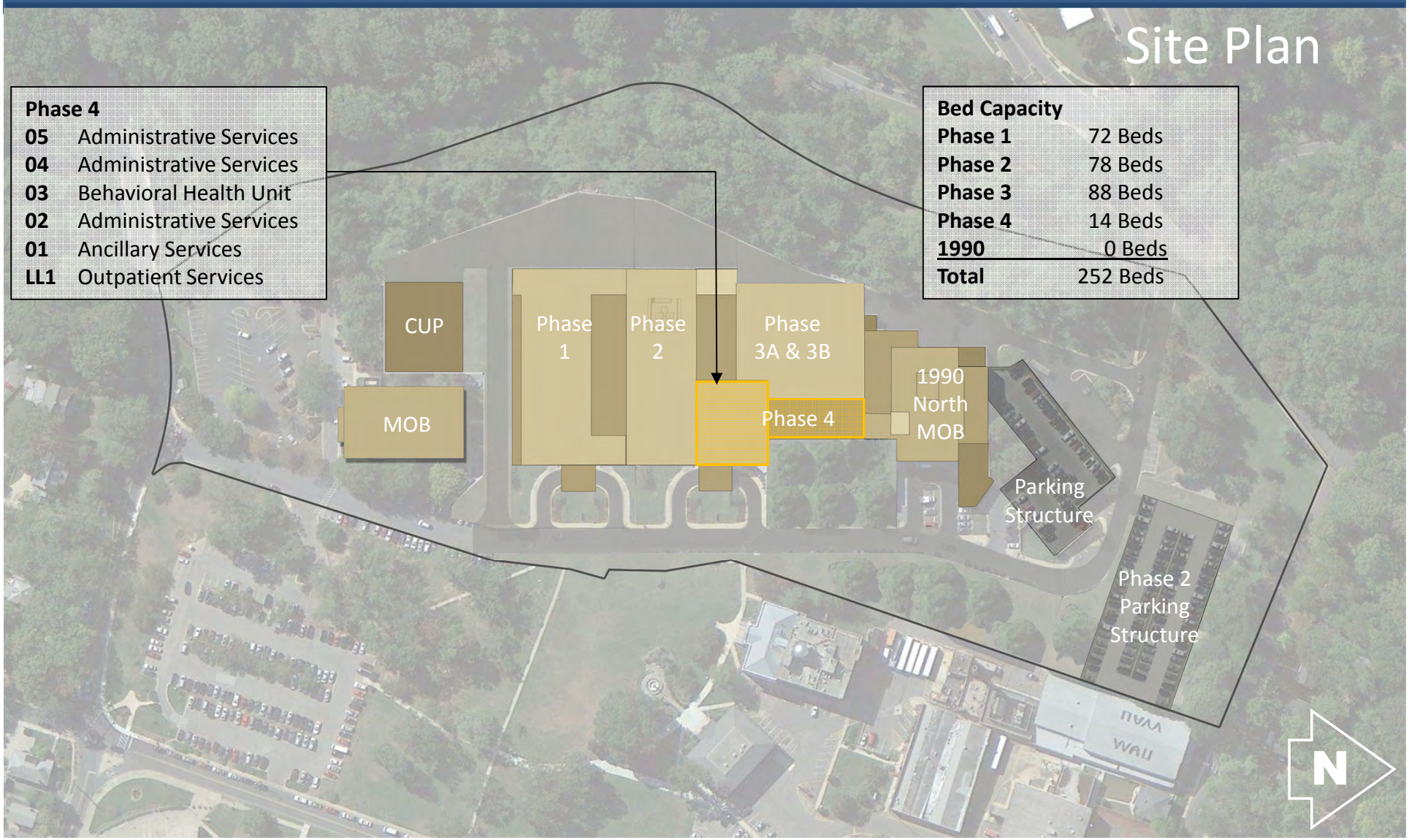
    14 Behavioral Health Beds

    Behavioral Health Partial Hospitalization

    Behavioral Health Outpatient & Administration
  - Administrative & Outpatient Services

Phase 4 Detail

Site Plan



Washington Adventist Hospital
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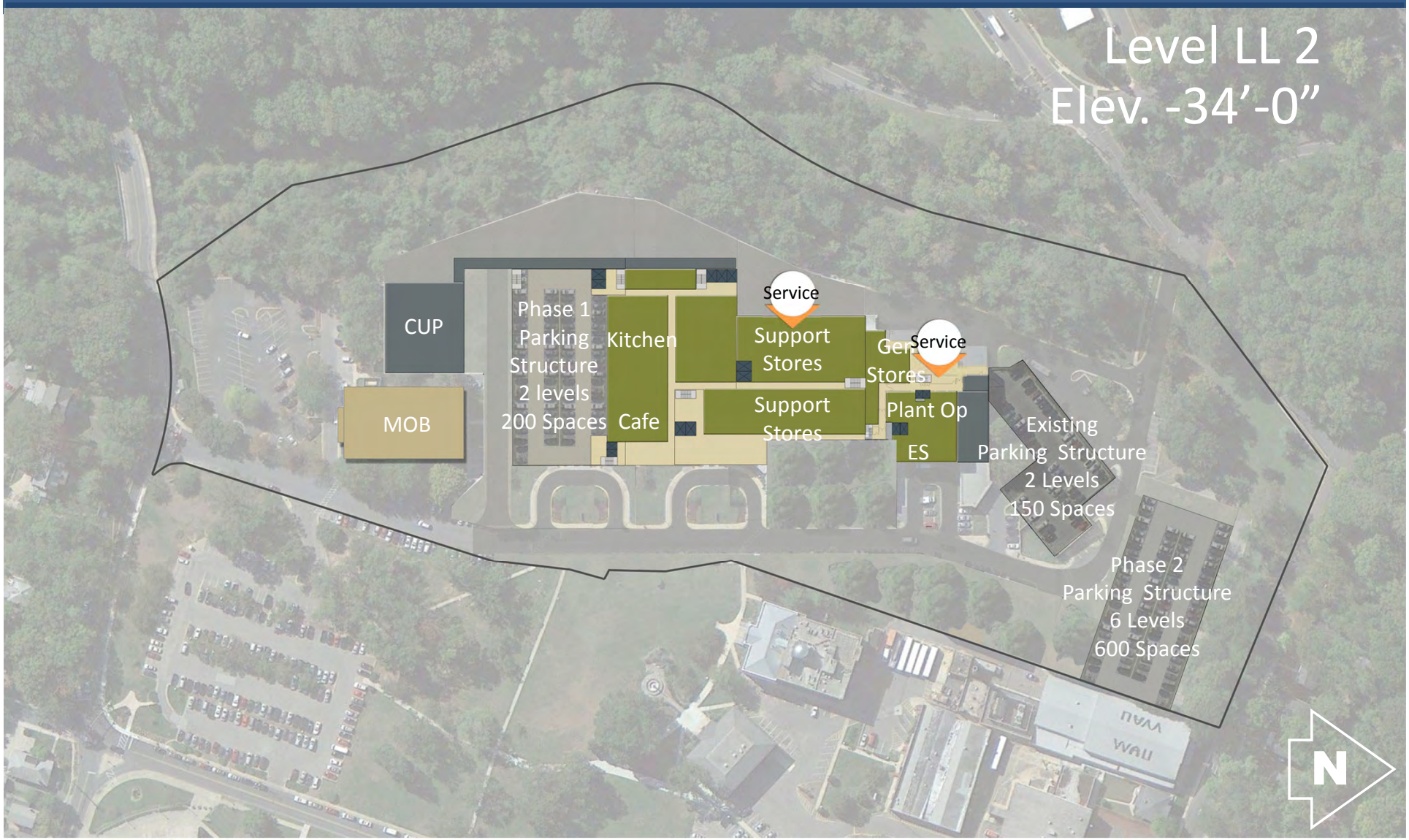
Takoma Park Campus Master Plan

Phase 4 Detail



Washington Adventist Hospital
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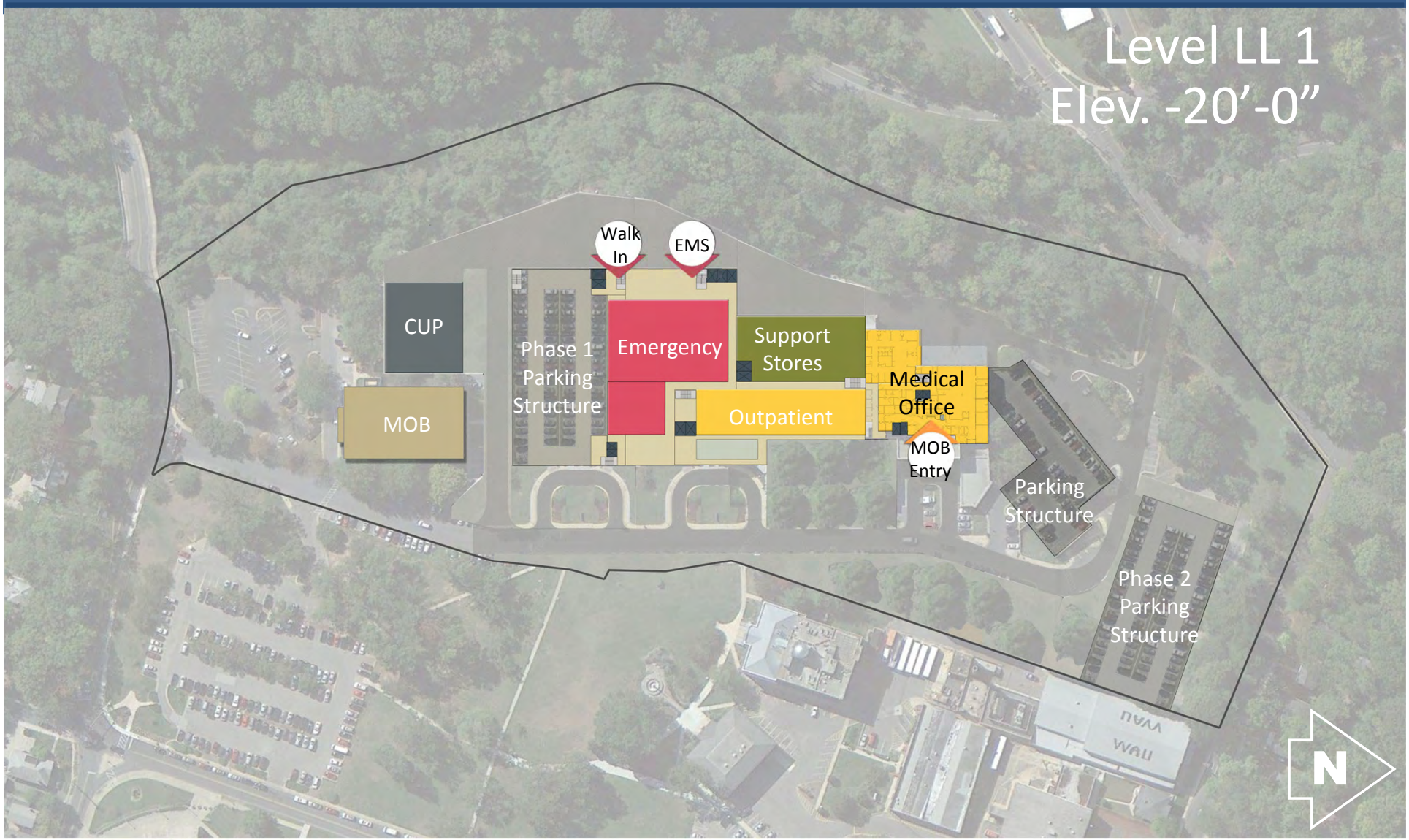
Takoma Park Campus Master Plan

Phase 4 Detail



Washington Adventist Hospital
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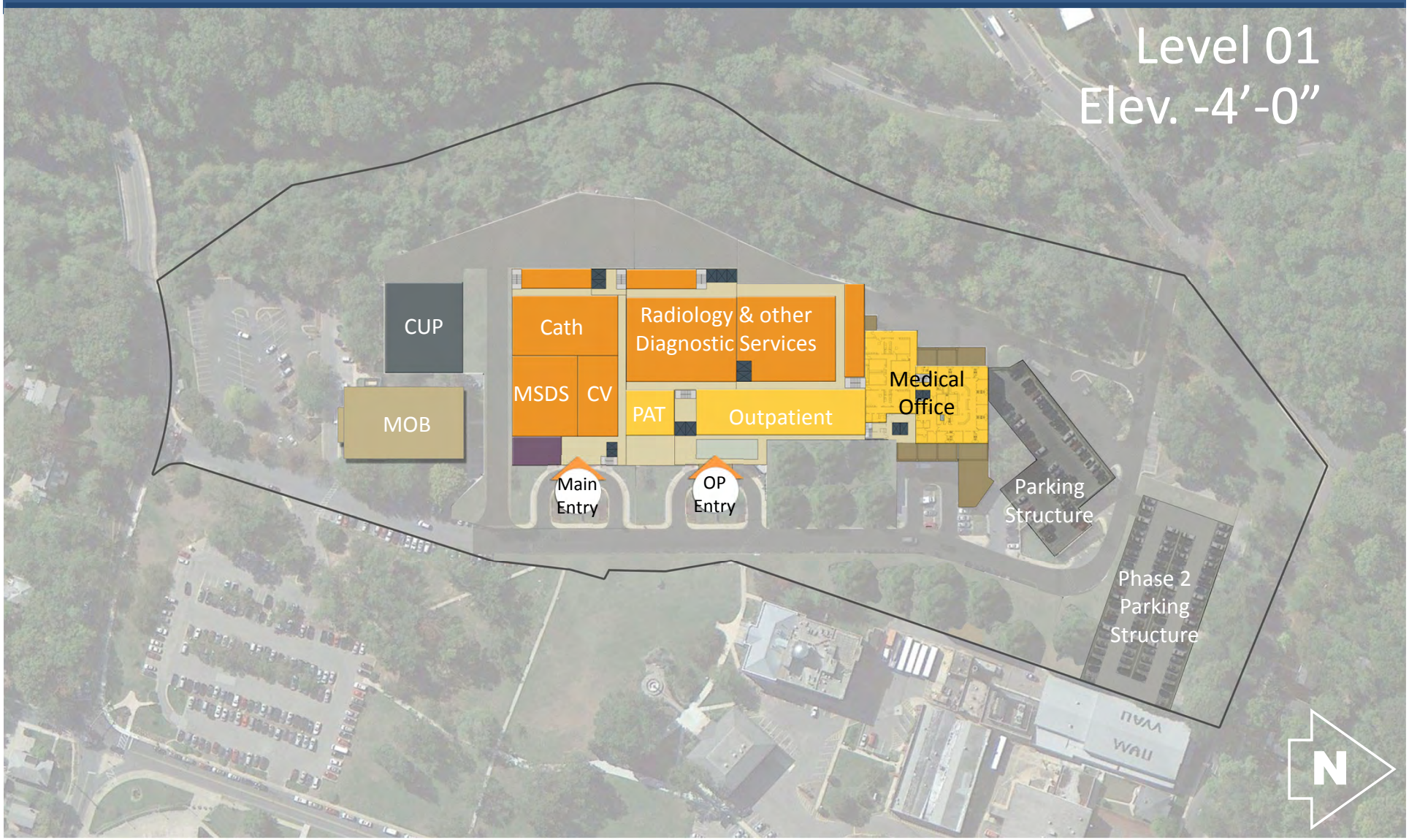
Takoma Park Campus Master Plan

Phase 4 Detail



Washington Adventist Hospital
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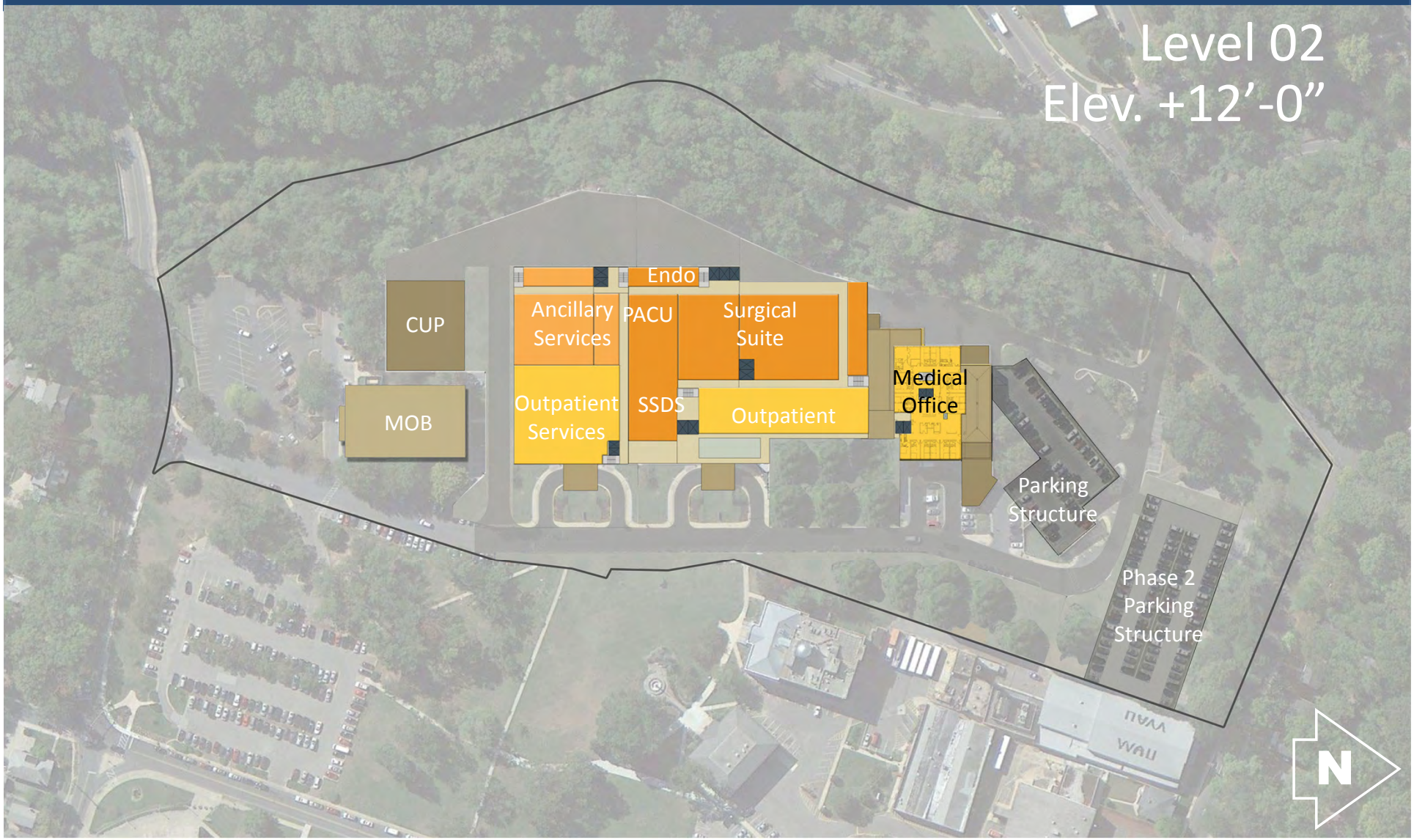
Takoma Park Campus Master Plan

Phase 4 Detail

Level 02
Elev. +12’-0”



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Takoma Park Campus Master Plan

Phase 4 Detail

Level 03
Elev. +28’-0”

Washington Adventist Hospital
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Takoma Park Campus Master Plan

Phase 4 Detail

Washington Adventist Hospital
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Takoma Park Campus Master Plan

Phase 4 Detail

Level 05
Elev. +56’-0”

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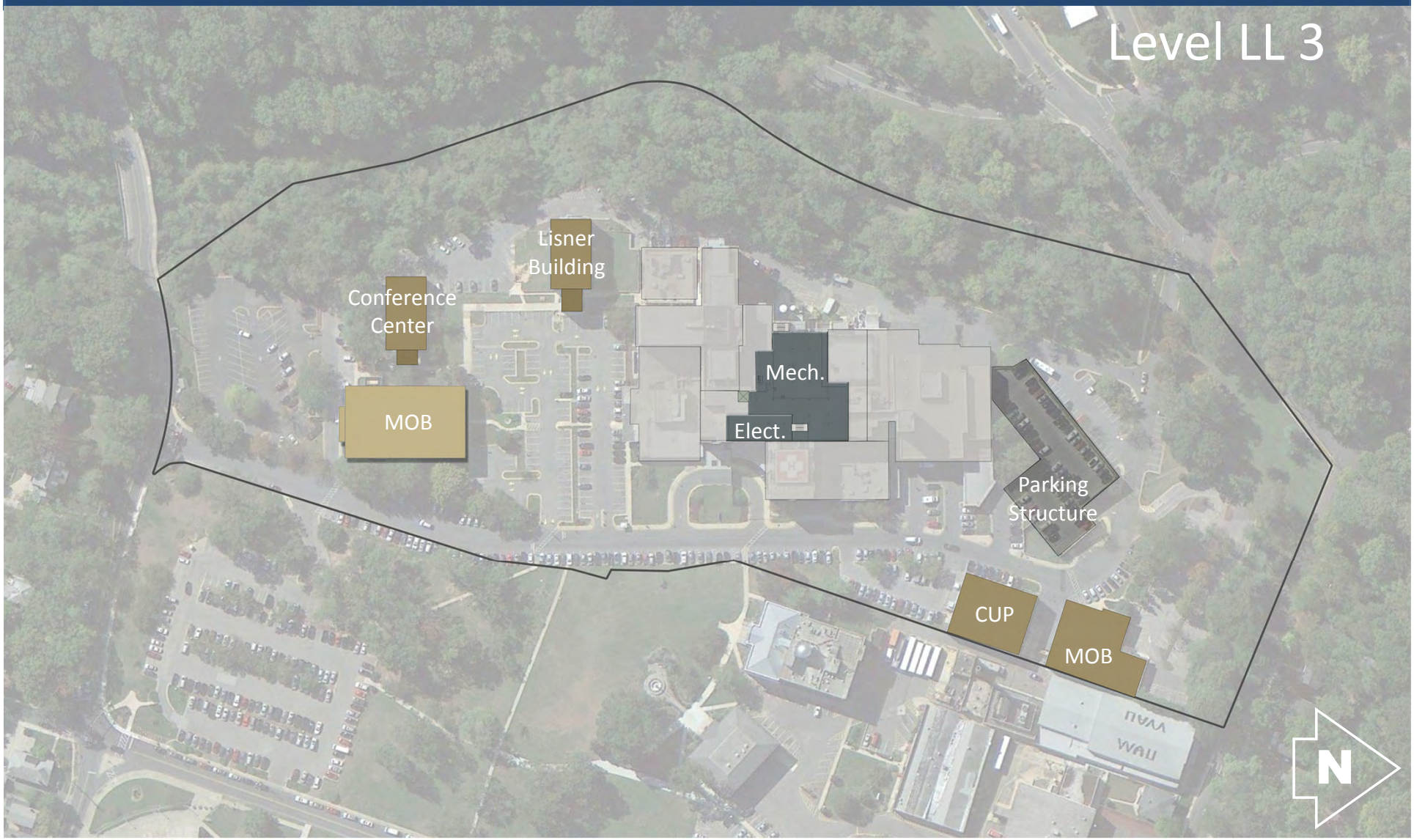
Takoma Park Campus Master Plan

Existing Facility

Existing Facility

Level LL 3



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Existing Facility

Level LL 2

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Takoma Park Campus Master Plan

Existing Facility

Level LL 1

Washington Adventist Hospital
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Takoma Park Campus Master Plan

Existing Facility

Level 01

Washington Adventist Hospital
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Takoma Park Campus Master Plan

Existing Facility

Level 02

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park Campus Master Plan

Existing Facility

Level 03

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park Campus Master Plan

Existing Facility

Level 04

Washington Adventist Hospital
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Takoma Park Campus Master Plan

Existing Facility

Level 05

Washington Adventist Hospital
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Existing Facility

Level 06

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Takoma Park On-Campus Alternative

Aug 27, 2014

Alternative Approach

Basis of Alternative

- Campus Master Plan establishes the long-range conceptual re-development of the Takoma Park Campus.

  Comprehensive approach to remain in Takoma Park.

  Campus Master Plan forms basis of the vision for Takoma Park. As an "On-Campus Alternative," WAH desired to understand what portion of the Master Plan would be required to be comparable to a new building at White Oak.

- On-Campus Alternative

  Requires sufficient additional program to improve the Takoma Park Hospital while still maintaining a reasonable project cost and schedule as compared to the proposed project in White Oak

  Step 1 + Step 2 + Step 3 of Campus Master Plan represent comparable Alternative

Patient Beds on Takoma Park campus after Step 3:	
Medical Surgical:	144
Maternity / OB:	16
Behavioral Health:	40
Total:	200

Site Development Planning

Site Plan – Site Restrictions

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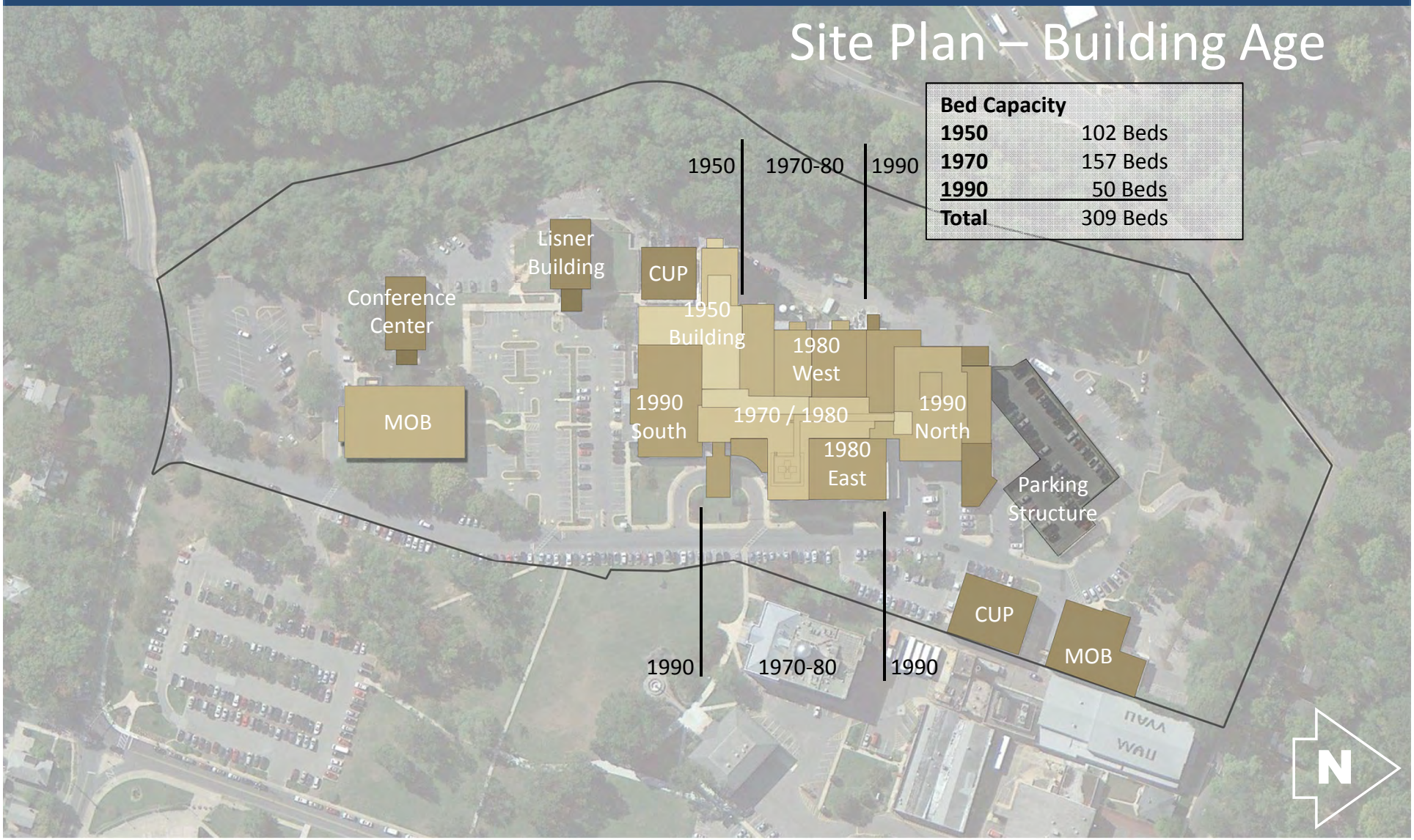
Takoma Park On-Campus Alternative

Site Development Planning

Site Plan – Building Age



Bed Capacity	
1950	102 Beds
1970	157 Beds
1990	50 Beds
Total	309 Beds

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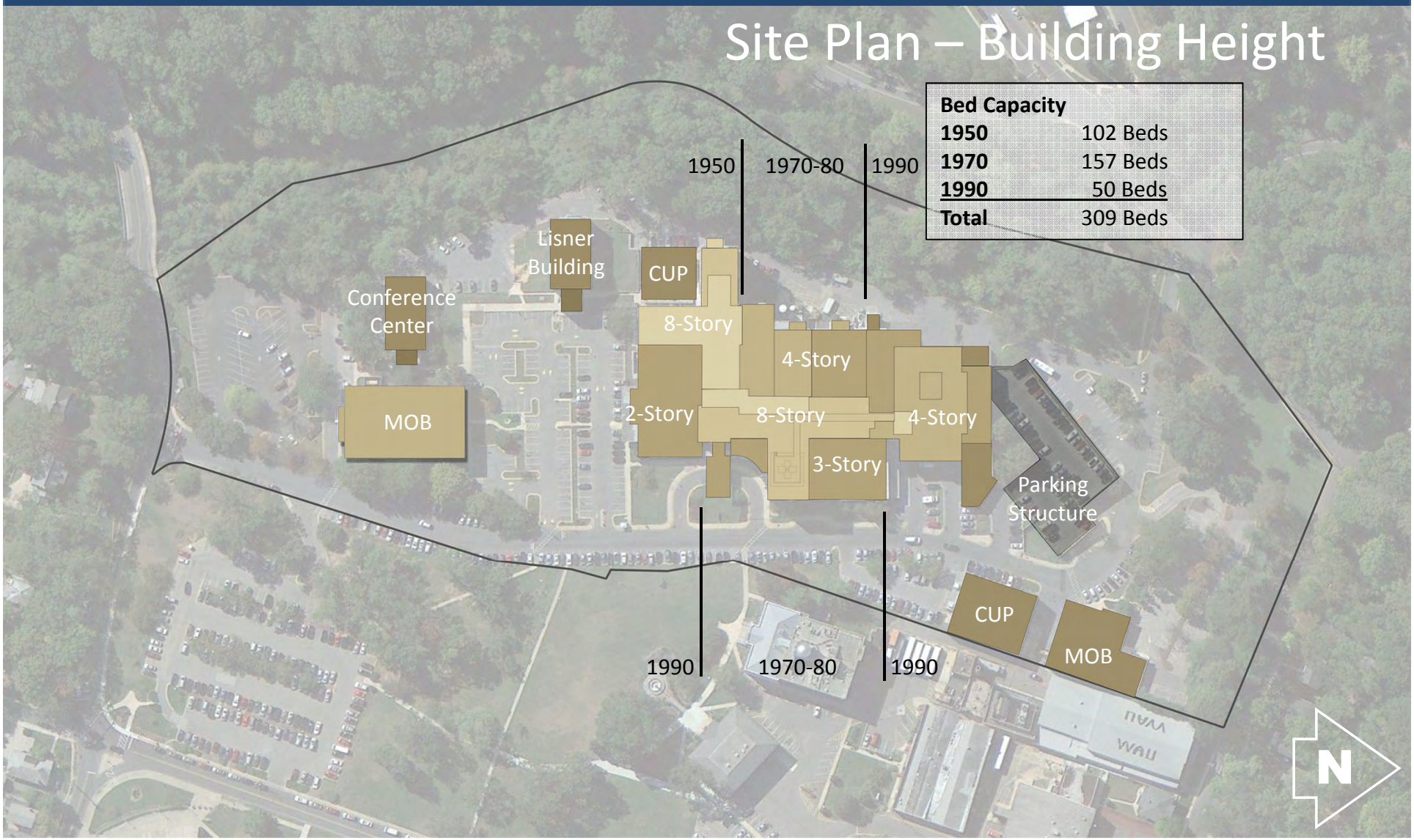
Takoma Park On-Campus Alternative

Site Development Planning

Site Plan – Building Height



Bed Capacity	
1950	102 Beds
1970	157 Beds
1990	50 Beds
Total	309 Beds

Washington Adventist Hospital
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Takoma Park On-Campus Alternative

Site Development Planning

Development Approach

- Campus Planning Concept

  Long-range institutional campus regeneration requires an “empty chair” site planning approach to facilitate development of replacement facilities while maintaining operations

  1990 development on-campus constructed relatively low-rise additions to the main hospital building on both the north and south sides, restricting the ability to economically replace aging assets going forward without disruption to services or loss of services for a period of time

- Maximize Future Campus Development Potential

  To maximize utilization of the limited existing available site area, future site development will require higher-density building footprints

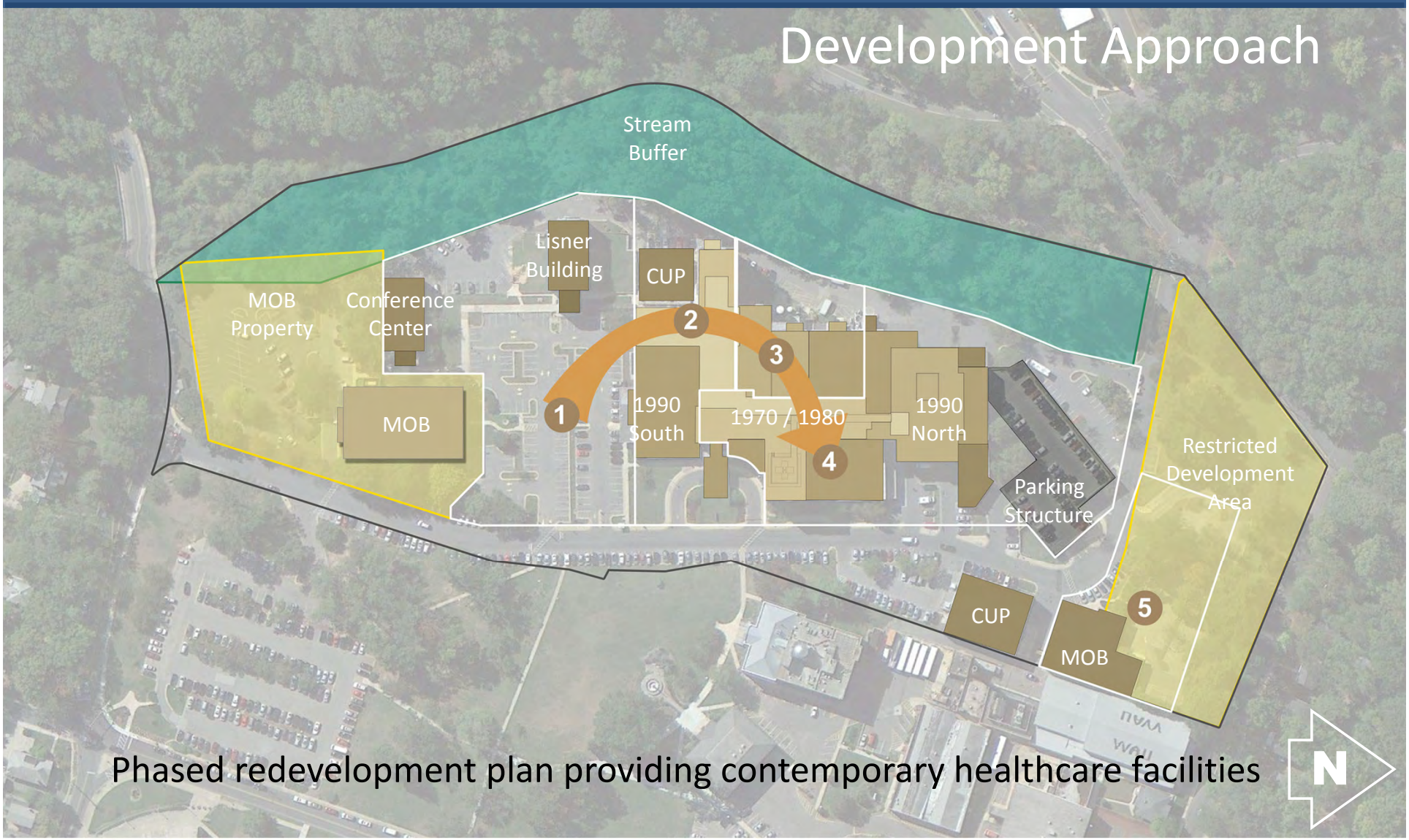
  Low-density building areas less than 7-stories include:

  - 1980 East & West 4-story additions
  - 1990 South 2-story addition
  - 1990 North 4-story addition

  These building areas are considered to provide limited asset value going forward

Site Development Planning

Development Approach



Phased redevelopment plan providing contemporary healthcare facilities

Site Development Planning

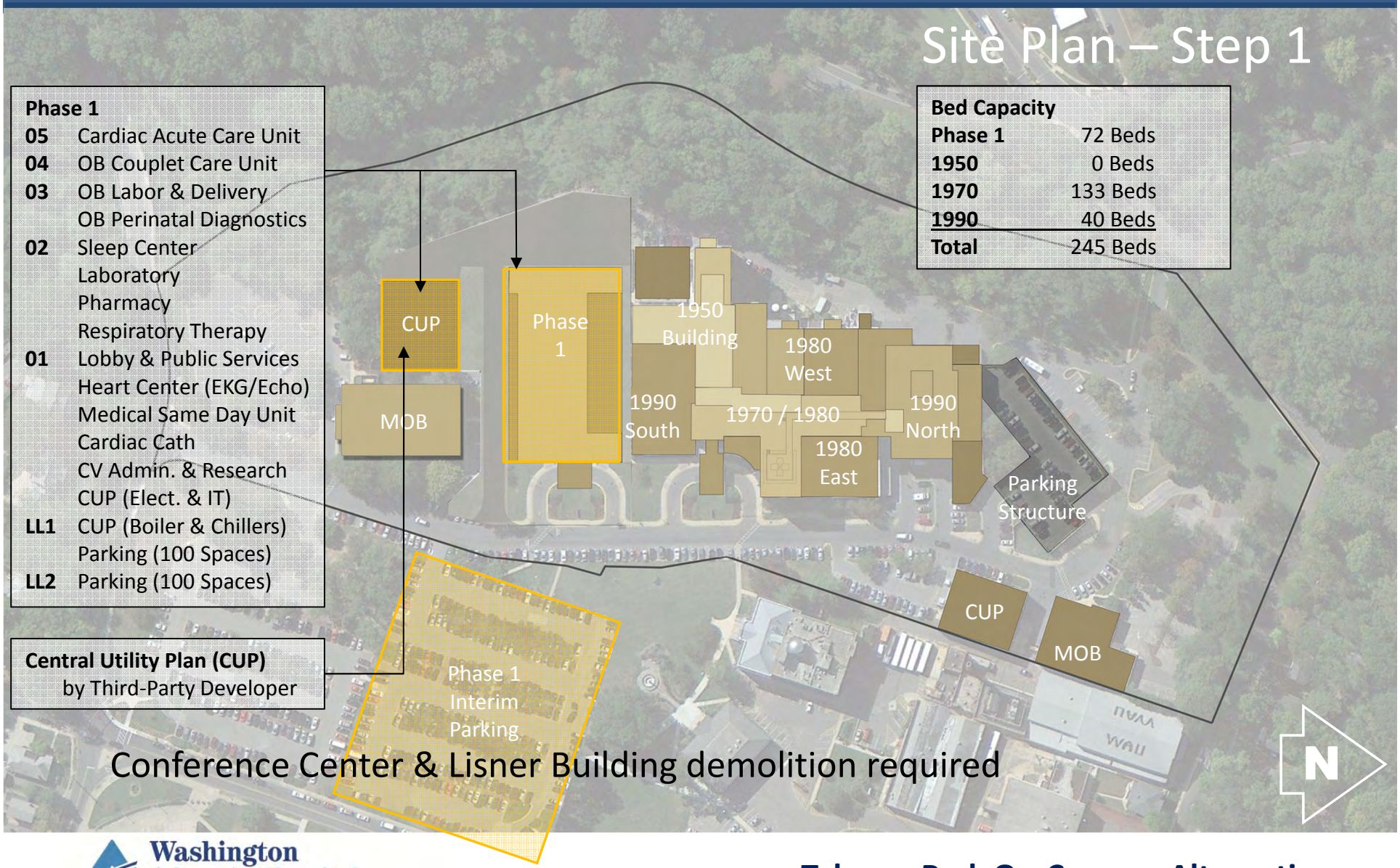
Site Plan – Step 1

Phase 1

05	Cardiac Acute Care Unit
04	OB Couplet Care Unit
03	OB Labor & Delivery
	OB Perinatal Diagnostics
02	Sleep Center
	Laboratory
	Pharmacy
	Respiratory Therapy
01	Lobby & Public Services
	Heart Center (EKG/Echo)
	Medical Same Day Unit
	Cardiac Cath
	CV Admin. & Research
	CUP (Elect. & IT)
LL1	CUP (Boiler & Chillers)
	Parking (100 Spaces)
LL2	Parking (100 Spaces)

Central Utility Plan (CUP)
by Third-Party Developer

Bed Capacity	
Phase 1	72 Beds
1950	0 Beds
1970	133 Beds
1990	40 Beds
Total	245 Beds



Conference Center & Lisner Building demolition required

Washington Adventist Hospital
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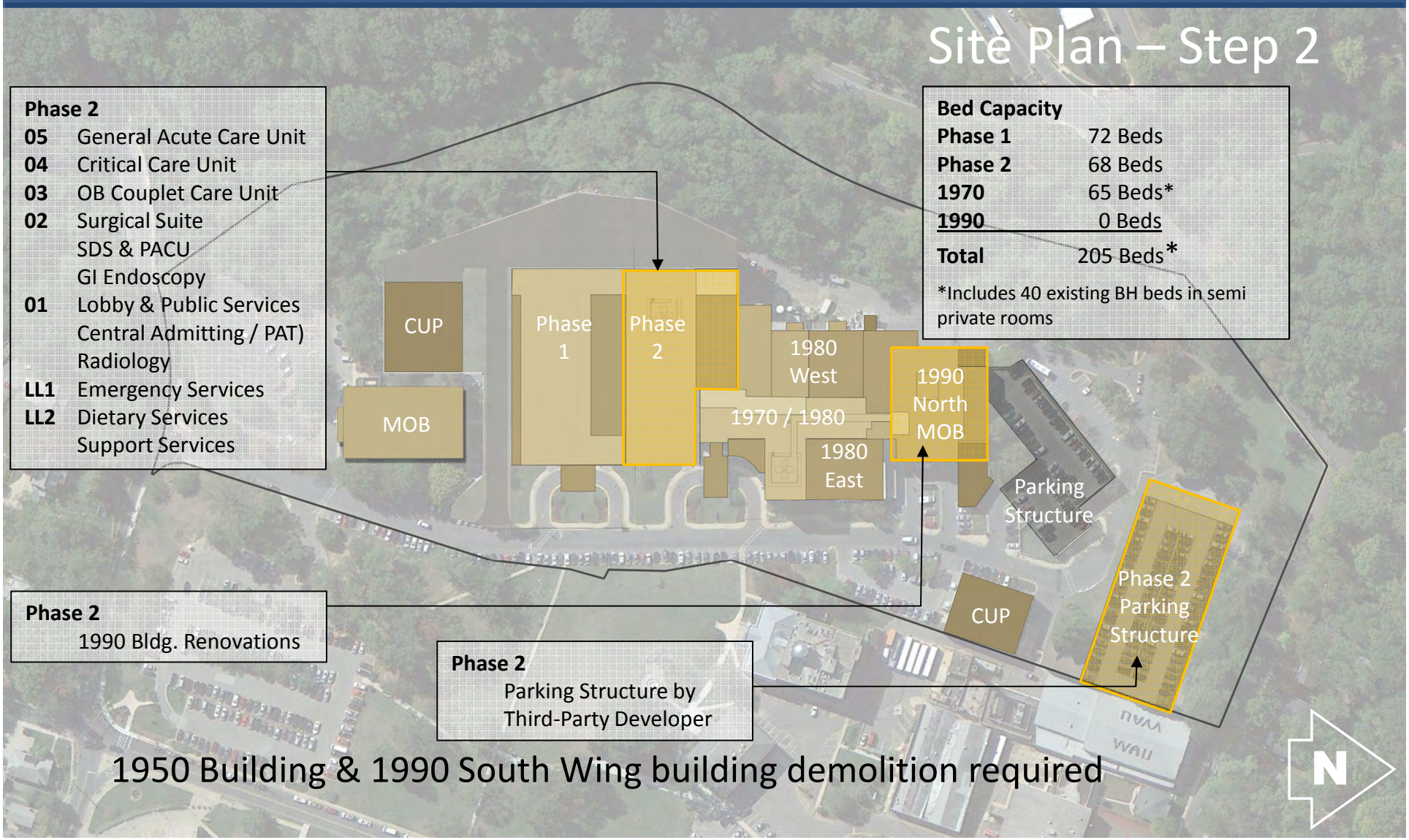
Takoma Park On-Campus Alternative

Site Development Planning

Site Plan – Step 2



Washington Adventist Hospital
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Takoma Park On-Campus Alternative

Site Development Planning

Site Plan – Step 3

Bed Capacity	MSGA		BH (Psych)
Phase 1	72 Beds		
Phase 2	68 Beds		
Phase 3	20 Beds*	+	40 Beds**
1970	0 Beds		
1990	0 Beds		
Total	160 Beds	+	40 Beds**

*Medical Surgical new beds

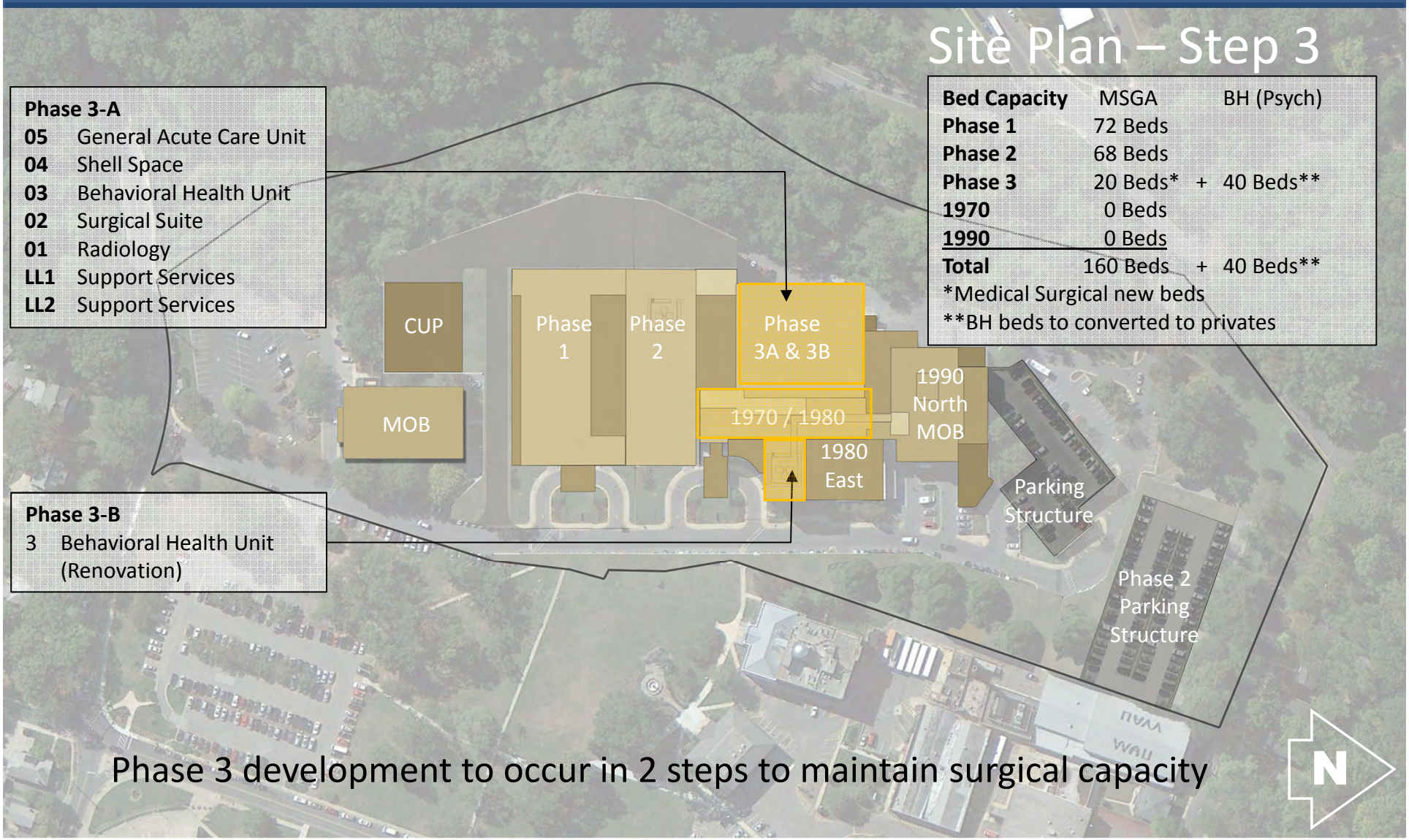
**BH beds to converted to privates

Phase 3-A

05 General Acute Care Unit
04 Shell Space
03 Behavioral Health Unit
02 Surgical Suite
01 Radiology
LL1 Support Services
LL2 Support Services

Phase 3-B

3 Behavioral Health Unit (Renovation)



Phase 3 development to occur in 2 steps to maintain surgical capacity

Washington Adventist Hospital
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Takoma Park On-Campus Alternative

On-Campus Alternative Planning

Development Approach

- Step 1

  Constructs new building and Central Utility Plant via third-party developer on existing parking area. This Step provides capacity on campus to remove older buildings re-locate services such as Emergency and prepares for Step 2 demolition and construction.

- Step 2

  Demolishes 1950's era building at center of campus and 1990's South building to add capacity in preparation for future development.

- Step 3

  Demolishes 1980's era (West) building at center of campus to reconnect surgery department on new level 2 and add capacity for new patient rooms above.

- New Construction Principles

  Sufficient floor heights and floor plates for different programs.

  Parking to replace demolished

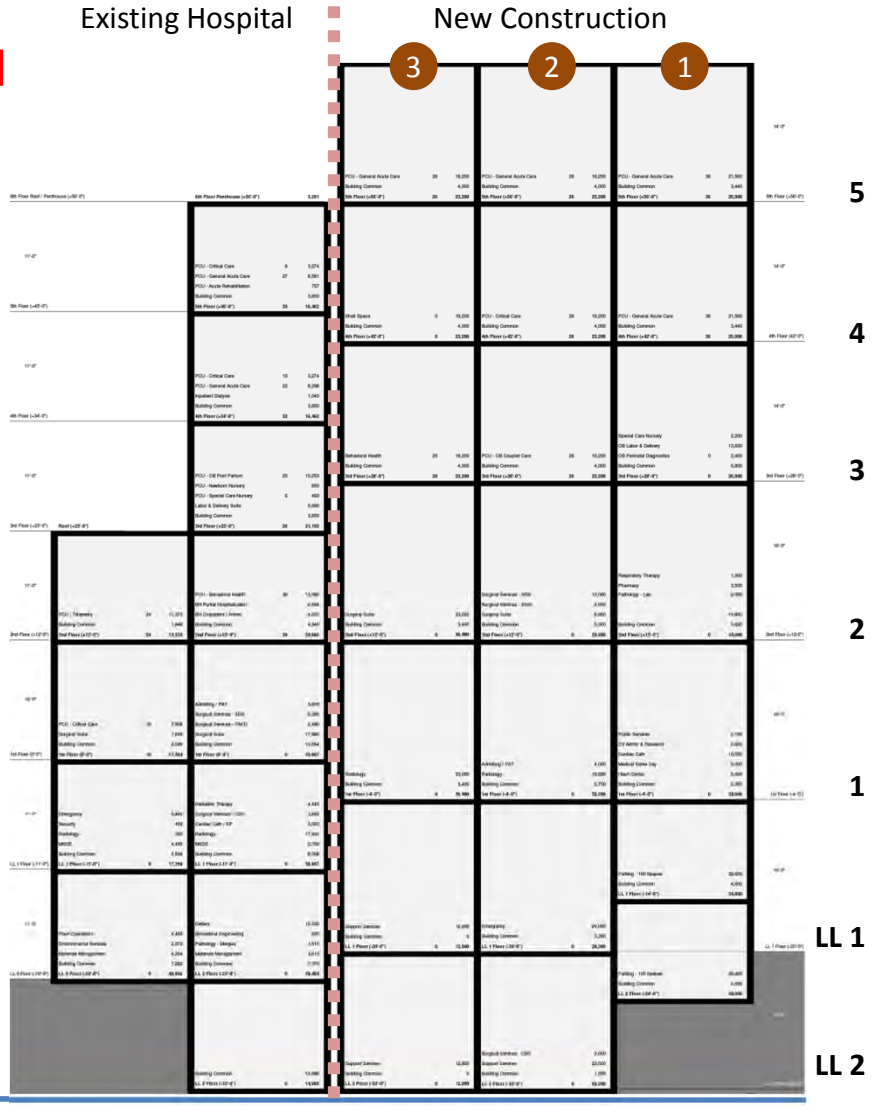
  Build in future growth (C.U.P., circulation zones, etc.)

Site Development Planning

565,800 GSF: 200 Beds @ 2,829 GSF / Bed

(includes shell space for 26 future rooms and 40 private BH beds)

5	Patient Care	14’-0” Floor to Floor
4	Patient Care	14’-0” Floor to Floor
3	Patient Care	14’-0” Floor to Floor
2	Surgery	16’-0” Floor to Floor
1	Radiology / Cardiology	16’-0” Floor to Floor
LL 1	Emergency	16’-0” Floor to Floor
LL 2	Support Services	14’-0” Floor to Floor



Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

Phase 1 Detail

Compelling Priorities

- 1950 Building Construction

  10’-9” floor to floor heights do not support high-acuity services such as OB L&D, Clinical Laboratory, Nuclear Medicine and Inpatient Services

  Site is critical to providing OB Post-Partum patient care adjacent to Phase 1 L&D Suite

- Critical Adjacencies

  Priorities include locating emergency services in close proximity to cardiac cath, and locating radiology, surgery & critical care in close proximity to the ED

- Empty Chair

  Site is planned to accommodate remaining services located in 1980 West Building

Project Scope

- Interim Development

  Parking relocation to Adventist University leased open site area

- New Construction

  211,000 gross building area

  143,000 hospital building area

  68,000 structured parking area

- Services

  Inpatient Services

  - 72 beds
  - OB Labor & Delivery & Special Care Nursery

  Ancillary Clinical Services

  - Pathology Clinical Laboratory
  - Pharmacy
  - Respiratory Therapy

- CUP (Third-Party Developer)

Phase 1 Detail

Critical Phasing Issues

- Education Building

  Federally Qualified Health Center (FQHC) future location unresolved

- Lisner Building

  Services located in this building location unresolved

- Unresolved Hospital Departments

  Acute Rehabilitation Hospital

  Utilization Review & Quality Management

  Risk Management

  Coffee Shop

  Education Private Dining Room

  Environmental Services Linen Distribution

Phase 1 Detail

Site Plan

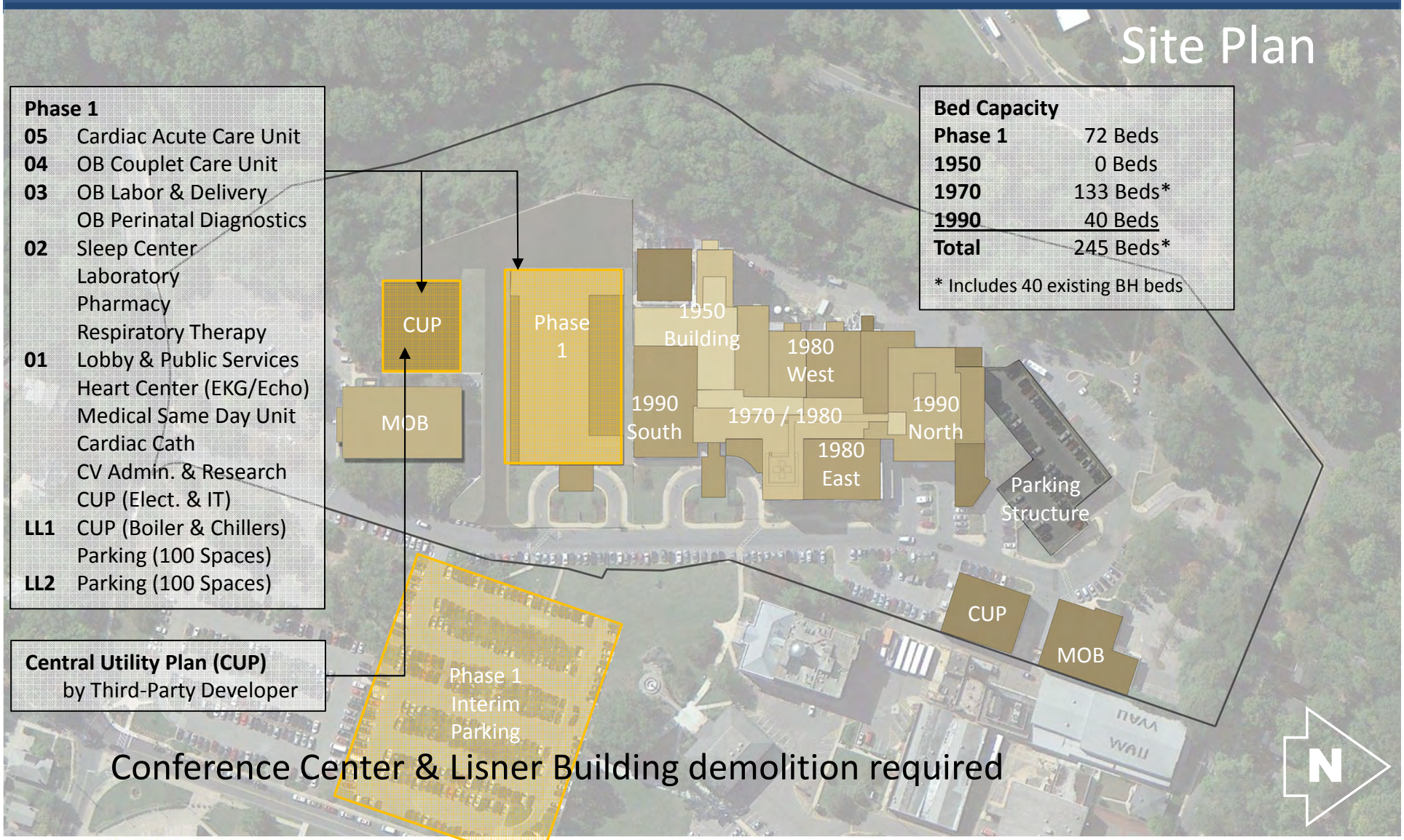
Phase 1

05	Cardiac Acute Care Unit
04	OB Couplet Care Unit
03	OB Labor & Delivery
	OB Perinatal Diagnostics
02	Sleep Center
	Laboratory
	Pharmacy
	Respiratory Therapy
01	Lobby & Public Services
	Heart Center (EKG/Echo)
	Medical Same Day Unit
	Cardiac Cath
	CV Admin. & Research
	CUP (Elect. & IT)
LL1	CUP (Boiler & Chillers)
	Parking (100 Spaces)
LL2	Parking (100 Spaces)

Central Utility Plan (CUP)
by Third-Party Developer

Bed Capacity	
Phase 1	72 Beds
1950	0 Beds
1970	133 Beds*
1990	40 Beds
Total	245 Beds*

* Includes 40 existing BH beds



Conference Center & Lisner Building demolition required

Washington Adventist Hospital
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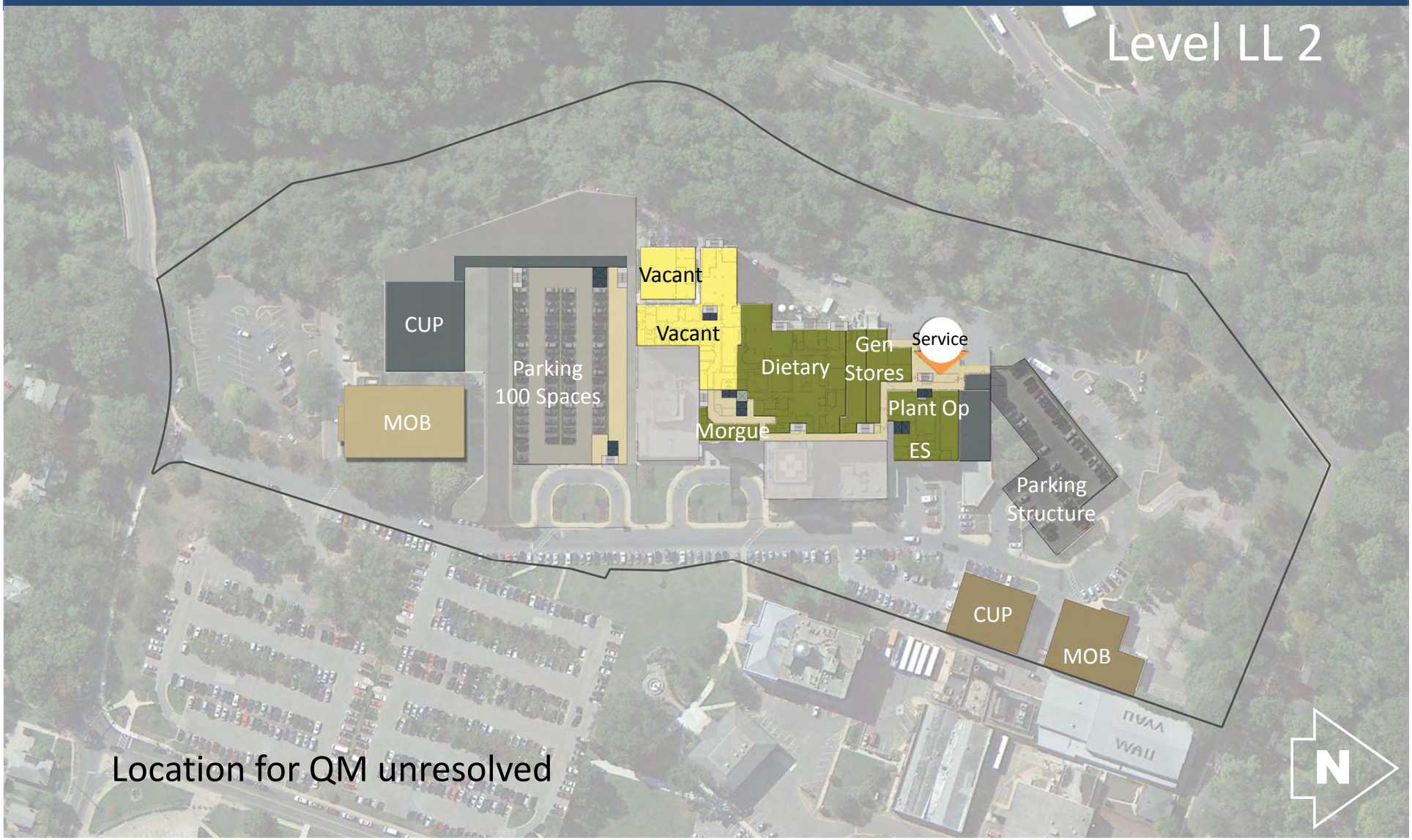
Takoma Park On-Campus Alternative

Phase 1 Detail

Level LL 2



Location for QM unresolved

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

Phase 1 Detail

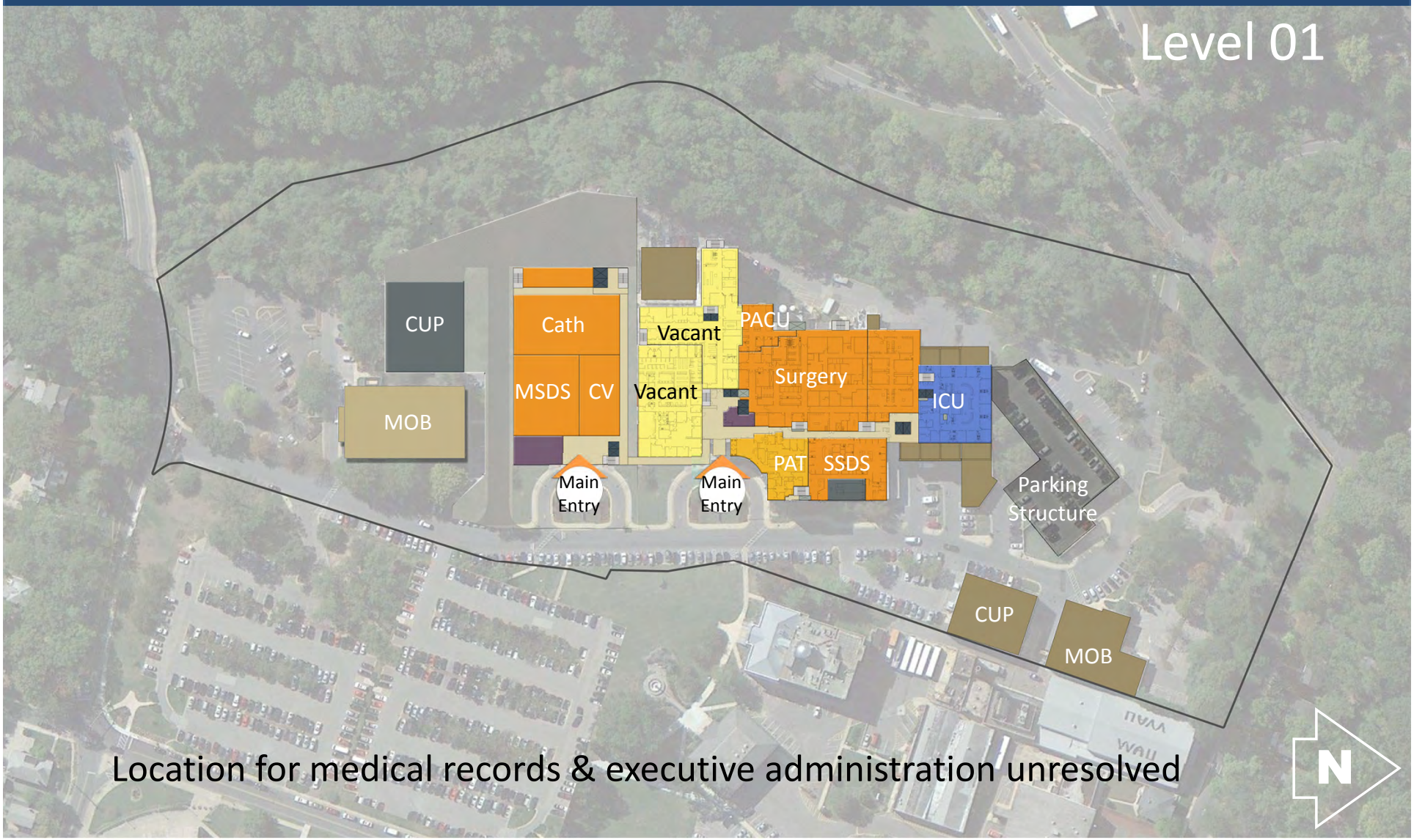
Level LL 1

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

Phase 1 Detail

Level 01



Location for medical records & executive administration unresolved

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

Phase 1 Detail

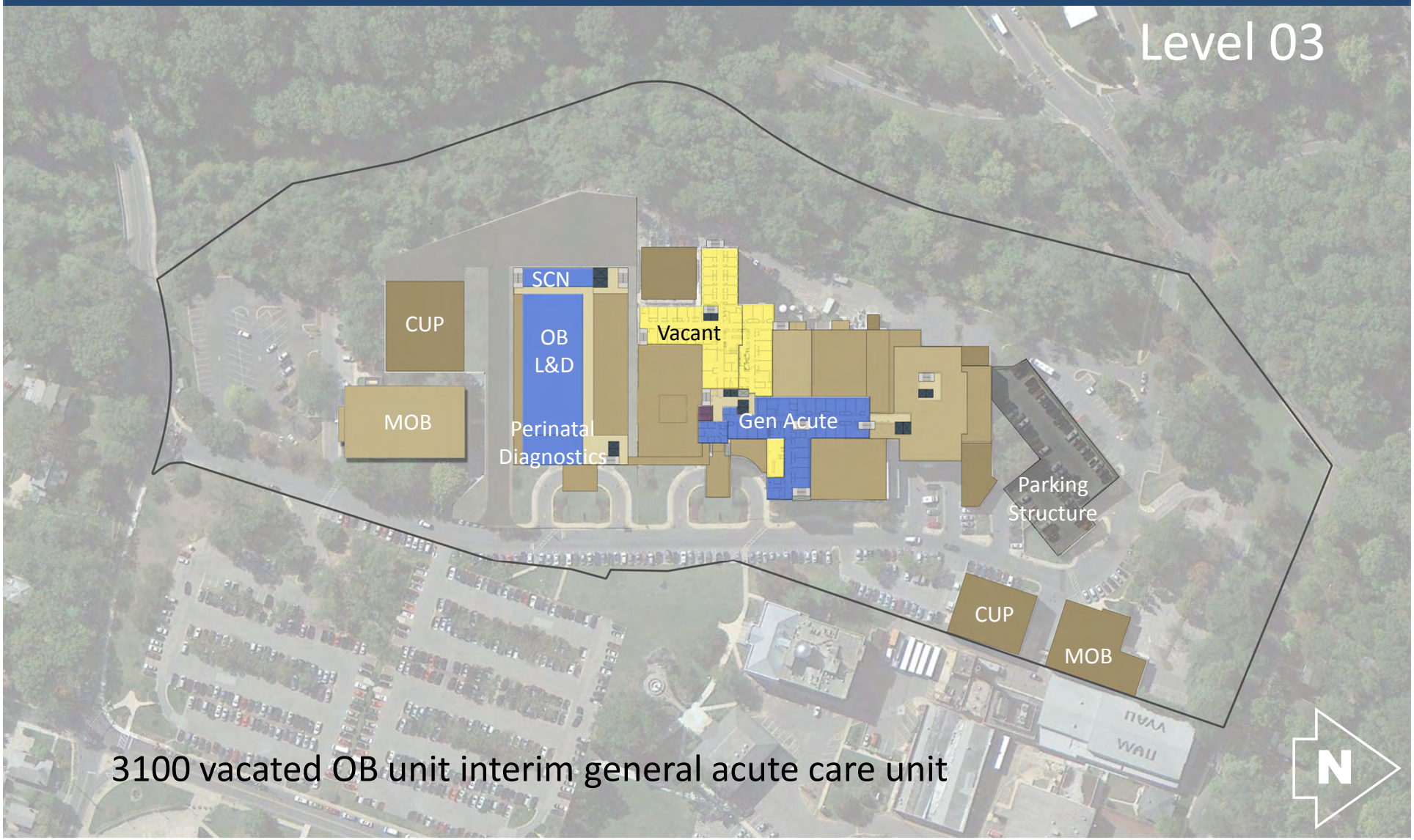
Level 02

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

Phase 1 Detail

Level 03



3100 vacated OB unit interim general acute care unit

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

Phase 1 Detail

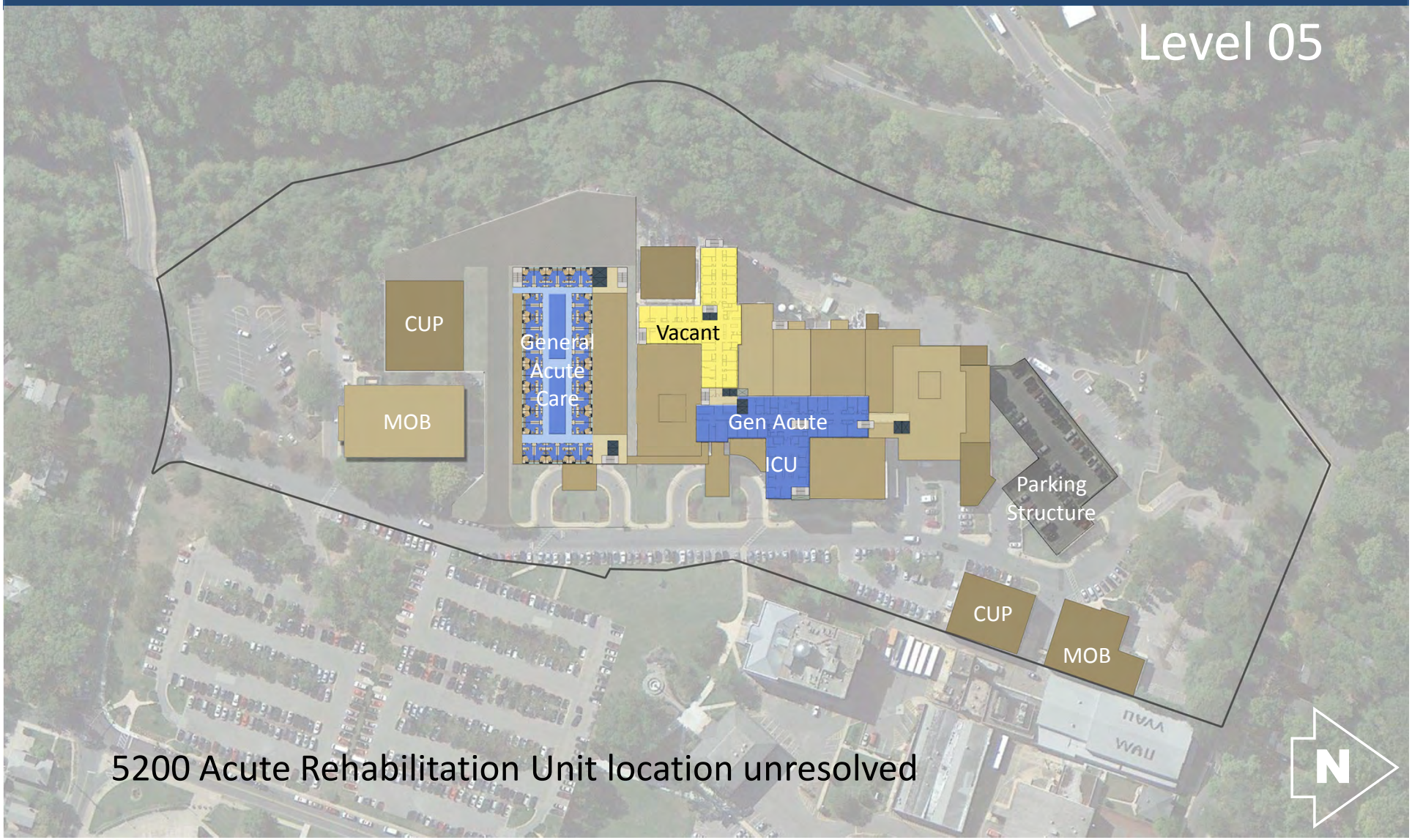
Level 04

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

Phase 1 Detail

Level 05



5200 Acute Rehabilitation Unit location unresolved

Phase 1 Detail

Level 06

Washington Adventist Hospital
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Takoma Park On-Campus Alternative

Phase 2 Detail

Compelling Priorities

- 1950 Building Construction

  11’-0” floor to floor heights do not support high-acuity services such as OB L&D, Clinical Laboratory, Nuclear Medicine and Inpatient Services

  Site is critical to providing OB Post-Partum patient care adjacent to Phase 1 L&D Suite

- Critical Adjacencies

  Priorities include locating emergency services in close proximity to cardiac cath, and locating radiology, surgery & critical care in close proximity to the ED

- Empty Chair

  Site is planned to accommodate remaining services located in 1980 West Building

Project Scope

- Building Demolition

  1950 Building 98,200 gross area

  1990 South Building 24,160 gross area

- New Construction

  186,400 gross building area

- Services

  Inpatient Services
  - 68 beds

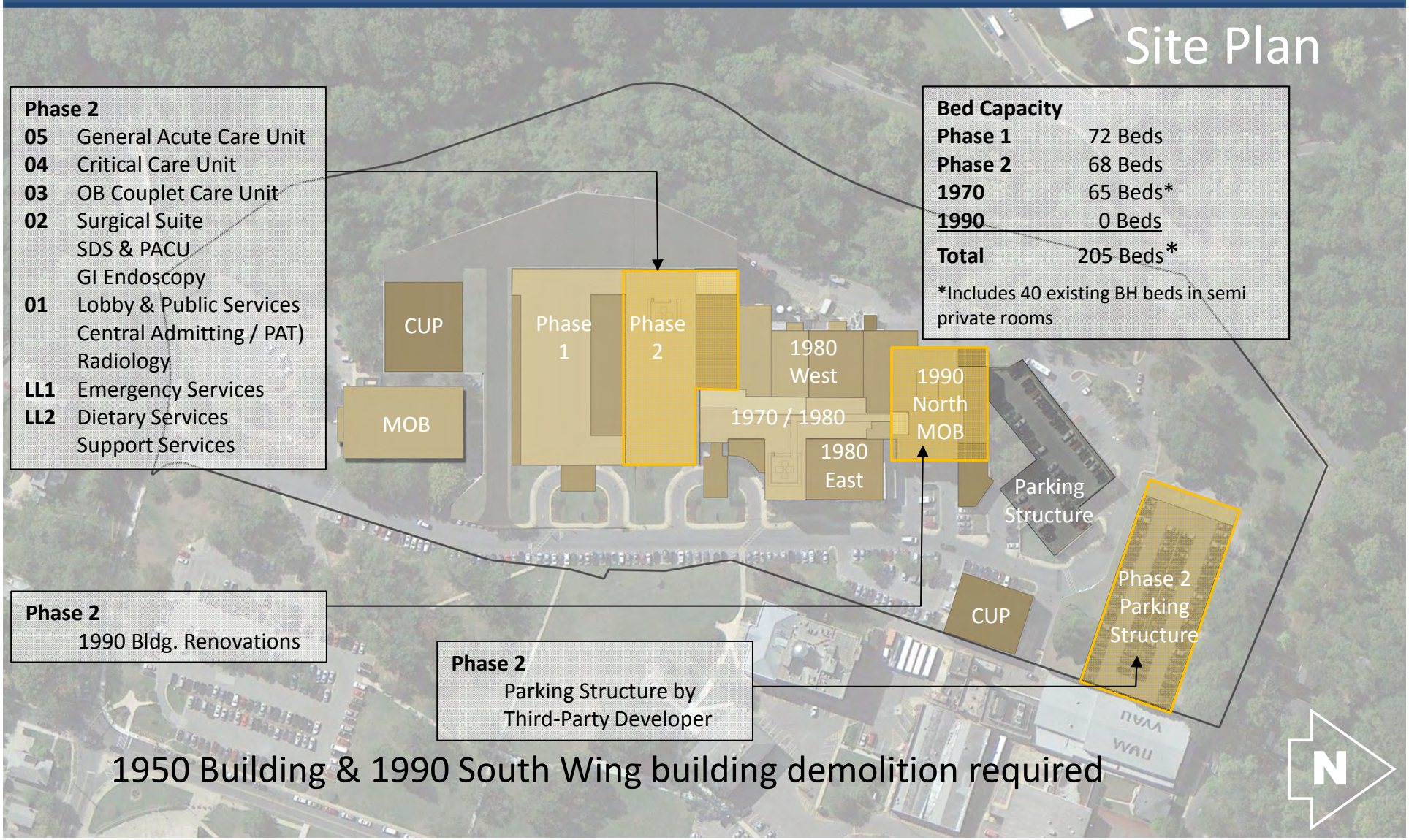
  Ancillary Clinical Services
  - Emergency Services
  - Radiology suite
  - Surgical Suite

  Support services
  - Dietary Services
  - Central Sterile Supply (CSS)

- Parking Structure by Third-Party Developer

Phase 2 Detail

Site Plan



Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

Phase 2 Detail

Level LL 2

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

Phase 2 Detail

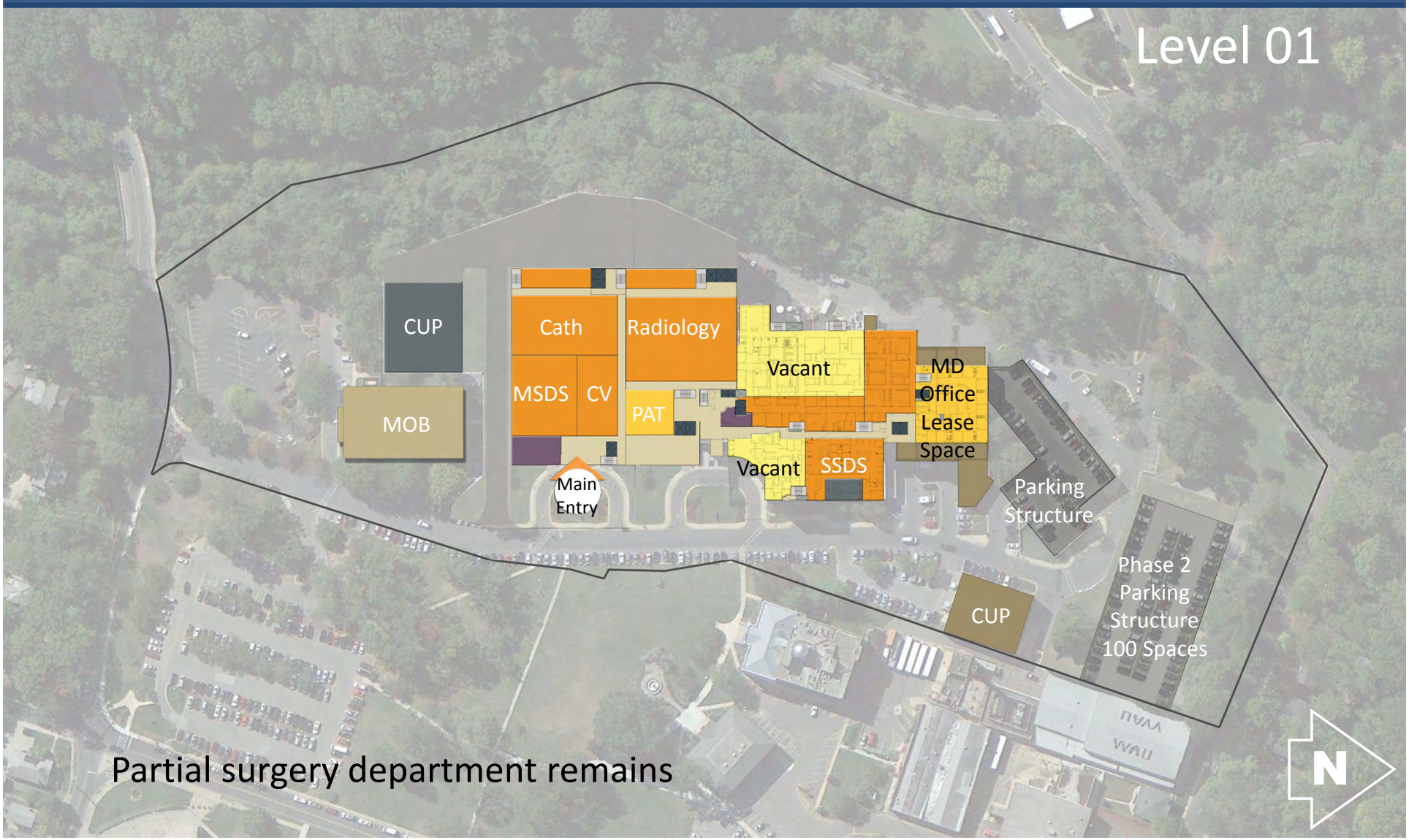
Level LL 1

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

Phase 2 Detail

Level 01



Partial surgery department remains

Washington Adventist Hospital
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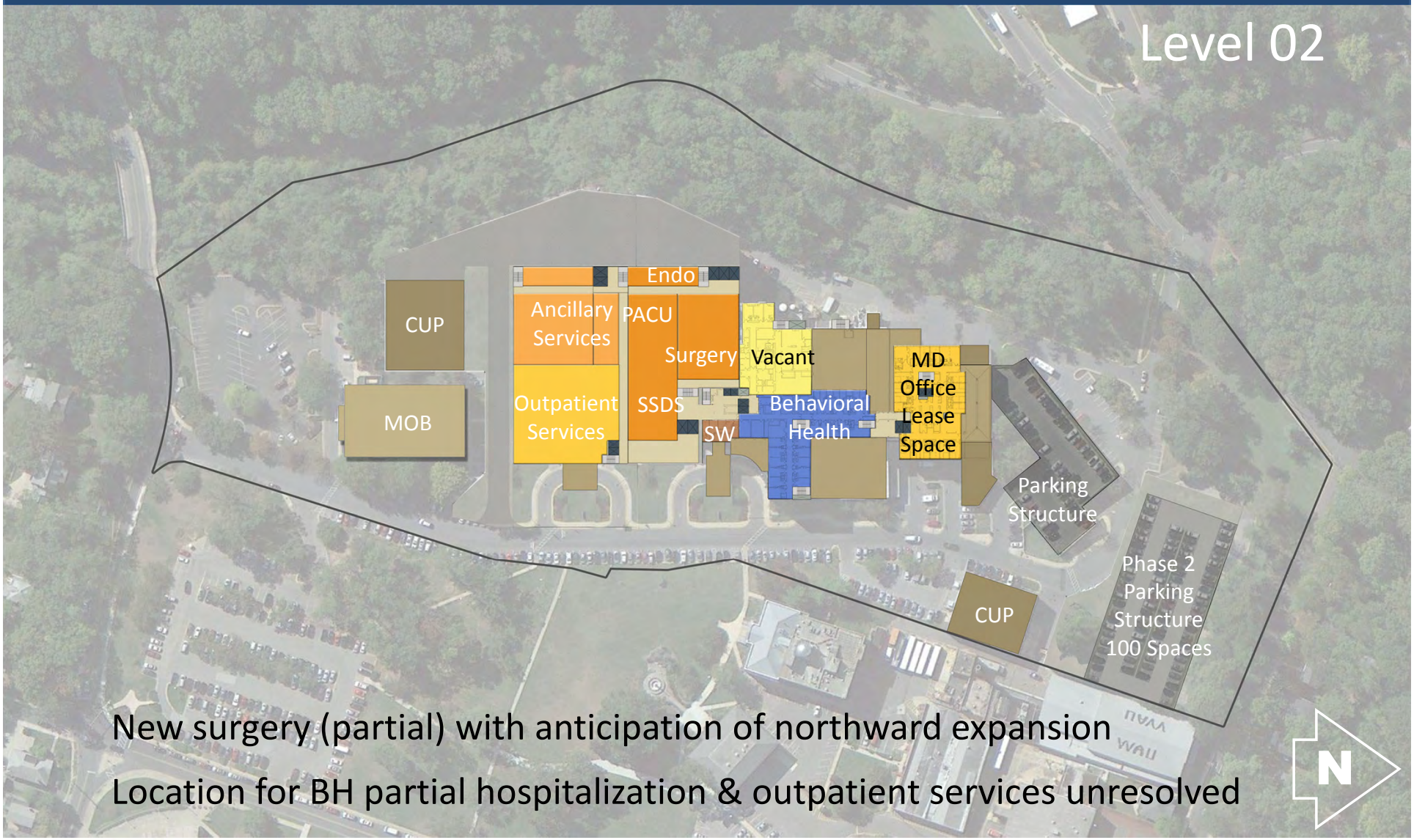
Takoma Park On-Campus Alternative

Phase 2 Detail

Level 02



New surgery (partial) with anticipation of northward expansion

Location for BH partial hospitalization & outpatient services unresolved

Washington Adventist Hospital
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Phase 2 Detail

Level 03

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

Phase 2 Detail

Level 04

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

Phase 2 Detail

Level 05

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

Phase 3 Detail

Compelling Priorities

- 1980 West Building Construction

  11’-0” floor to floor heights do not support high-acuity services such as radiology and surgical services

  Site is critical to providing total area required for radiology and surgical services partially located in Phase 2 development

- Empty Chair

  West site is planned to accommodate remaining services located in 1970-80 Central & East Buildings and 1990 North Building

- Contiguous Surgery

  Relocate final remaining surgery from level 1 to new level 2 to provide contiguous surgery department

Project Scope

- Building Demolition

  1980 West – 64,650 gross area

- New Construction

  168,400 gross building area (new + renovation + shell construction)

  16,400 Renovation (BH unit)

  23,200 Shell Space (Phase 4 prep/future expansion)

- Hospital Services

  Inpatient Services
  - 60 new beds (includes retrofit of 20 existing beds for contiguous 40-bed behavioral health unit)

  Ancillary Clinical Services
  - Radiology suite
  - Surgical Suite

  Support services
  - Environmental Services
  - Materials Management
  - Plant Operations

- 1990 North Building MOB

  72,630 gross building area renovations

Phase 3 Detail

Site Plan

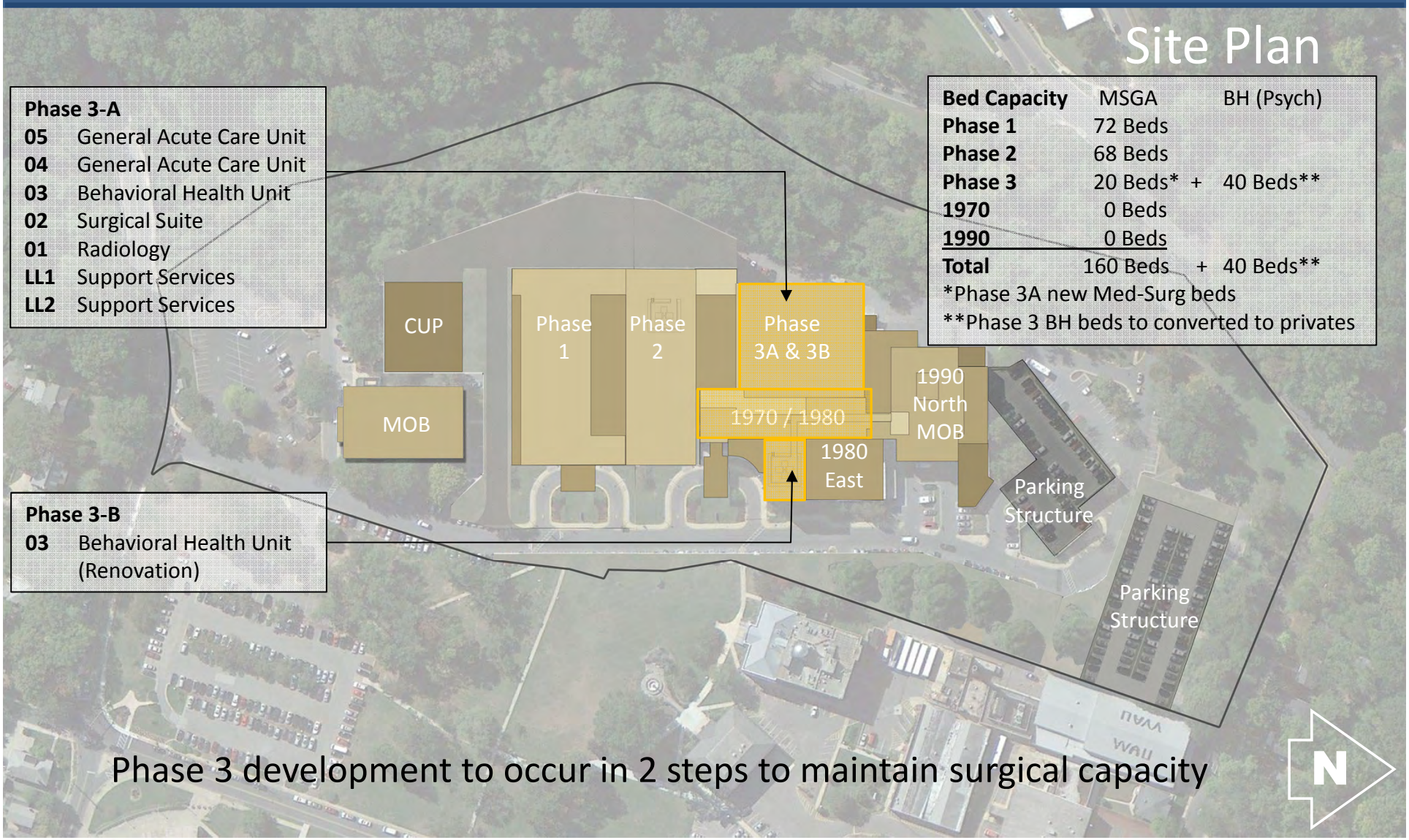
Phase 3-A

05	General Acute Care Unit
04	General Acute Care Unit
03	Behavioral Health Unit
02	Surgical Suite
01	Radiology
LL1	Support Services
LL2	Support Services

Bed Capacity	MSGA	BH (Psych)
Phase 1	72 Beds	
Phase 2	68 Beds	
Phase 3	20 Beds* +	40 Beds**
1970	0 Beds	
1990	0 Beds	
Total	160 Beds +	40 Beds**

*Phase 3A new Med-Surg beds

**Phase 3 BH beds to converted to privates



Phase 3-B

03	Behavioral Health Unit (Renovation)

Phase 3 development to occur in 2 steps to maintain surgical capacity

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

Phase 3 Detail

Level LL 2

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

Phase 3 Detail

Level LL 1

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

Phase 3 Detail

Level 01

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

Phase 3 Detail

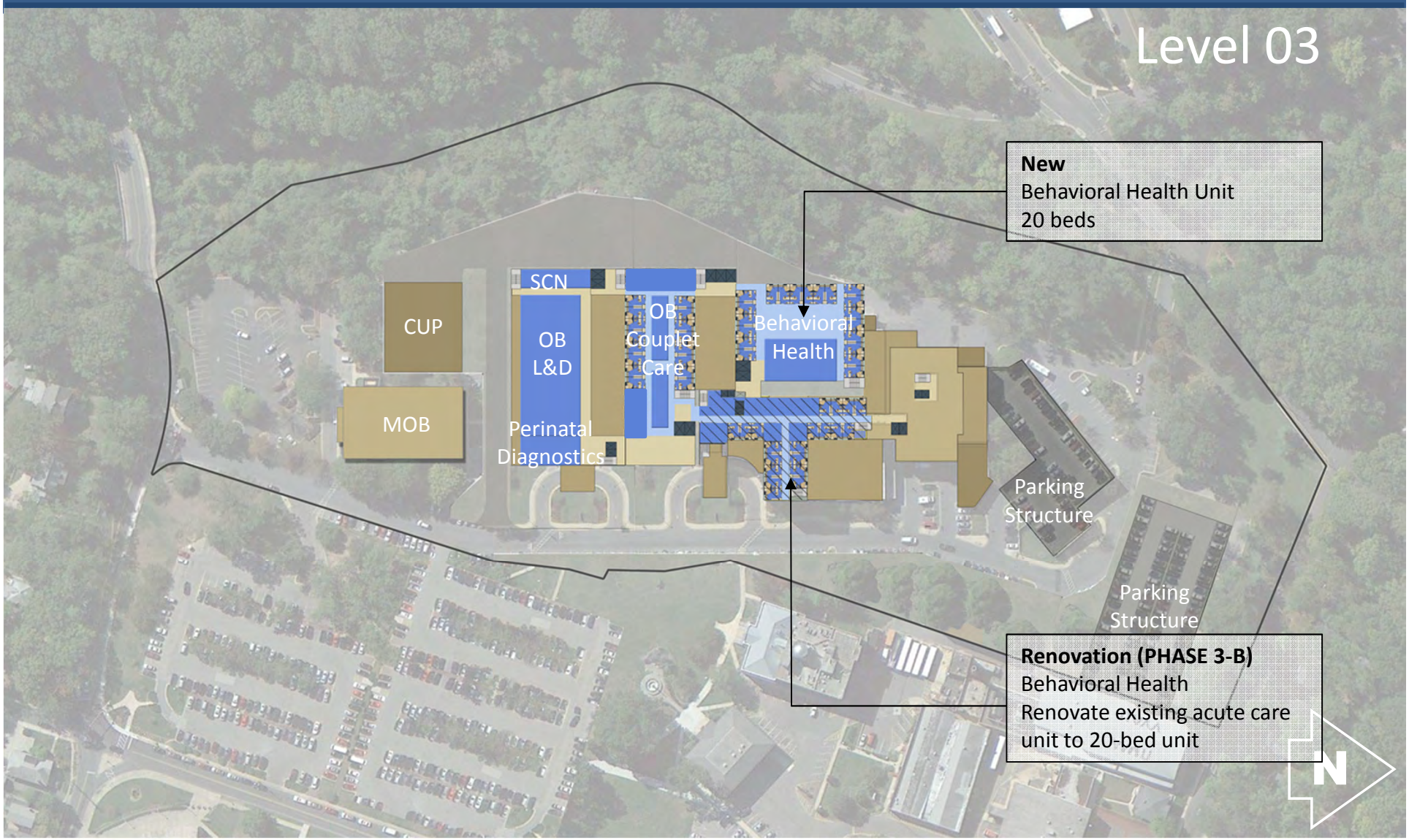
Level 02

Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

Phase 3 Detail

Level 03

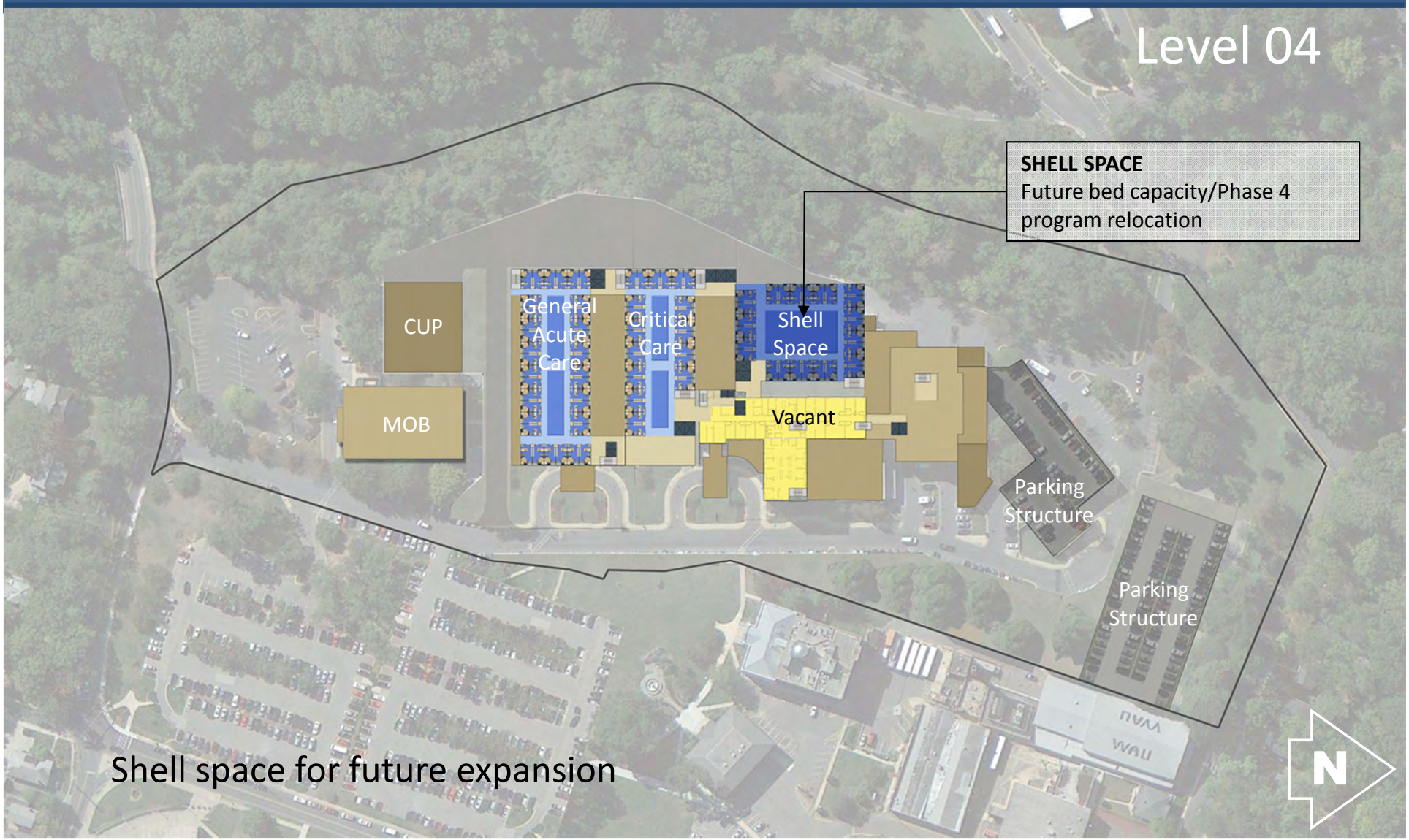


Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

Phase 3 Detail

Level 04



Shell space for future expansion

Washington Adventist Hospital
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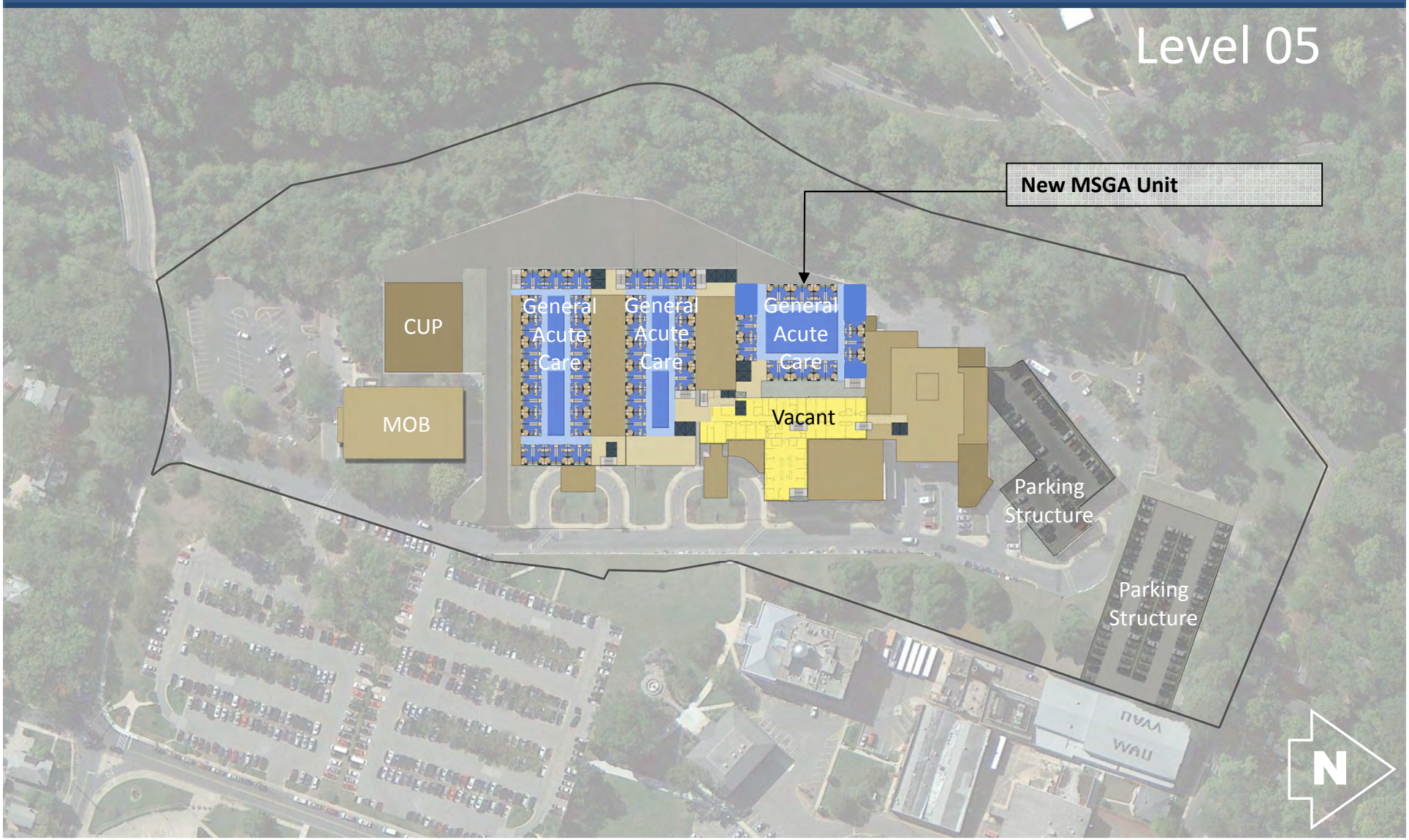
Takoma Park On-Campus Alternative

Phase 3 Detail

Level 05



Washington Adventist Hospital
A Member of Adventist HealthCare

Takoma Park On-Campus Alternative

WASHINGTON ADVENTIST HOSPITAL - OPTION 2
Phased Replacement at Takoma Park
IMPACT OF RENOVATION/EXPANSION PROGRAM ON EXISTING HOSPITAL OPERATIONS

Item	Primary Sources	Zone of Impact	Disruption / Risk	Mitigation Measures
Noise	* Construction Equipment & Vehicles	Hundreds of feet and multiple floors. Varies by source.	Variable - from mild distraction to serious interference with communications.	Restricted work hours and work areas.
Vibration	* Heavy Demolition * Excavation / Blasting * Pile Driving	Entire project site.	Interference with sensitive medical equipment including imaging, surgical lighting, etc.	Restricted work hours. Emergency shut-down procedures.
Air-borne Contaminants (Dust)	* Heavy Demolition * Excavation / Blasting * Material Delivery	Entire project site.	Contamination of interior air including fresh air intakes. Compromise of infection control measures.	Construction site procedures. Equipment washdown. Site and existing equipment monitoring. Additional / enhanced filtration.
Surface-borne Contaminants (Mud & Dirt)	* Grading * Landscaping * Paving	Areas on pedestrian and vehicular path of travel. Primarily building entrances.	Contamination of interior surfaces. Compromise of infection control measures.	Temporary vestibules. Equipment washdown. Walk-off mats. Controlled procedures for travel between site and existing facilities.
Physical Security - Accidental Injury	* Tie-in between existing and new security systems * Accidental breaches	Entire project site - staff, patients and visitors.	Higher risk of physical injury due to presence of construction personnel and equipment operating in or near occupied areas.	Construction safety measures (tool box talks, barriers). Staff training. Construction phase signage / wayfinding. Additional security staff and construction procedures.
Physical Security - Theft or Assault	* Tie-in between existing and new security systems * Intentional breaches	Entire project site - staff, patients and visitors.	Higher risk of theft or assault due to possible presence of un-screened personnel in or near occupied areas.	Screening and badging of workers. Staff training. Additional security staff and construction procedures.

IMPACT OF RENOVATION/EXPANSION PROGRAM ON EXISTING HOSPITAL OPERATIONS

Item	Primary Sources	Zone of Impact	Disruption / Risk	Mitigation Measures
Data Security	* Tie-in between existing and new IT/data systems * Accidental breaches * Intentional breaches	IT/data networks and electronic medical records systems.	Higher risk of compromised data due to possible presence of un-screened personnel and equipment.	Screening and badging of workers. Additional security staff and construction-specific network protocols.
Electrical Service Outages	* Tie-in to new service * Tie-in to new gensets * New ATS systems * Hidden conditions	Entire project site.	Risk of electrical service outages during tie-in between existing and new services.	Temporary or permanent rendundant feeders and back-up generators. Distributed battery back-up units. Dry runs for critical cut-overs.
Heating & Cooling Outages	* Tie-in to new boilers * Tie-in to new chillers * Tie to new controls	Entire project site.	Risk of heating and cooling outages during tie-in between existing and new services.	Back-up boilers. Temporary portable chillers. Manual override procedures.
Support Staff Efficiency & Response Time	* Relocation of support service areas * Changes in path of travel from support services to units * Relocation of units	Potential for all support services to be affected: dietary, EVS, imaging, pharmacy, lab, OT, etc.	Increased risk of errors and inefficiency due to temporary relocation of support services and/or serviced units and changes in path of travel due to construction phasing plans.	Temporary imaging equipment. Additional wayfinding, orientation, documentation and staffing. Dry runs for critical support functions, e.g. patient transfers between or into critical care units.
Reduced Patient Census	* Difficulty or perceived difficulty to access facility due to circulation and parking changes * Patient's desire to avoid inconvenience of dealing with a facility under construction	Entire facility.	Patient census typically drops during major construction projects at existing hospitals for the reasons noted under "Primary Sources."	Alternate parking methods, e.g. valet service or off-site parking with shuttles. Additional construction phase wayfinding, education, outreach and public relations efforts.

IMPACT OF RENOVATION/EXPANSION PROGRAM ON EXISTING HOSPITAL OPERATIONS

Item	Primary Sources	Zone of Impact	Disruption / Risk	Mitigation Measures
Lowered Patient Satisfaction Ratings	* Difficulty or perceived difficulty to access facility due to circulation and parking changes * Inconvenience of dealing with a facility under construction * Confusion over location of functions which have moved due to construction phasing	Entire facility.	Patient satisfaction ratings typically drop during major construction projects at existing hospitals for the reasons noted under "Primary Sources."	Alternate parking methods, e.g. valet service or off-site parking with shuttles. Additional construction phase wayfinding, education, outreach and public relations efforts.

Adventist HealthCare, Inc. and Controlled Entities

Financial Statements and
Supplementary Information

December 31, 2013 and 2012

Adventist HealthCare, Inc. and Controlled Entities

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December 31, 2013 and 2012

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ParenteBeard

Independent Auditors' Report

Board of Trustees
Adventist HealthCare, Inc. and Controlled Entities

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Adventist HealthCare, Inc. and controlled entities (collectively, the "Corporation"), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 Adventist HealthCare, Inc. and controlled entities as of December 31, 2013 and 2012, and the results of its operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and combining information presented on pages 42 to 49 is presented for purposes 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.

Parente Beard LLC

Wilkes-Barre, Pennsylvania
April 29, 2014

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Balance Sheets
December 31, 2013 and 2012

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	$ 58,692,102	$ 19,965,512
Short-term investments	128,642,187	155,416,945
Assets whose use is limited	3,950,514	5,722,017
Patient accounts receivable, net of estimated allowances of $92,434,000 in 2013 and $104,455,000 in 2012	127,698,502	138,952,125
Other receivables, net of estimated allowance for doubtful collections of $2,288,000 in 2013 and $2,350,000 in 2012	12,781,149	9,124,293
Inventories	12,172,222	12,781,870
Prepaid expenses and other current assets	6,251,940	3,306,192
Total current assets	350,188,616	345,268,954
Property and Equipment, Net	392,164,649	382,975,709
Assets Whose Use is Limited		
Under trust indentures and capital lease purchase financing facilities, held by trustees and banks	7,045,353	9,843,484
Professional liability trust fund	8,835,811	6,122,473
Deferred compensation fund	164,057	164,057
Cash and Cash Equivalents Temporarily Restricted for Capital Acquisition	2,978,828	2,650,934
Investments and Investments in Unconsolidated Subsidiaries	9,926,599	9,533,604
Land Held for Healthcare Development	84,805,542	76,230,174
Deferred Financing Costs, Net	2,622,135	3,374,836
Intangible Assets, Net	5,408,550	5,693,334
Deposits and Other Noncurrent Assets	7,448,871	5,562,034
Total assets	$ 871,589,011	$ 847,419,593

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Balance Sheets
December 31, 2013 and 2012

	2013	2012
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 83,688,817	$ 75,480,655
Accrued compensation and related items	31,922,897	30,866,740
Interest payable	2,222,769	3,043,488
Due to third party payors	21,919,784	26,873,945
Estimated self-insured professional liability	1,202,986	1,241,672
Current maturities of long-term obligations	22,925,596	38,270,987
Long-term debt subject to short-term remarketing and repayment arrangements	41,985,000	-
Total current liabilities	205,867,849	175,777,487
Construction Payable	116,254	124,101
Long-Term Obligations, Net		
Bonds payable	221,015,919	231,407,570
Notes payable	18,916,729	23,435,834
Capital lease obligations	16,348,680	15,183,624
Derivative Financial Instruments	16,103,581	28,169,723
Deferred Compensation	164,057	164,057
Other Liabilities	12,310,883	5,520,386
Estimated Self-Insured Professional Liability	8,121,925	6,023,754
Total liabilities	498,965,877	485,806,536
Net Assets		
Unrestricted	365,618,832	353,330,451
Temporarily restricted	6,662,881	7,941,185
Permanently restricted	341,421	341,421
Total net assets	372,623,134	361,613,057
Total liabilities and net assets	$ 871,589,011	$ 847,419,593

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Operations
Years Ended December 31, 2013 and 2012

	2013	2012
Unrestricted Revenues		
Net patient service revenue	$ 664,929,799	$ 660,197,337
Provision for doubtful collections	(43,172,646)	(46,135,114)
Net patient service revenue less provision for doubtful collections	621,757,153	614,062,223
Other revenue	37,990,928	33,937,871
Total unrestricted revenues	659,748,081	648,000,094
Expenses		
Salaries and wages	277,034,762	280,362,629
Employee benefits	58,644,334	56,654,101
Contract labor	29,565,999	26,663,188
Medical supplies	93,404,087	96,729,115
General and administrative	121,185,271	107,141,577
Building and maintenance	35,047,777	32,879,596
Insurance	5,147,729	5,149,118
Interest	8,365,613	9,782,884
Depreciation and amortization	31,059,309	31,178,340
Total expenses	659,454,881	646,540,548
Income from operations	293,200	1,459,546
Other Income (Expense)		
Investment income	2,786,060	2,310,413
Loss on extinguishment of debt	(707,292)	-
Other income	1,673,660	799,959
Total other income	3,752,428	3,110,372
Revenues in excess of expenses from continuing operations	4,045,628	4,569,918
Change in net unrealized gains and losses on investments other than trading securities	(2,896,072)	395,380
Change in net unrealized gain (loss) on derivative financial instruments	8,450,548	(555,316)
Net assets released from restriction for purchase of property and equipment	3,243,024	4,008,780
Other unrestricted net asset activity	(82,046)	(210,000)
Increase in unrestricted net assets from continuing operations	12,761,082	8,208,762
(Loss) income from discontinued operations	(472,701)	2,298,650
Increase in unrestricted net assets	$ 12,288,381	$ 10,507,412

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2013 and 2012

	2013	2012
Unrestricted Net Assets		
Revenues in excess of expenses from continuing operations	$ 4,045,628	$ 4,569,918
Change in net unrealized gains and losses on investments other than trading securities	(2,896,072)	395,380
Change in net unrealized loss on derivative financial instruments	8,450,548	(555,316)
Net assets released from restriction for purchase of property and equipment	3,243,024	4,008,780
Other unrestricted net asset activity	(82,046)	(210,000)
Increase in unrestricted net assets from continuing operations	12,761,082	8,208,762
(Loss) income from discontinued operations	(472,701)	2,298,650
Increase in unrestricted net assets	12,288,381	10,507,412
Temporarily Restricted Net Assets		
Restricted gifts and donations	6,132,245	8,680,029
Net assets released from restriction for purchase of property and equipment	(3,243,024)	(4,008,780)
Net assets released from restriction used for operations	(4,290,355)	(6,613,695)
Change in value of beneficial interest in trusts and charitable gift annuity obligation	237,254	106,075
Change in discount of pledges receivable and provision for doubtful pledges	(146,325)	(16,886)
Donor restricted investment income	31,901	17,448
Decrease in temporarily restricted net assets	(1,278,304)	(1,835,809)
Permanently Restricted Net Assets		
Other permanently restricted net asset activity	-	-
Increase in net assets	11,010,077	8,671,603
Net Assets, Beginning	361,613,057	352,941,454
Net Assets, Ending	$ 372,623,134	$ 361,613,057

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Increase in net assets	$ 11,010,077	$ 8,671,603
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for doubtful collections	47,796,874	51,208,518
Depreciation and amortization	36,092,319	36,467,510
Loss on extinguishment of debt	707,292	-
Restricted contributions and grants	(2,246,168)	(5,985,585)
Earnings recognized from unconsolidated subsidiaries and affiliates	(2,695,156)	(3,026,134)
Amortization of bond discounts	-	9,790
Amortization of physician income guarantees	94,483	156,138
Gain on sale of interest in unconsolidated subsidiaries	(1,855,239)	(3,090,298)
Net realized loss on investments other than trading securities	903,233	1,561,074
Change in net unrealized gains and losses on investments other than trading securities	2,896,072	(395,380)
Change in net unrealized (gain) loss on derivative financial instruments	(8,450,548)	555,316
Change in value of beneficial interest in trusts and charitable gift annuity	(237,254)	(106,075)
Change in discount on pledges receivable and provision for doubtful pledges	146,325	16,886
Changes in assets and liabilities:		
Patient accounts receivable, net	(36,543,251)	(60,410,918)
Other receivables, net	(3,389,526)	(885,133)
Inventories, prepaid expenses and other current assets	(2,336,100)	(186,128)
Accounts payable and accrued expenses	6,203,378	(6,139,327)
Accrued compensation and related items	1,056,157	(3,427,448)
Interest payable	(820,719)	534,568
Estimated self-insured professional liability	2,059,485	(1,680,884)
Due to third party payors	(4,954,161)	7,262,875
Other noncurrent assets and liabilities	1,378,995	(1,338,663)
Net cash provided by operating activities	46,816,568	19,772,305

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Cash Flows from Investing Activities		
Purchase of property and equipment	$ (34,507,464)	$ (24,526,941)
Payments to physicians under income guarantees	(16,667)	(79,680)
Decrease in investments and investments in unconsolidated subsidiaries	25,381,710	10,392,031
Net additions to land held for healthcare development	(7,502,447)	(3,042,560)
Proceeds from sale of interest in unconsolidated subsidiaries	2,003,649	5,842,152
Distributions from investments in unconsolidated subsidiaries	262,586	2,555,418
Decrease in trustee held funds and restricted cash	1,013,310	6,801,791
Net cash used in investing activities	(13,365,323)	(2,057,789)
Cash Flows From Financing Activities		
Payment of financing costs	(191,318)	(166,398)
Proceeds from issuance of bonds	40,797,600	-
Repayments on long-term obligations, net	(37,577,105)	(18,734,996)
Proceeds from restricted contributions and grants	2,246,168	5,985,585
Net cash provided by (used in) financing activities	5,275,345	(12,915,809)
Net increase in cash and cash equivalents	38,726,590	4,798,707
Cash and cash equivalents, beginning	19,965,512	15,166,805
Cash and cash equivalents, ending	$ 58,692,102	$ 19,965,512
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 11,591,903	$ 11,521,995
Supplemental Disclosure of Noncash Investing and Financing Activities		
Capital lease obligation incurred for equipment	$ 9,306,779	$ 3,841,370
Construction payable for property and equipment	$ 116,254	$ 124,101

See notes to consolidated financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Adventist HealthCare, Inc. ("AHC") is a nonstock membership corporation organized to effectuate coordinated administration of hospitals and other health care organizations through the provision of key management and administrative services. AHC is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. AHC is not exempt from income taxes for unrelated business income. AHC's sole corporate member is Mid-Atlantic Adventist HealthCare, Inc.

AHC is comprised of several operating divisions. Shady Grove Adventist Hospital ("SGAH") is a 331-bed acute care hospital located in Rockville, Maryland. Washington Adventist Hospital ("WAH") is a 252-bed acute care hospital with 32 acute rehabilitation beds located in Takoma Park, Maryland. Adventist Behavioral Health ("ABH") is comprised of two separate facilities located in Maryland. ABH - Rockville is a 106-bed psychiatric hospital with 54 residential treatment rooms and 32 group home beds for adolescents. ABH - Eastern Shore is the region's only acute care and residential mental health resource for children and adolescents, which has 15 acute care psychiatric beds and 32 residential treatment rooms. The Support Center is comprised of the corporate office that provides corporate and centralized shared service functions that benefit the entire healthcare system. The Support Center is comprised of the following units: Adventist Choice Nursing ("ACN"), Adventist Home Assistance ("AHA") and the AHC Benefit business unit. ACN provides skilled nursing care to individual patients and other healthcare entities not affiliated with AHC. AHA provides non-clinical assistance to homebound patients who cannot perform certain daily activities on their own. The AHC Benefit business unit administers the self insured health benefit program including health insurance, dental and vision coverage for Adventist HealthCare, Inc. and controlled entities.

Hackettstown Community Hospital d.b.a. Hackettstown Regional Medical Center ("HRMC") is a 111-bed not-for-profit acute care hospital organized under the laws of the State of New Jersey. The primary purpose of HRMC is to participate in the health ministry of the Seventh-day Adventist Church and to promote the wholeness of man physically, mentally and spiritually through acute care hospital services. HRMC is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Effective January 28, 2014, the Corporation entered into an affiliation agreement with an unrelated third party for the future sale of HRMC pending state regulatory review. See Note 2 for further details.

Adventist Rehabilitation Hospital of Maryland, Inc. ("ARHM") is comprised of two outpatient sites in Maryland. ARHM - Rockville is a 55-bed rehabilitation facility and ARHM - Takoma Park is a 32-bed rehabilitation facility. ARHM is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

The Reginald S. Lourie Center for Infants and Young Children ("Lourie Center") is a not-for-profit organization that specializes in the diagnosis, treatment and prevention of developmental and emotional disorders in children from birth through ten years of age. The Lourie Center is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

Adventist Medical Group ("AMG"), formerly known as Adventist Physician Services, Inc., is a not-for-profit entity that provides physician professional health services to further provide necessary services to the communities it serves. AMG is tax-exempt under Section 501(c)3 of the Internal Revenue Code. Adventist Healthcare, Inc. is contracted with Medical Faculty Associates, Inc. ("MFA") to employ the AMG employees, through a wholly owned affiliate of MFA, in exchange for certain economic support to facilitate the growth by MFA of the AMG practices.

Adventist Senior Living Services, Inc. ("ASLS") is a nonstock membership corporation that provides management and support services to five subsidiary nursing homes, a wholly-owned dialysis center, and one affiliated nursing home. The facilities' residents primarily come from the State of Maryland. ASLS and its subsidiary nursing homes are tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Effective November 30, 2010, the Corporation sold the operating assets of its five wholly-owned subsidiary nursing homes, its wholly owned dialysis center, and it's one affiliated nursing home. See Note 2 for further details.

Adventist Home Health Services, Inc. ("AHHS") is a nonstock membership corporation organized to provide home health services in Maryland. It is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

Adventist Management Services, Inc. ("AMSI") is organized as a taxable corporation to provide management services to its subsidiaries that provide various health care services including, but not limited to a wholly-owned healthcare recruitment organization, GROW HealthCare, LLC. Effective December 3, 2012, AMSI was legally dissolved and all remaining assets and liabilities were transferred to the parent AHC in 2013.

Washington Adventist Hospital Foundation, Inc., Shady Grove Adventist Hospital Foundation, Inc., Hackettstown Community Hospital Foundation, Inc., and Adventist Behavioral Health Foundation, Inc. (collectively the "Foundations") are separate nonstock corporations that operate for the furtherance of each named hospital's health care objectives primarily through the solicitation of contributions, gifts and bequests. The Foundations also exist to help fund new equipment purchases and capital improvement projects for their respective hospitals. The Foundations are tax-exempt under Section 501(c)3 of the Internal Revenue Code.

Principles of Consolidation

The consolidated financial statements for 2013 and 2012 include the accounts of AHC, the controlling parent, HRMC, ARHM, the Lourie Center, AMG, ASLS, AHHS, AMSI, the Foundations, and their majority-owned subsidiaries and controlled affiliates (collectively, the "Corporation"). All significant intercompany balances and transactions have been eliminated in the consolidated financial statements of the Corporation.

Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through April 29, 2014, the date the consolidated financial statements were issued.

Use of Estimates

The preparation of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Factors

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on the Corporation, if any, are not presently determinable.

Maryland Health Services Cost Review Commission

Patient charges of SGAH, WAH, ABH and ARHM are subject to review and approval by the Maryland Health Service Cost Review Commission ("HSCRC"). Management has filed the required reports with the HSCRC for each facility and believes they are in compliance with HSCRC requirements.

In April 2014, Adventist Healthcare entered into a Global Budget Revenue Agreement with the HSCRC for Shady Grove Adventist Hospital, Washington Adventist Hospital and Shady Grove Emergency Center, retroactive to July 1, 2013. This agreement sets a fixed amount of revenue for each entity for the period July 1, 2013 through June 30, 2014. Total revenue per the Global Budget Revenue Agreement, and the amount of that revenue recognized in 2013, are as follows:

	Total Approved Revenue July 1, 2013-June 31, 2014	Revenue Recognized July 1, 2013-December 21, 2013
Shady Grove Adventist Hospital	$ 376,588,970	$ 185,035,009
Washington Adventist Hospital	254,864,218	122,757,511
Shady Grove Emergency Center	13,839,618	7,324,110

The HSCRC has placed into its methodology a rate system which, among other things, causes SGAH and WAH to calculate the amount of revenue lost or gained due to variances from approved rates. Revenue lost due to undercharges in rates is recouped through increases in prospective rates. Similarly, revenue gained due to overcharges in rates is paid back, wholly or in part, through reductions in prospective rates.

The Corporation reported net undercharges of $1,195,648 and $6,987,996 as of December 31, 2013 and 2012, respectively. These price variances reflect (1) the variance between actual patient charges and the rate orders, and (2) a provision for expected rate adjustments related to the case mix experience of WAH and SGAH. The net amounts are reported as a component of net patient service revenue and patient accounts receivable in the consolidated financial statements. Since the HSCRC's rate year extends from July 1 through June 30, these amounts will continue to fluctuate until the end of the rate year as actual patient charges deviate from the Total Approved Global Budget Revenue Agreement amounts reflected above, at which time any over/under charges are amortized on the straight-line basis over the following rate year.

Under Maryland law, charges of specialty hospitals such as ARHM are subject to review and approval by the HSCRC. HSCRC regulations also include a provision whereby a hospital may apply for an exemption from the requirements to charge for services in accordance with the HSCRC regulations. Certain conditions regarding the percentage of revenue related to Medicare and Medicaid patients and total revenues must be met to receive the initial exemption and must be met each year thereafter. Reporting requirements as established by the HSCRC continue if an exemption regarding charging for services is received. The Corporation's management believes ARHM met the conditions for exemption during 2013 and 2012.

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market funds and certificates of deposit purchased with original maturities of less than 90 days, excluding assets whose use is limited.

Patient Accounts Receivable

Patient accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. In evaluating the collectability of patient 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 collections and provision for doubtful collections. For patient accounts receivable associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful collections and provision for doubtful collections, 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 provision for doubtful collections in the period of service on the basis of its past experience, which indicates that many patients are unable to pay the portion of their bill for which they are financially responsible. The difference between the billed rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful collections.

The Corporation's allowance for doubtful collections for self-pay patients as a percentage of self-pay accounts receivable was 67% and 64% at December 31, 2012 and 2013, respectively. In addition, the Corporation's self-pay account writeoffs, net of recoveries, increased from $38,639,959 in 2012 to $49,368,811 in 2013 which was the result of both increased services provided to self-pay patients and negative trends experienced in the collection of amounts from self-pay patients in 2013. The Corporation does not maintain a material allowance for doubtful collections from third party payors, nor did it have significant writeoffs from third-party payors.

Other Receivables

Other receivables represent amounts due to the Corporation for charges other than providing health care services to patients and pledges from donors. These services include, but are not limited to, fees from educational programs, rental of health care facility space, interest earned, and management services provided to unconsolidated subsidiaries. Other receivables are written off when they are determined to be uncollectible based on management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon historical collection experience and other managerial information.

Assets Whose Use Is Limited

Assets whose use is limited includes assets held by bond trustees under trust indentures, assets set aside as required by the Corporation's self-funded professional liability trust, and assets set aside for deferred compensation agreements. Amounts available to meet current liabilities of the Corporation have been reclassified as current assets in the accompanying consolidated balance sheets.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Cash and cash equivalents and certificates of deposit are carried at cost which approximates fair value. Investments in joint ventures are accounted for using the equity or cost method of accounting depending on the Corporation's ownership interest. Investment income or loss (including realized gains and losses on investments, write-downs of the cost basis of investments due to an other-than-temporary decline in fair value, interest, and dividends) is included in the determination of revenues in excess of expenses from continuing operations unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the determination of revenues in excess of expenses unless the investments are trading securities. Donor-restricted investment income is reported as an increase in temporarily restricted net assets.

The Corporation's investments are comprised of a variety of financial instruments. The fair values reported in the consolidated balance sheets are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

Inventories

Inventories of drugs, medical supplies and surgical supplies are valued at the lower of cost or market. Cost is determined primarily by the weighted average cost method.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated statements of operations.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and 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, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment losses are recognized in the consolidated statements of operations as a component of revenues in excess of expenses from continuing operations as they are determined. The Corporation reviews its long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In that event, the Corporation calculates the estimated future net cash flows to be generated by the asset. If those future net cash flows are less than the carrying value of the asset, an impairment loss is recognized for the difference between the estimated fair value and the carrying value of the asset. There were no impairment losses reported in 2013 or 2012.

Intangible Assets

The Corporation's intangible assets primarily include costs in excess of net assets acquired related to certain business acquisitions. The Corporation is amortizing certain intangible assets over a period not to exceed 40 years. Amortization of these intangible assets was $284,784 and $286,201 in 2013 and 2012, respectively. Accumulated amortization of intangible assets was $2,567,571 and $2,282,787 as of December 31, 2013 and 2012, respectively.

Deferred Financing Costs

Costs incurred in connection with the issuance of long-term obligations have been deferred and are being amortized over the term of the related obligation using the straight-line method. Amortization was $603,359 and $661,831 in 2013 and 2012, respectively. Amortization for HRMC was $37,783 in 2013 and 2012 and is included in (loss) income from discontinued operations in the consolidated statements of operations. Accumulated amortization of deferred financing costs was $3,627,563 and $3,203,288 at December 31, 2013 and 2012, respectively.

Due to Third Party Payors

The Corporation receives advances from third party payors to provide working capital for services rendered to the beneficiaries of such services. These advances are principally determined based on the timing differences between the provision of care and the anticipated payment date of the claim for service in accordance with HSCRC's rate regulations. These advances are subject to periodic adjustment.

For HRMC, the Medicare and Medicaid programs pay for primarily all inpatient and outpatient services at predetermined rates. Regulations require annual retroactive settlements for cost-based reimbursement through cost reports filed by HRMC. These retroactive settlements are estimated and recorded in the consolidated financial statements in the year in which they occur. The estimated settlements recorded at December 31, 2013 and 2012 could differ from actual settlements based on the results of cost report audits.

For certain Corporation subsidiaries, services provided on behalf of Medicare and Medicaid beneficiaries are ultimately reimbursed at cost. For cost reimbursement programs, statements of reimbursable costs are filed with the applicable program that compute the difference between reimbursable cost and interim payments, in order to determine a final settlement for services rendered to patients covered under these programs. Contractual reimbursements are affected by limitations relating to charges and the reasonableness of costs (subject to limitations) and are subject to audits by the agencies administering the applicable program.

The Corporation's working capital advances and all expected third party payor settlement activity are classified as current liabilities in the accompanying consolidated balance sheets.

Derivative Financial Instruments

The Corporation has entered into two interest rate swap agreements, which are considered derivative financial instruments, to manage its interest rate exposure on certain long-term obligations (Note 10). The interest rate swap agreements are reported at fair value in the accompanying consolidated balance sheets. One of the interest rate swap agreements is designated as a cash flow hedge. The related effective changes in fair value for the cash flow hedge is reported in the accompanying consolidated statements of operations as an unrealized gain or loss on cash flow derivative financial instruments and the ineffective portion of the change in fair value is reported as a component of interest expense. For the interest rate swap not designated as a cash flow hedge, changes in fair value are reported as a component of other non-operating income.

Estimated Self-Insured Professional Liability

The provision for estimated self-insured professional liability includes estimates of the ultimate costs for both reported claims and claims incurred but not reported, including costs associated with litigating or settling claims. Anticipated insurance recoveries associated with reported claims are reported separately in the Corporation's consolidated balance sheets at net realizable value.

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, including the purchase of capital renovations and equipment, providing health education to the community, and designation for the furtherance of programs provided by specific operating departments. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

Revenues in Excess of Expenses from Continuing Operations

The consolidated statements of operations include the determination of revenues in excess of expenses from continuing operations. Revenues in excess of expenses from continuing operations is the Corporation's performance indicator. Changes in unrestricted net assets which are excluded from the determination of revenues in excess of expenses from continuing operations, consistent with industry practice, include income from discontinued operations, unrealized gains and losses on investments other than trading securities, the effective portion of the unrealized gain (loss) on derivative financial instruments, transfers with unconsolidated subsidiaries, contributions of long-lived assets (including contributions which by donor restriction were to be used for the purpose of acquiring such long-lived assets), and other unrestricted net asset activity.

Net Patient Service Revenue

The Corporation reports net patient service revenue at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including an estimate for retroactive adjustments that may occur as a result of future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, review and investigations. Net patient service revenue reported in the consolidated statements of operations is reduced both by (1) estimated allowances for the excess of charges over anticipated patient or third party payor payments and (2) a provision for doubtful collections. Certain of the health care services provided by the Corporation are reimbursed by third party payors on the basis of the lower of cost or charges, with costs subject to certain imposed limitations.

Patient accounts receivable are reported at net realizable value and include charges for accounts due from Medicare, Medicaid, other commercial and managed care insurers, and self-paying patients (Note 15). Patient accounts receivable also includes management's estimate of the impact of certain undercharges to be recouped or overcharges to be paid back for inpatient and outpatient services in subsequent years rates as discussed earlier. The Corporation also deducts from patient accounts receivable an estimated allowance for doubtful collections related to patients and allowances for the excess of charges over the payments to be received from third party payors.

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. The Corporation recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of these established rates for the services rendered. For uninsured patients that do not qualify for charity care, the Corporation recognizes revenues on the basis of its standard rates, discounted in accordance with the Corporation's policy. On the basis of historical experience, a significant portion of the Corporation's uninsured patients will be unable to pay for the services provided. Thus, the Corporation records a significant provision for doubtful collections related to uninsured patients in the period the services are provided. Patient service revenues, net of contractual allowances and discounts (but before the provision for doubtful collections), recognized in 2013 and 2012 from these major payor sources, are as follows:

	Patient Service Revenues (Net of Contractual Allowances and Discounts)				
	Medicare	Medicaid	Other Third Party Payors	Self Pay and Other	Total
December 31, 2013	$ 214,375,408	$ 37,749,363	$ 424,058,547	$ 74,326,328	$ 750,509,646
December 31, 2012	$ 223,110,227	$ 27,936,252	$ 395,015,470	$ 103,984,784	$ 750,046,733

Patient service revenues (net of contractual allowances and discounts) for HRMC were $85,579,849 in 2013 and $89,849,396 in 2012. These amounts have been classified in (loss) income from discontinued operations in the consolidated statements of operations.

During February 2012, the Corporation received approximately $11.5 million in cash from Medicaid as an advance on patient claim balances.

Income Taxes

The Corporation accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2013 or 2012.

The Corporation's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

The Corporation's federal Exempt Organization Returns of Income Tax and its Business Income Tax Returns for the years ended prior to December 31, 2010 no longer remain subject to examination by the Internal Revenue Service.

Charity Care

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Such patients are identified based on financial information obtained from the patient (or their guarantor) and subsequent analysis which includes the patient's ability to pay for services rendered. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as a component of net patient service revenue or patient accounts receivable.

The Corporation maintains records to identify and monitor the level of charity care it provides. The costs associated with the charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for the patients receiving charity care. The level of charity care provided by the Corporation amounted to approximately $22,016,000 in 2013 and $14,040,000 in 2012. In accordance with the reimbursement methodology set forth by the HSCRC, the Corporation received cash payments from the state wide uncompensated care pool which totaled $1,433,374 and $1,102,785 for 2013 and 2012, respectively. The funds were received by the Corporation because charity care was provided in excess of the statewide average and are included in net patient service revenue in the accompanying consolidated statements of operations.

Donor Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or when the underlying conditions have been substantially met. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Restricted funds to be used for capital acquisitions have been reported as noncurrent assets in the accompanying consolidated balance sheets, while other restricted cash and investments are included with the cash and cash equivalents of unrestricted net assets.

Investment income that is earned on donor restricted net assets and subject to similar restrictions is reported as temporarily restricted net assets. Gifts, grants, and bequests not restricted by donors are reported as other operating income.

Advertising Costs

The Corporation expenses advertising costs as they are incurred.

Reclassifications

Certain amounts relating to 2012 have been reclassified to conform to the 2013 reporting format.

2. Discontinued Operations

Effective November 30, 2010, the Corporation sold the operating assets of its five wholly-owned subsidiary nursing homes and its wholly-owned dialysis center to an unrelated third party, and discontinued the operations of these facilities. The Board of Trustees approved the plan of sale of these facilities in July 2010.

Effective November 30, 2010, Glade Valley Nursing & Rehabilitation Center also sold certain operating assets to the same unrelated third party.

Effective January 28, 2014, the Corporation entered into an affiliation agreement with an unrelated third party for the sale of HRMC. The sale of HRMC is pending state regulatory review which could span several months. The carrying value of property and equipment, net related to HRMC as of December 31, 2013 and 2012 was $42,952,842 and $45,479,206, respectively, and consists of the following:

	2013	2012
Land and improvements	$ 2,275,448	2,275,448
Building and improvements	59,471,110	59,007,767
Office furniture and equipment	56,717,819	55,692,351
Computer software and hardware	5,004,371	4,838,474
Equipment under capital leases	19,332	19,332
Total	123,488,080	121,833,372
Less accumulated depreciation amortization	(82,300,834)	(77,355,946)
	41,187,246	44,477,426
Construction in progress	1,765,596	1,001,780
	$ 42,952,842	$ 45,479,206

The following amounts related to discontinued operations are included in income from discontinued operations in the accompanying consolidated statements of operations:

	2013	2012
Total unrestricted revenues	$ 88,338,366	$ 89,834,298
Total expenses	89,259,233	88,927,963
Other non-operating income (loss)	448,166	(107,685)
Net gain on sale of substantially all tangible and intangible assets	-	1,500,000
Revenues (less than) in excess of expenses	(472,701)	2,298,650

3. Investments

Short-Term Investments

The Corporation's short-term investments at December 31, 2013 and 2012 are comprised of the following:

	2013	2012
Cash and cash equivalents	$ 10,343,585	$ 3,036,726
Marketable certificates of deposit	741,462	740,259
CBAM Intrepid Fund Ltd.	9,534,675	16,326,184
CBAM Resolute Fund Ltd.	20,618,514	35,128,531
U.S. government securities, mortgage-backed securities	87,403,951	100,185,245
Total	$ 128,642,187	$ 155,416,945

Assets Whose Use is Limited

The composition of assets whose use is limited at December 31, 2013 and 2012 is set forth in the following tables:

	2013	2012
Under trust indentures and capital lease purchase financing facilities, held by trustees and banks:		
Cash and cash equivalents	$ 1,957,555	$ 6,238,614
U.S. government securities:		
U.S. treasury notes	7,835,326	1,179,181
Mortgage-backed securities	-	6,906,034
Total	9,792,881	14,323,829
Less funds held for current liabilities	2,747,528	4,480,345
Noncurrent portion of assets held under trust indentures and capital lease purchase financing facilities	$ 7,045,353	$ 9,843,484
Professional liability trust fund:		
Cash and cash equivalents	$ 3,009,063	$ 676,322
Equity mutual funds:		
Balanced	6,181,718	6,687,823
Large cap value	848,016	-
Total	10,038,797	7,364,145
Less funds held for current liabilities	1,202,986	1,241,672
Noncurrent portion of professional liability trust fund	$ 8,835,811	$ 6,122,473

Deferred compensation fund:		
Equity mutual funds:		
Growth	$ 164,057	$ 164,057
Total	$ 164,057	$ 164,057

The indenture requirements of certain tax exempt financings provide for the establishment and maintenance of various accounts with a trustee (Note 9). These arrangements require the trustee to control the payment of interest and the ultimate repayment of respective debt to bondholders. In addition, under the terms of the capital lease purchase financing facilities with two commercial banks, the Corporation is required to maintain funds in escrow accounts for the purpose of funding future purchases of property and equipment.

The composition of trustee held and escrow funds at December 31, 2013 and 2012 is as follows:

	2013	2012
Debt service reserve fund	$ 5,868,995	$ 7,394,992
Principal and interest funds	2,904,428	4,480,345
Lease facility escrow funds	1,019,458	2,448,492
Total	$ 9,792,881	$ 14,323,829

Unrestricted investment income and gains and losses for investments, assets whose use is limited, and cash and cash equivalents are comprised of the following in 2013 and 2012:

	2013	2012
Investment income:		
Interest and dividends, net	$ 4,060,643	$ 4,244,519
Interest on trustee held funds	55,008	156,496
Net realized losses on sale of investments	(903,233)	(1,561,074)
Total	$ 3,212,418	$ 2,839,941
Other changes in unrestricted net assets:		
Change in net unrealized gains and losses on investments other than trading securities	$ (2,896,072)	$ 395,380

Investment income for HRMC was $426,357 and $529,529 in 2013 and 2012, respectively which is included in (loss) income from discontinued operations in the consolidated statements of operations. Included in these amounts are net realized losses on sale of investments $376,774 and $193,472, interest on trustee held funds of $18,155 and $21,124, and interest and dividends, net of $784,977 and 701,877 in 2013 and 2012, respectively.

4. Fair Value Measurements and Financial Instruments

Fair Value Measurements

The Corporation measures its short-term investments, assets whose use is limited, investments, beneficial interest in trusts, and derivative financial instruments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Corporation for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The fair value of the Corporation's financial instruments was measured using the following inputs at December 31:

	2013				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Reported at Fair Value					
Assets:					
Cash and cash equivalents	$ 15,412,901	$ 15,412,901	$ 15,412,901	$ -	$ -
Marketable certificates of deposit	741,462	741,462	-	741,462	-
Equity mutual funds:					
Large cap value	848,016	848,016	848,016		
Growth	212,848	212,848	212,848		-
Balanced	6,181,718	6,181,718	6,181,718		-
CBAM Intrepid Fund Ltd.	9,534,675	9,534,675	-	9,534,675	-
CBAM Resolute Fund Ltd.	20,618,514	20,618,514	-	20,618,514	-
U.S. government securities:					
U.S. treasury notes	7,835,326	7,835,326	-	7,835,326	-
Mortgage backed securities	88,139,586	88,139,586	-	88,139,586	-
Corporate bonds and other debt securities:					
Other	67,925	67,925	-	67,925	-
Beneficial interest in trusts	1,713,042	1,713,042	-	-	1,713,042
	$ 151,306,013	$ 151,306,013	$ 22,655,483	$ 126,937,488	$ 1,713,042
Liabilities:					
Derivative financial instruments	$ 16,103,581	$ 16,103,581	$ -	$ 16,103,581	$ -
Disclosed at Fair Value					
Cash and cash equivalents	$ 58,692,102	$ 58,692,102	$ 58,692,102	$ -	$ -
Pledges receivable	3,185,497	3,100,002	-	-	3,100,002
Long-term debt, excluding capital leases (Note 9):					
Fixed rate revenue bonds	78,828,500	76,894,793	-	76,894,793	-
Variable rate revenue bonds	181,990,000	181,990,000	-	181,990,000	-
Note payable	8,750,000	8,750,000	-	-	8,750,000
Secured lines of credit	32,500,000	32,500,000	-	-	32,500,000

	2012				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Reported at Fair Value					
Assets:					
Cash and cash equivalents	$ 10,515,221	$ 10,515,221	$ 10,515,221	$ -	$ -
Marketable certificates of deposit	740,259	740,259		740,259	-
Equity mutual funds:			-		
Growth	212,357	212,357	212,357	-	-
Balanced	6,687,823	6,687,823	6,687,823	-	-
CBAM Intrepid Fund Ltd.	16,326,184	16,326,184	-	16,326,184	-
CBAM Resolute Fund Ltd.	35,128,531	35,128,531	-	35,128,531	-
U.S. government securities:					
U.S. treasury notes	1,179,181	1,179,181	-	1,179,181	-
Mortgage backed securities	108,112,698	108,112,698	-	108,112,698	-
Corporate bonds and other debt securities:					
Multi sector	77,923	77,923	-	77,923	-
Beneficial interest in trusts	1,506,265	1,506, 265	-	-	1,506,265
	$ 180,486,442	$ 180,486,442	$ 17,415,401	$ 161,564,776	$ 1,506,265
Liabilities:					
Derivative financial instruments	$ 28,169,723	$ 28,169,723	$ -	$ 28,169,723	$ -
Disclosed at Fair Value					
Cash and cash equivalents	$ 19,965,512	$ 19,965,512	$ 19,965,512	$ -	$ -
Pledges receivable	3,618,480	3,401,407	-	-	3,401,407
Long-term debt, excluding capital leases (Note 9):					
Fixed rate revenue bonds	75,830,000	86,136,498	-	86,136,498	-
Variable rate revenue bonds	160,990,000	160,990,000	-	160,990,000	-
Note payable	13,000,000	13,000,000	-	-	13,000,000
Secured lines of credit	35,500,000	35,500,000	-	-	35,500,000

The following table presents the fair value measurements for beneficial interest in trusts that have unobservable inputs at December 31, 2013 and 2012:

Balance, January 1, 2012	$ 1,406,743
Increase in value, included in changes in temporarily restricted net assets	99,522
Balance, December 31, 2012	1,506,265
Increase in value, included in changes in temporarily restricted net assets	206,777
Balance, December 31, 2013	$ 1,713,042

The following represents a reconciliation of the assets reported at fair value included in the fair value table within the accompanying consolidated balance sheets at December 31:

	2013	2012
Short-term investments (Note 3)	$ 128,642,187	$ 155,416,945
Assets whose use is limited (Note 3)		
Current portion	3,950,514	5,722,017
Under trust indentures, held by trustees	7,045,353	9,843,484
Professional liability trust fund	8,835,811	6,122,473
Deferred compensation fund	164,057	164,057
Investments held by foundations (Note 6)	955,049	1,711,201
Beneficial interest in trusts	1,713,042	1,506,265
Total	$ 151,306,013	$ 180,486,442

The Corporation did not have any financial assets or financial liabilities measured at fair value on a non-recurring basis.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value and for financial instruments disclosed at fair value. There have been no changes in methodologies used at December 31, 2013 and 2012.

Cash and cash equivalents: The carrying amounts approximate fair value because of the short maturity of these financial instruments.

Marketable certificates of deposit and equity Mutual Funds: Valued based on quoted market prices.

U.S. government securities, corporate bonds and other debt securities: Valued based on estimated quoted market prices of similar securities.

Beneficial interest in trusts: Beneficial interest in trusts are valued based on the fair value of the trusts underlying assets which represents a proxy for discounted present value of future cash flows. Beneficial interest in trusts are included in deposits and other noncurrent assets in the accompanying consolidated balance sheet.

Pledges receivable: Valued based on the original pledge amount, adjusted by a discount rate that a market participant would demand and an evaluation of uncollectible pledges. Pledges receivables are included in prepaid and other current assets and deposits and other noncurrent assets in the accompanying consolidated balance sheet.

Long-term debt: The fair value of the fixed rate debt is estimated based on market data provided by the Corporation's financial consultants. Fair values of the remaining long-term debt are considered to approximate their carrying amounts in the consolidated balance sheets.

The Corporation is invested in the CBAM Resolute Fund, Ltd. and the CBAM Intrepid Fund, Ltd. (collectively, the "Funds"). These funds are valued based on the net asset value per share of the funds which is based on the fair value of their underlying assets derived principally from or corroborated by observable market data by correlation or other means. In regards to the Funds, there are no unfunded purchase commitments or restrictions on the sale of the investments. Furthermore, the Corporation has no plans to sell the Funds or a portion of the amounts currently owned. In regards to redemption, the shares of the Funds can be redeemed on the last business day of each calendar month provided that written notice of redemption is provided five business days prior. Partial redemptions of the Funds must be at least $200,000 and the Corporation cannot redeem a portion of the Funds if it would result in the Corporation holding amounts whose net asset value would be less than the minimum initial subscription amount required. There are no known existing or potential restrictions on redemption as of December 31, 2013.

The following represents the investment strategies of the Funds and the Corporation's investments measured at fair value at December 31:

Fund	Investment Strategy	2013	2012
CBAM Resolute Fund, Ltd	To create an alternative source of income by harnessing risk premiums in global option markets. In pursuit of this objective, the fund will employ its option income strategy which utilizes actively-managed option-based investment structures to create absolute return profiles. This market-neutral strategy is designed to have minimal correlation to underlying market returns over an extended period of time and may be applied in a range of global markets including equities (both individual stocks and baskets of stocks), commodities, interest rates, foreign currencies and other markets where options are traded. The fund may trade and invest in the underlying instruments, related instruments (e.g. futures, forwards and exchange-traded funds or notes), and long and short call options and put options on the underlying or related instruments. The fund will seek to capitalize on a combination of systemic risk premium in global option markets and yields from active cash management.	$ 20,618,514	$ 35,128,531
CBAM Intrepid Fund, Ltd	To reshape expected distribution of long-term global equity returns by implementing an active combination of three strategies: trend, income and structure. The objective of the fund is to capture a significant proportion of upside equity returns while avoiding a significant proportion of downside equity returns thus reducing the volatility of returns. The trend strategy is designed to provide directional exposure to equity risk premium. The income strategy will utilize actively-managed option-based investment structures designed to harness systemic risk premiums in global markets. The structure strategy is designed to capture returns from lower probability events across global equity and equity volatility markets.	9,534,675	16,326,184
		$ 30,153,189	$ 51,454,715

The Corporation measures its derivative financial instruments at fair value based on proprietary models of an independent third-party valuation specialist. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instrument, and considers the credit risk of the Corporation and counterparty. The method used to determine the fair value calculates the estimated future payments required by the derivative financial instrument and discounts these payments using an appropriate discount rate. The value represents the estimated exit price the Corporation would pay to terminate the agreement.

5. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment and accumulated depreciation and amortization at December 31, 2013 and 2012 consist of the following:

	2013	2012
Land and improvements	$ 16,754,017	$ 16,317,221
Buildings and improvements	462,359,205	447,893,682
Office furniture and equipment	216,520,642	208,287,934
Computer software and hardware	105,257,358	88,887,771
Equipment under capital leases	23,016,022	23,072,291
Total	823,907,244	784,458,899
Less accumulated depreciation and amortization	(451,063,074)	(415,697,434)
	372,844,170	368,761,465
Construction in progress	19,320,479	14,214,244
	$ 392,164,649	$ 382,975,709

Interest incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. During 2013 and 2012, the Corporation incurred interest expense of approximately $11,167,000 and $12,394,000, respectively, of which approximately $1,415,000 was capitalized in 2013 and $1,204,000 in 2012. HRMC incurred interest expense of approximately $1,388,000 in 2013 and $1,407,000 in 2012 which is included in (loss) income from discontinued operations in the consolidated statements of operations. There were no amounts capitalized for HRMC in 2013 and 2012. Investment earnings of approximately $26,500 and $42,000 were offset against capitalized interest in 2013 and 2012, respectively.

Depreciation expense, including amortization of equipment under capital leases, was $35,549,319 in 2013 and $35,519,478 in 2012. Depreciation expense, including amortization of equipment under capital leases, for HRMC was $4,995,227 in 2013 and $5,251,388 in 2012 and is included in (loss) income from discontinued operations in the consolidated statements of operations. Accumulated amortization of equipment under capital lease as of December 31, 2013 and 2012 was $15,782,485 and $14,245,776, respectively.

Construction in progress as of December 31, 2013 consists primarily of major renovation and expansion projects of clinical facilities. Purchase commitments related to these and other miscellaneous projects were approximately $2,257,000 at December 31, 2013. The cost of these projects is expected to be funded through transfers from the Corporation's related foundations and from operations.

6. Investments and Investments in Unconsolidated Subsidiaries

The Corporation's investments and investments in unconsolidated subsidiaries includes the following at December 31, 2013 and 2012:

	2013	2012
Investment in healthcare entities	$ 8,439,678	$ 7,612,371
Capital balance in group purchasing organization	779,155	798,206
Investments held by foundations and other	707,766	1,123,027
Total	$ 9,926,599	$ 9,533,604

Investment in Healthcare Entities

The Corporation recognized earnings of $1,037,529 and $1,536,380 during 2013 and 2012, respectively, related to its ownership interest in the healthcare entities. A brief description of these investments is presented below:

Chesapeake Potomac Regional Cancer Center (“CPRCC”) - CPRCC provides outpatient radiation oncology services to patients in Maryland. The Corporation has a 20% ownership interest in CPRCC.

Doctors Regional Cancer Center (“DRCC”) - DRCC provides outpatient radiations oncology service to patients in Bowie and Lanham, Maryland. The Corporation has a 20% ownership interest in DRCC.

Germantown Outpatient Imaging (“GOI”) - This organization provides radiology and other imaging services to patients on an outpatient basis in Germantown, Maryland. The Corporation has a 50% ownership interest in GOI.

Shady Grove Medical Building, LLC (“SGMB”) - SGMB is organized for the purpose of developing and constructing a cancer care center on the campus of Shady Grove Adventist Hospital. The Corporation has a 50% ownership interest in SGMB.

Riverside Health, Inc. (“RHI”) - RHI is a Medicaid managed care organization providing health services to its members. The Corporation has a 20% ownership in RHI.

Summarized financial information related to these entities is presented below:

	2013	2012
Net revenue	$ 24,504,023	$ 21,563,981
Revenues in excess of expenses	60,095	3,836,294
Total assets	41,306,378	31,106,742
Total liabilities	21,594,521	11,351,062

Capital Balance in Group Purchasing Organization

The Corporation is a partner in Premier, Inc. (“Premier”), a health care system group purchasing organization. Partners are required to maintain capital accounts with Premier. The Corporation maintains approximately 0.5% of the total capital of Premier at December 31, 2013 and 2012. Excess earnings after expenses associated with the purchasing program are credited to partners' capital accounts based on partners' pro rata volume of purchases. Premier's board establishes a required capital balance every six months. Capital balances in excess of the required capital balance are distributed semi-annually. The Corporation recognized earnings of $1,657,627 in 2013 and $1,489,754 in 2012, which is included in other revenue in the accompanying consolidated statements of operations.

During 2013, the Corporation sold a portion of their investment in Premier and recognized a gain on the sale of $1,855,239, which is included in other income in the accompanying consolidated statements of operations.

Investments Held by Foundations and Other

The Foundations also hold marketable debt and equity securities for funds not required to be expended in less than 90 days. These marketable securities are subject to credit and market risks.

The Corporation’s investment in an entity that provides wellness initiatives services is reflected here and is accounted for under the equity method of accounting.

InforMed, LLC

On January 1, 2007, the Corporation paid $3,000,000 to purchase a 10% membership interest in InforMed, LLC (“InforMed”), which is a provider of chronic disease and medical management, clinical claims data warehousing and analysis, network management, and third party administration based in Annapolis, Maryland. The Corporation accounted for this investment in InforMed on the cost basis method of accounting. During 2012, the Corporation sold its investment in InforMed and recognized a gain on the sale of $3,090,298, which is included in other income in the accompanying consolidated statements of operations.

7. Land Held for Healthcare Development

Land - Clarksburg, Maryland

On February 25, 2002, the Corporation purchased 209 acres of land in Clarksburg, Maryland for approximately $20,000,000. Concurrent with this purchase, the Corporation entered into a sale agreement with an unrelated third party to be used for residential construction for the sale of 91 acres for $16,000,000.

On December 27, 2004, the Corporation purchased an additional adjacent parcel of land in Clarksburg, Maryland for $8,000,000. The purchase price and the related closing costs were financed under a line of credit with a commercial bank. Total costs capitalized related to the above parcels of land and improvements on this land were $48,804,074 and $42,332,391 at December 31, 2013 and 2012, respectively.

In May 2013, the Corporation entered into a Purchase and Sale Agreement (the "Sale Agreement") with an unrelated third party to sell 37.1 acres of the land located in Clarksburg, Maryland. The Sale Agreement also includes the sale of 10.7 acres owned by Cabin Branch Commons, LLC ("Cabin Branch") and the total purchase price of $28,250,000 will be adjusted at the closing pursuant to certain costs outlined in the Sale Agreement and allocated amongst the sellers. The Corporation along with Cabin Branch are collectively responsible for the completion of certain infrastructure improvements to the property prior to the Closing. The acreage noted in the Sale Agreement is based on approximate amounts which will be finalized at the closing. Total costs capitalized relate to the parcel of land to be sold by the Corporation and improvements were $21,612,000 at December 31, 2013.

Land - Silver Spring, Maryland

In July 2006, the Corporation purchased a parcel of land near the Calverton-White Oak area of Silver Spring for approximately $11,000,000. The Corporation plans to build a replacement hospital for Washington Adventist Hospital. The cost of the land will continue to be reported as land held for healthcare development until such time as the Maryland Health Care Commission approves the Corporation's plan for constructing the new facility. As of December 31, 2013 and 2012, the Corporation had total costs capitalized related to this land and land improvements of $33,544,921 and $30,898,569, respectively.

Land - Boyds, Maryland

On December 29, 2008, the Corporation participated in a group purchase of 5.31 acres of property located in Boyds, Maryland. The parcel was purchased by Cabin Branch Management, LLC, a Maryland Limited Liability Company of which the Corporation is a voting member. The Corporation does not maintain control of this Limited Liability Company and, therefore, the operation of it is not included in the consolidated financial statements at December 31, 2013 and 2012. The Corporation contributed $205,045 of the total contracted sales price of $735,000.

Land - Concordia Property

During 2011, Winchester Homes, Inc. and the Corporation created a new entity, Cabin Branch Commons, LLC ("Cabin Branch"), the purpose of which was to acquire a certain parcel of property known as the "Concordia Property", which was in default with Wells Fargo Bank (formerly known as Wachovia Bank). The Corporation paid $2,294,169 as its initial capital contribution to Cabin Branch. Cabin Branch purchased the note from Wachovia related to the Concordia Property, foreclosed on the Concordia Parcel, and purchased the Concordia Parcel at the foreclosure sale. The Corporation then paid Cabin Branch $500,000 for construction rights for certain active adult units on the Concordia Parcel. Total costs capitalized related to the above parcel of land were $2,794,169 at December 31, 2013 and 2012.

8. Short-Term Financing

The Corporation has a $3,000,000 unsecured line of credit with a commercial bank, with interest at LIBOR plus 1.50% (1.67% at December 31, 2013). There were no borrowings outstanding under this line of credit as of December 31, 2013 or 2012.

9. Long Term Obligations

Long term obligations as of December 31, 2013 and 2012 are comprised of the following:

	2013	2012
Fixed rate revenue bonds	$ 72,828,500	$ 75,830,000
Variable rate revenue bonds	181,990,000	160,990,000
Secured lines of credit	32,500,000	35,500,000
Note payable	8,750,000	13,000,000
Capital lease purchase financing facilities	4,756,014	8,362,130
Other long term liabilities	20,367,410	14,813,315
Total obligations	321,191,924	308,495,445
Less current maturities	22,925,596	38,270,987
Less long-term debt subject to short-term remarketing and repayment agreements	41,985,000	-
Less bond discount	-	197,430
Noncurrent portion of long term obligations, net	$ 256,281,328	$ 270,027,028

Fixed Rate Revenue Bonds

Fixed rate revenue bonds consist of the Maryland Health and Higher Educational Facilities Authority Refunding Revenue Bonds, Series 2003A, Adventist HealthCare, Inc. with a par amount of $22,925,000 and the Series 2011A, Adventist HealthCare, Inc. with a par amount of $57,205,000. The Series 2003A bear interest at fixed coupon rates ranging from 5.00% to 5.75%. The Series 2011A bear interest at fixed coupon rates ranging from 5.00% to 6.25%.

In June 2013, the Series 2003A bonds were refunded in conjunction with the issuance of the Series 2013 fixed rate revenue bonds, bearing interest at a rate of 3.21%. The Maryland Health and Higher Educational Facilities Authority Refunding Revenue Bonds, Series 2013, Adventist HealthCare, Inc. have a par amount of $15,623,500. As a result of this refunding, a loss on extinguishment of debt was recognized in 2013 for approximately $707,000 and is comprised of the remaining unamortized deferred financing costs and bond discount related to the Series 2003A bonds as well as the premium paid on the repayment of the Series 2003A.

Fixed rate revenue bonds consist of the following at December 31:

	2013	2012
Series 2003A, Adventist HealthCare, Inc.	$ -	$ 18,625,000
Series 2011A, Adventist HealthCare, Inc.	57,205,000	57,205,000
Series 2013, Adventist HealthCare, Inc.	15,623,500	-
Total	$ 72,828,500	$ 75,830,000

The above bond issues are subject to trust indentures which impose various covenants on the Support Center, SGAH, WAH, HRMC, ABH, and ARHM (collectively, the "Obligated Group") which include restrictions on the transfer or disposition of property, the incurrence of additional liabilities, and the achievement of certain pre-established financial indicators. Management believes it has complied with the required covenants for the years ending December 31, 2013 and 2012. Debt service reserve funds are required on the Series 2011A bonds and were required related for the Series 2003A bonds prior to the refunding.

Variable Rate Revenue Bonds

Variable rate revenue bonds consist of the following at December 31:

	2013	2012
Maryland Health and Higher Educational Facilities Authority Revenue Bonds		
Series 2005A, Adventist HealthCare, Inc.	$ 78,000,000	$ 78,000,000
Series 2011B, Adventist HealthCare, Inc.	52,005,000	55,005,000
Maryland Health and Higher Educational Facilities Authority Revenue Refunding Bonds		
Series 2004B, Adventist HealthCare, Inc.	26,985,000	27,985,000
Maryland Health and Higher Educational Facilities Authority Taxable Revenue Bonds		
Series 2013B, Adventist HealthCare, Inc.	25,000,000	-
Total	$ 181,990,000	$ 160,990,000

The Series 2005A Bonds bear interest at a variable rate based on the SIFMA index and reset weekly. At December 31, 2013, the tax-exempt rate on the 2005A bonds was 0.06%. The 2004B taxable bonds referenced above bear interest at a variable rate based on the LIBOR index. The rate on the 2004B bonds at December 31, 2013 was 0.12%. The Corporation's Series 2004B, 2005A and 2011B bonds are subject to an Amended and Restated Master Trust Indenture that imposes various covenants on the Obligated Group which include restrictions on the transfer or disposition of property, the incurrence of additional liabilities, and the achievement of certain pre-established financial indicators. Management believes it has complied with the required covenants for the years ending December 31, 2013 and 2012. The payment of principal and interest on the 2004B bonds are secured by a separate irrevocable direct-pay letter of credit with an expiration date in December 2014. As such, the entire outstanding balance of the 2004B bonds is shown as a component of long-term debt subject to short-term remarketing and repayment agreements in the consolidated balance sheet at December 31, 2013. The payment of principal and interest on the 2005A bonds are secured by a separate irrevocable direct-pay letter of credit with an expiration date in January 2015. Letters of credit are required to be maintained for the 2004B and 2005A bonds through their maturity dates.

The Series 2011B bond is a direct placement bond with a commercial bank and bears interest at a variable rate that resets after two years. In September 2013, the interest rate for reset for two years through September 2015. The interest rate for the current two year period is 67% of one month LIBOR plus a spread of 1.77%. (1.94% at December 31, 2013).

In December 2013, the Corporation issued Series 2013B taxable revenue bonds in the amount of $25,000,000 in order to fund certain capital expenditures. The Series 2013B bonds bear interest at a variable rate of 6-month LIBOR plus 3.00% (3.19% at December 31, 2013). The Series 2013B bonds are subject to the Amended and Restated Master Trust Indenture referred to above. In February 2014, the Series 2013B bonds were converted from taxable revenue bonds to tax-exempt revenue bonds and are now referred to as the Series 2014A bonds and bear interest at a fixed rate of 3.56%.

The bonds subject to the Amended and Restated Master Trust Indenture are secured by the unrestricted revenues of the Obligated Group as well as a mortgage interest in the facilities of Shady Grove Adventist Hospital, Adventist Behavioral Health, Adventist Rehabilitation Hospital of Maryland, Washington Adventist Hospital, and Hackettstown Community Hospital.

Secured Lines of Credit

The Corporation has two secured lines of credit outstanding as follows:

- $20,000,000 line of credit with a commercial bank that bears interest at LIBOR plus 2.00% (2.17% at December 31, 2013). The amortization on the line extends to December 31, 2017, however the line is up for renewal at January 31, 2015. The balance on the working capital line was $17,500,000 and $19,500,000 at December 31, 2013 and 2012, respectively.

- $16,000,000 line of credit that bears interest at LIBOR plus 1.75% (1.92% at December 31, 2013) and expires on June 30, 2014. As such, the entire outstanding balance is shown as a component of long-term debt subject to short-term remarketing and repayment agreements in the consolidated balance sheet at December 31, 2013. The balance on the line of credit was $15,000,000 and $16,000,000 at December 31, 2013 and 2012, respectively.

These lines of credit are secured by Master Notes issued under the Amended and Restated Master Trust Indenture dated as of February 1, 2003.

Note Payable

The Corporation had a $20,000,000 unsecured line of credit outstanding with a commercial bank that bears interest at LIBOR plus 1.00% that expired on January 31, 2011. In February 2011, this line of credit was refinanced into a three year term loan, and bears interest at an interest rate of LIBOR plus 2.50% with a floor of 4.25% (4.25% at December 31, 2013). This new loan is secured by a Master Note issued under the Amended and Restated Master Trust Indenture dated as of February 1, 2003. In February 2012, the amortization of this note was amended and the term was extended for an additional year. This note expires in March 2015. The note payable balance was $8,750,000 at December 31, 2013 and $13,000,000 at December 31, 2012.

Capital Lease Purchase Financing Facilities

There are two capital lease purchase financing facilities with two commercial banks. The first facility was established in October 2008 for $8,000,000 and bears interest at a rate of 3.85% and was repaid during 2013. The second facility was established in February 2011 for $10,000,000 and bears interest at a rate of 3.47%. Both facilities have a five year repayment period. Under the terms of the agreements, the commercial banks deposited funds into escrow accounts for the purpose of funding future purchases of new or used medical or medical-related equipment. The commercial banks retain title to the equipment and are considered to be the owner; however, the Corporation is responsible for all related expenses, including but not limited to, insurance, maintenance, and taxes.

Other Long Term Liabilities

This category consists of several capital lease obligations and notes payable on various types of medical and IT equipment. The financed equipment serves as security on these leases. Interest rates on these other long term liabilities range from 3.40% - 6.83%.

Scheduled principal repayments of long-term obligations at December 31, 2013 are as follows:

Years ending December 31:	
2014	$ 64,910,596
2015	23,738,881
2016	17,721,067
2017	15,004,204
2018	11,214,969
Thereafter	188,602,207
Total	$ 321,191,924

10. Derivative Financial Instruments

The Corporation has two interest rate swap agreements, which are considered derivative financial instruments. The agreements were entered into in order to manage interest rate exposure. The principal objective of the swap agreements is to minimize the risks associated with financing activities by reducing the impact of changes in interest rates on its debt portfolio. The notional amount of the swap agreements is used to measure the interest to be paid or received and does not represent the amount of exposure to credit loss. Exposure to credit loss is limited to the receivable, if any, which may be generated as a result of the swap agreement. Losses related to credit risk are managed by diversification among various swap counterparties and by requiring collateral from the Corporation’s swap counterparties at various ratings thresholds while the Corporation has no reciprocal requirement to post collateral. The two interest rate swap agreements are reported at fair value in the consolidated balance sheets.

The interest rate swap agreement with a notional amount of $78,000,000 was designated by the Corporation as a cash flow hedge, which qualifies it for hedge accounting treatment under accounting principles generally accepted in the United States of America. The effective portion of the change in fair value of the cash flow hedge is reported in the consolidated statements of operations and changes in net assets as an unrealized gain or loss on cash flow derivative financial instrument. The ineffective portion of the change in fair value is reported in the accompanying consolidated statements of operations as a component of interest expense.

In December 2010, the Corporation sold two separate options to the swap counterparties to terminate their remaining interest rate swap agreements designated as cash flow hedges, both at an exercise price of $3,000,000. The option related to the interest rate swap agreement with a notional amount of $59,330,000, as noted in the table below, had an exercise date of December 21, 2012 and the swap counterparty did not exercise this option. The other option related to the interest rate swap agreement with a notional amount of $78,000,000, as noted in the table below, had an exercise date of December 1, 2013 and the swap counterparty did not exercise this option.

The net cash paid or received under the swap agreements is recognized as either an adjustment to interest expense or other income. The net cash paid under the interest rate swap agreements was $4,536,085 in 2013 and $4,611,952 in 2012. For 2013 and 2012, $2,682,465 and $2,656,541, respectively, are reported as a component of interest expense in the accompanying consolidated statements of operations. These amounts represent the net cash paid related to the swap agreement that continues to be accounted for using hedge accounting. The remaining amounts for 2013 and 2012 are reported as a component of other income in the accompanying consolidated statements of operations, which is related to the swap agreement that does not qualifies for hedge accounting.

At December 31, 2013 and 2012, the Corporation's derivative financial instruments and related fair values are as follows:

	2013	2012
Agreement for the notional amount of $55,680,000 requiring the Corporation to pay a fixed interest rate of 3.457% while receiving variable interest rates based upon 67% of LIBOR, maturing January 2021	$ (4,764,505)	$ (8,030,190)
Agreement for the notional amount of $78,000,000 requiring the Corporation to pay a fixed interest rate of 3.567% while receiving variable interest rates based upon 67% of LIBOR, maturing January 2035 and qualifying for cash flow hedge accounting treatment	(11,339,076)	(20,139,533)
Total	$ (16,103,581)	$ (28,169,723)

The fair value of the interest rate swap agreements is estimated to be the amount the Corporation would receive or pay to terminate the swap agreements at the reporting date and was based on information supplied by an independent third party valuation agent (Note 4). Additionally, the fair value reflects a credit risk assessment required under accounting principles generally accepted in the United States of America. To the extent that the interest rate swaps qualifying for cash flow hedge accounting treatment are effective in converting the variable interest rate to a fixed rate, the unrealized gain or loss on the derivative financial instruments is excluded from revenues in excess of expenses from continuing operations. Gains or losses resulting from hedge ineffectiveness are recognized in revenues in excess of expenses from continuing operations. Gains of $500,129 and $305,855 were recognized as of December 31, 2013 and 2012, respectively as a result of hedge ineffectiveness. Gains or losses resulting from interest rate swap agreements not qualifying for cash flow hedge accounting treatment are entirely recognized as a component of revenues in excess of expenses from continuing operations. The impact of swaps not qualifying for hedge accounting treatment on the consolidated statements of operations were gains of $2,373,408 in 2013 and $514,069 in 2012.

On October 3, 2008, the counterparty for the Corporation's fixed pay swap maturing in January 2035, Lehman Brothers, Inc., commenced proceedings under Chapter 11 of the Bankruptcy Code. This action triggered an Event of Default under the ISDA Master Agreement in effect with said party and gave the Corporation the right to terminate the transaction. On October 16, 2008, the Corporation terminated this agreement and concurrently entered into an agreement with a new counterparty that assumed all existing terms and conditions of the original agreement. The termination of the original swap agreement resulted in a gain of $472,023 which is included in unrestricted net assets in the consolidated balance sheets. This gain is being amortized over the remaining term of the 2005A Series Bonds, or through January 2035. As of December 31, 2013 and 2012, accumulated amortization of $89,909 and $53,946, respectively, is included in other changes in net assets and interest expense in the consolidated statements of operations and changes in net assets.

11. Leases

The Corporation has entered into various operating leases primarily for office space as well as certain equipment items. Rental expense for operating leases was $16,006,602 in 2013 and $19,606,916 in 2012. Future minimum payments under non cancelable operating leases with initial terms of one year or more consist of the following during the years ending December 31:

Years ending December 31:	
2014	$ 14,080,302
2015	13,643,186
2016	13,288,725
2017	12,418,366
2018	11,985,993
Thereafter	84,918,623
Total	$ 150,335,195

The Corporation has also entered into various sub-lease agreements with tenants that occupy space in the Corporation's buildings. The terms of these sub-leases vary and extend through 2020. Rental income was $3,851,382 in 2013 and $4,335,800 in 2012, which has been reported as a component of other operating revenue in the consolidated statements of operations.

Future rent payments expected to be received by the Corporation during the years ending December 31 are as follows:

Years ending December 31:	
2014	$ 2,894,563
2015	2,498,262
2016	1,778,550
2017	1,080,850
2018	623,734
Thereafter	219,651
Total	$ 9,095,610

12. Retirement, Health Plans and Life Insurance

Defined Contribution Retirement Plan

The Corporation sponsors a 401(a) defined contribution retirement plan, which covers substantially all full-time employees. After twelve months of full-time or regular part-time employment of at least 1,000 base hours, the Corporation will contribute a total of 2% of eligible employees' compensation, plus a matching employer contribution equal to 50% of employee contributions up to 6% of base salary. Retirement plan expense was $8,183,463 in 2013 and $8,624,347 in 2012. Retirement plan expense for HRMC was $666,071 in 2013 and $733,839 in 2012 which is included in (loss) income from discontinued operations in the consolidated statements of operations.

Salary Deferral (457(b)) Plan

Employees who contribute the maximum allowable amount to the 403(b) retirement plan have an opportunity to contribute additional funds on a tax-deferred basis to a 457(b) retirement plan up to the maximum tax-sheltered opportunity. There are no employer contributions to this plan.

Employee Life and Health Benefit Program

The Corporation maintains a self-insurance employee program for its health insurance coverage. The Corporation accrues the estimated costs of incurred and reported and incurred but not reported claims, after consideration of its stop-loss insurance coverage, based upon data provided by the third-party administrator of the program and historical claims experience. Beginning January 1, 2005, HRMC maintained its own self-insurance program for employee health care coverage.

Life Insurance

Full-time and part-time employees are insured for an amount equal to one times their base salary at time of enrollment up to $450,000 for full-time employees and $10,000 for part-time employees. In addition, if death is caused by accident, the employee is insured for an additional benefit equal to the amount of their life insurance.

13. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for betterments to plant facilities and purchases of equipment or to support operating programs sponsored by the Corporation and its affiliates.

Permanently restricted net assets have been restricted by donor to be maintained by the Corporation in perpetuity.

Net assets were released from donor restriction by satisfying their restricted purposes in the amount of $7,533,379 in 2013 and $10,622,475 in 2012.

14. Commitments and Contingencies

Litigation and Claims

The Corporation is subject to asserted and unasserted claims (in addition to litigation) encountered in the ordinary course of business. In the opinion of management and after consultation with legal counsel, the Corporation has established adequate reserves related to all known matters. The outcome of any potential investigative, regulatory or prosecutorial activity that may occur in the future cannot be predicted with certainty. However, any associated potential future losses resulting from such activity could have a material adverse effect on the Corporation's future financial position, results of operations and liquidity.

Insurance

The Corporation's primary coverage for professional liability is provided through a self-funded insurance retention trust (the "Trust") established on January 1, 1993. The Trust is funded based on actuarial estimates and provides coverage of $2,000,000 per occurrence with no annual aggregate limitation. The Trust also provides general liability coverage up to $1,000,000 per occurrence and $3,000,000 in the aggregate. The Corporation also carries umbrella excess liability insurance on a claims made basis with a commercial carrier, with limits of $20,000,000 per occurrence and in aggregate.

It is the Corporation's policy to accrue for the ultimate cost of uninsured asserted and unasserted malpractice claims, if any, when incidents occur. Based on a review of the Corporation's prior experience and incidents occurring through December 31, 2013, management determined that the fully-funded professional liability reserve reported at December 31, 2013 and 2012 is adequate in light of the program's excess umbrella policy currently in force and historical claims experience. The estimated professional liability for both asserted and unasserted claims was $9,324,911 and $7,265,426 at December 31, 2013 and 2012, respectively. The discount rate used in determining these liabilities was 2.5% at both December 31, 2013 and 2012.

The Corporation is self-insured for unemployment and workers' compensation benefits. The liability for unemployment and worker's compensation claims payable is an estimate based on the Corporation's past experience and is included in the accompanying consolidated balance sheets. It is reasonably possible that the estimates used could change materially in the near term.

Remediation

Certain buildings, which were constructed prior to the passage of the Clean Air Act, contain encapsulated asbestos material. Current law requires that this asbestos be removed in an environmentally safe fashion prior to demolition and renovation of these buildings. At this time, the Corporation has no plans to demolish or renovate these buildings and, as such, cannot reasonably estimate the fair value of the liability for such asbestos removal.

15. Business and Credit Concentrations

The Corporation grants credit to patients, substantially all of whom are local residents. The Corporation generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits receivable under their health insurance programs, plans or policies.

At December 31, 2013 and 2012, concentrations of gross receivables from third-party payors and others are as follows:

	2013	2012
Medicare	19 %	19 %
Medicaid	12	17
Other third party payers	37	39
Self-pay and others	32	25
	100 %	100 %

Gross patient service revenue, by payor class, consisted of the following for the years ended December 31:

	2013	2012
Medicare	29 %	39 %
Medicaid	5	5
Other third party payers	57	46
Self-pay and others	9	10
	100 %	100 %

The Corporation maintains its cash and cash equivalents with several financial institutions. Cash and cash equivalents on deposit with any one financial institution are insured up to $250,000.

17. Functional Expenses

A summary of the Corporation's operating expenses by function for the years ended December 31 is as follows:

	2013	2012
Hospital acute and ambulatory services	$ 524,569,366	$ 504,575,820
Home care services	15,114,246	14,314,302
Other health care services	105,945,631	101,221,270
Other, including general and administrative	13,121,785	25,537,867
Fundraising	703,853	891,289
Total	$ 659,454,881	$ 646,540,548

The Corporation also incurred general and administrative expense related to ASLS and hospital acute services expense related to HRMC that were included in (loss) income from discontinued operations in the consolidated statements of operations. ASLS general and administrative expenses were $2,972 in 2013. There were no general and administrative expenses for ASLS incurred in 2012. HRMC hospital acute services expenses were $89,256,261 in 2013 and $88,927,963 in 2012.

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Balance Sheet
December 31, 2013

Assets	Consolidated Adventist HealthCare, Inc.	Eliminating Entries	Support Center	Shady Grove Adventist Hospital	Washington Adventist Hospital	Hackettstown Regional Medical Center	Adventist Behavioral Health Services	Lourie Center	Adventist Rehabilitation Hospital of Maryland	Adventist Home Health Services	Adventist Medical Group	Adventist Senior Living Services	Adventist Management Services, Inc.	Adventist HealthCare Inc. Foundations
Current Assets														
Cash and cash equivalents	$ 58,692,102	$ -	$ (33,782,969)	$ 105,863,271	$ (6,971,085)	$ 33,788,130	$ (9,472,647)	$ (2,002,075)	$ 7,880,009	$ 2,727,506	$ (40,730,750)	$ (42,164)	$ (340,998)	$ 1,775,874
Short term investments	128,642,187	-	128,642,187	-	-	-	-	-	-	-	-	-	-	-
Assets whose use is limited	3,950,514	-	3,950,514	-	-	-	-	-	-	-	-	-	-	-
Patient accounts receivable, net of estimated allowances of $92,434,000	127,698,502	-	393,103	52,479,937	40,561,412	9,497,690	9,253,345	-	10,239,140	2,341,466	2,936,754	(4,345)	-	-
Other receivables, net of estimated allowance for uncollectible accounts of $2,288,000	12,781,149	(190,379)	3,493,980	1,900,776	743,346	461,392	1,920,199	2,407,470	68,802	(8,377)	256,282	-	402,878	1,324,780
Due from third party payors	-	(2,313,438)	-	-	-	-	194,072	-	1,973,008	-	-	146,358	-	-
Due from affiliates	-	(180)	-	74,141	(74,141)	-	-	-	180	-	-	-	-	-
Inventories	12,172,222	-	-	5,931,563	4,056,160	1,801,874	130,095	-	104,013	-	-	-	148,517	-
Prepaid expenses and other current assets	6,251,940	-	2,961,189	1,501,979	1,084,096	293,660	93,334	2,275	72,347	47,131	159,350	-	36,229	350
Total current assets	350,188,616	(2,503,997)	105,658,004	167,751,667	39,399,788	45,842,746	2,118,398	407,670	20,337,499	5,107,726	(37,378,364)	99,849	246,626	3,101,004
Property and Equipment, Net	392,164,649	-	112,688,907	181,192,380	33,476,093	42,952,842	10,363,701	1,644,476	8,577,123	497,688	411,902	-	359,537	-
Assets Whose Use is Limited														
Under trust indenture and capital lease purchase financing facilities, held by trustees and banks	7,045,353	-	1,340,578	1,105,757	866,336	2,793,642	492,996	-	446,044	-	-	-	-	-
Professional liability trust fund	8,835,811	-	8,835,811	-	-	-	-	-	-	-	-	-	-	-
Deferred compensation fund	164,057	-	-	-	164,057	-	-	-	-	-	-	-	-	-
Cash and Cash Equivalents Temporarily Restricted for Capital Acquisition	2,978,828	-	-	330,520	-	1,520,468	-	549,666	210,884	-	-	-	-	367,290
Investments and Investments in Unconsolidated Subsidiaries	9,926,599	-	5,094,069	2,101,791	-	1,353,168	-	-	-	-	-	422,522	-	955,049
Land Held for Healthcare Development	84,805,542	-	62,758,405	15,657	22,031,480	-	-	-	-	-	-	-	-	-
Deferred Financing Costs, Net	2,622,135	-	589,643	900,879	540,174	445,734	79,485	-	66,220	-	-	-	-	-
Intangible Assets, Net	5,408,550	-	48,632	1,426,333	-	867,660	1,862,520	-	974,334	184,256	-	-	44,815	-
Deposits and Other Noncurrent Assets	7,448,871	-	1,192,987	3,002,585	3,408	876,951	26,674	5,054	32,000	30,828	6,887	-	42,581	2,228,916
Total assets	$ 871,589,011	$ (2,503,997)	$ 298,207,036	$ 357,827,569	$ 96,481,336	$ 96,653,211	$ 14,943,774	$ 2,606,866	$ 30,644,104	$ 5,820,498	$ (36,959,575)	$ 522,371	$ 693,559	$ 6,652,259

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Balance Sheet
December 31, 2013

Liabilities and Net Assets	Consolidated Adventist HealthCare, Inc.	Eliminating Entries	Support Center	Shady Grove Adventist Hospital	Washington Adventist Hospital	Hackettstown Regional Medical Center	Adventist Behavioral Health Services	Lourie Center	Adventist Rehabilitation Hospital of Maryland	Adventist Home Health Services	Adventist Medical Group	Adventist Senior Living Services	Adventist Management Services, Inc.	Adventist HealthCare Inc. Foundations
Current Liabilities														
Accounts payable and accrued expenses	$ 83,688,817	$ (182)	$ 21,467,559	$ 31,685,715	$ 18,006,464	$ 5,399,992	$ 2,631,420	$ 411,345	$ 1,584,655	$ 731,240	$ 1,033,016	$ (7,514)	$ 620,857	$ 124,250
Accrued compensation and related items	31,922,897	(190,379)	4,076,530	11,212,107	8,042,978	2,974,886	2,028,514	392,428	1,875,836	901,861	432,427	1,318	174,391	-
Interest payable	2,222,769	-	2,217,729	-	2,302	-	2,738	-	-	-	-	-	-	-
Due to third party payors	21,919,784	(2,313,438)	-	14,415,364	8,210,143	555,818	985,166	-	(27,057)	-	-	93,788	-	-
Estimated self-insured professional liability	1,202,986	-	1,202,986	-	-	-	-	-	-	-	-	-	-	-
Current maturities of long-term obligations	22,925,596	-	12,823,929	4,981,571	4,213,189	45,657	861,250	-	-	-	-	-	-	-
Long-term debt subject to short-term remarketing and repayment arrangements	41,985,000	-	-	32,920,739	9,064,261	-	-	-	-	-	-	-	-	-
Total Current Liabilities	205,867,849	(2,503,999)	41,788,733	95,215,496	47,539,337	8,976,353	6,509,088	803,773	3,433,434	1,633,101	1,465,443	87,592	795,248	124,250
Construction Payable	116,254	-	-	-	-	116,254	-	-	-	-	-	-	-	-
Long-Term Obligations, Net														
Bonds payable	221,015,919	-	181,885,000	3,732,000	35,398,919	-	-	-	-	-	-	-	-	-
Notes payable	18,916,729	-	18,216,562	-	243,750	-	456,417	-	-	-	-	-	-	-
Capital lease obligation	16,348,680	-	13,831,198	1,892,022	577,265	48,195	-	-	-	-	-	-	-	-
Internal debt	-	2	(177,649,000)	103,119,312	32,143,145	32,229,053	5,809,634	-	4,347,854	-	-	-	-	-
Derivative Financial Instruments	16,103,581	-	16,103,581	-	-	-	-	-	-	-	-	-	-	-
Deferred Compensation	164,057	-	-	-	164,057	-	-	-	-	-	-	-	-	-
Other Liabilities	12,310,883	-	5,207,680	5,249,737	486,931	1,106,959	-	-	200,000	-	-	-	-	59,576
Estimated Self Insured Professional Liability	8,121,925	-	8,121,925	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	498,965,877	(2,503,997)	107,505,679	209,208,567	116,553,404	42,476,814	12,775,139	803,773	7,981,288	1,633,101	1,465,443	87,592	795,248	183,826
Net Assets (Deficit)														
Unrestricted	365,618,832	-	190,608,660	148,328,361	(20,642,842)	52,986,699	2,168,636	1,324,203	22,594,799	4,187,397	(38,425,018)	434,779	(101,689)	2,154,847
Temporarily restricted	6,662,881	-	92,697	290,641	570,774	1,189,698	(1)	137,469	68,017	-	-	-	-	4,313,586
Permanently restricted	341,421	-	-	-	-	-	-	341,421	-	-	-	-	-	-
Total net assets (deficit)	372,623,134	-	190,701,357	148,619,002	(20,072,068)	54,176,397	2,168,635	1,803,093	22,662,816	4,187,397	(38,425,018)	434,779	(101,689)	6,468,433
Total liabilities and net assets	$ 871,589,011	$ (2,503,997)	$ 298,207,036	$ 357,827,569	$ 96,481,336	$ 96,653,211	$ 14,943,774	$ 2,606,866	$ 30,644,104	$ 5,820,498	$ (36,959,575)	$ 522,371	$ 693,559	$ 6,652,259

Adventist Healthcare, Inc. and Controlled Entities

Consolidating Schedule, Statement of Operations
Year Ended December 31, 2013

	Consolidated Adventist HealthCare, Inc.	Eliminating Entries	Support Center	Shady Grove Adventist Hospital	Washington Adventist Hospital	Hackettstown Regional Medical Center	Adventist Behavioral Health Services	Lourie Center	Adventist Rehabilitation Hospital of Maryland	Adventist Home Health Services	Adventist Medical Group	Adventist Senior Living Services	Adventist Management Services, Inc.	Adventist HealthCare Inc. Foundations
Unrestricted Revenues														
Net patient service revenue	$ 664,929,799	$ (85,757,199)	$ 4,577,689	$ 338,865,036	$ 216,357,425	$ 85,579,847	$ 39,049,612	$ 588,114	$ 33,951,685	$ 15,209,221	$ 16,508,369	$ -	$ -	$ -
Provision for doubtful collections	(43,172,646)	4,624,228	(36,641)	(18,775,242)	(20,223,050)	(4,624,228)	(1,473,295)	(83,907)	(982,226)	(76,756)	(1,486,466)	-	(35,063)	-
Net patient service revenue less provision for doubtful collections	621,757,153	(81,132,971)	4,541,048	320,089,794	196,134,375	80,955,619	37,576,317	504,207	32,969,459	15,132,465	15,021,903	-	(35,063)	-
Other revenue	37,990,928	(15,463,303)	4,839,558	11,068,192	6,540,625	7,382,747	6,829,623	6,690,122	360,155	35,643	924,991	-	5,740,017	3,042,558
Total unrestricted revenues	659,748,081	(96,596,274)	9,380,606	331,157,986	202,675,000	88,338,366	44,405,940	7,194,329	33,329,614	15,168,108	15,946,894	-	5,704,954	3,042,558
Operating Expenses														
Salaries and wages	277,034,762	(37,662,844)	12,012,680	119,025,920	82,830,918	37,662,435	23,960,613	4,231,286	18,963,230	10,402,817	3,803,668	409	1,803,630	-
Employee benefits	58,644,334	(9,313,996)	3,156,429	25,068,467	17,329,481	9,313,650	5,482,342	893,854	3,885,587	1,960,849	507,661	37	359,973	-
Contract labor	29,565,999	(1,941,301)	200,624	10,775,754	13,338,507	1,871,196	1,012,436	368,814	717,967	171,976	2,505,856	-	544,170	-
Medical supplies	93,404,087	(12,139,581)	(3,442)	52,143,295	36,700,444	12,047,963	1,743,800	30,730	1,323,840	225,915	8,725	-	1,322,398	-
General and administrative	121,185,271	(22,441,047)	37,266,028	39,561,825	27,423,483	9,418,785	3,092,734	974,934	2,855,256	775,622	18,548,614	2,526	686,445	3,020,066
Building and maintenance	35,047,777	(7,065,030)	907,509	21,344,117	9,031,414	5,192,743	2,961,967	284,406	1,215,331	601,739	52,449	-	521,132	-
Insurance	5,147,729	(532,209)	89,963	2,528,458	1,852,746	532,209	239,722	21,463	143,893	106,251	159,415	-	5,818	-
Interest	8,365,613	(1,388,123)	(125,251)	5,982,743	1,988,992	1,388,123	311,353	1,865	205,223	-	-	-	688	-
Depreciation and amortization	31,059,309	(5,033,010)	8,259,458	14,628,247	6,195,471	5,033,010	1,009,126	112,695	635,193	116,671	43,653	-	58,795	-
IT depreciation	-	-	(7,664,344)	3,856,865	2,108,421	1,217,489	68,779	-	361,276	35,092	-	-	16,422	-
Allocation: IT services	-	-	(31,115,283)	14,235,038	10,091,609	3,267,690	1,412,424	-	1,582,729	422,244	-	-	103,549	-
AHC management fees	-	-	(15,408,268)	6,482,897	4,504,478	2,310,968	862,984	150,569	673,579	299,822	-	-	122,971	-
Total expenses	659,454,881	(97,517,141)	7,576,103	315,633,626	213,395,964	89,256,261	42,158,280	7,070,616	32,563,104	15,118,998	25,630,041	2,972	5,545,991	3,020,066
Income (loss) from operations	293,200	920,867	1,804,503	15,524,360	(10,720,964)	(917,895)	2,247,660	123,713	766,510	49,110	(9,683,147)	(2,972)	158,963	22,492
Other Income (Expense)														
Investment income (loss)	2,786,060	(426,358)	3,061,483	731,946	(1,027,531)	426,358	(151,156)	7,722	81,008	35,497	-	-	(4,010)	51,101
Loss on extinguishment of debt	(707,292)	-	(707,292)	-	-	-	-		-	-	-	-	-	-
Other income (expense)	1,673,660	(21,808)	3,228,900	(992,613)	(482,180)	(649,149)	(45,970)	-	(34,477)	-	-	670,957	-	-
Total other income (expense)	3,752,428	(448,166)	5,583,091	(260,667)	(1,509,711)	(222,791)	(197,126)	7,722	46,531	35,497	-	670,957	(4,010)	51,101
Revenue and gains in excess of (less than expenses from continuing operations	4,045,628	472,701	7,387,594	15,263,693	(12,230,675)	(1,140,686)	2,050,534	131,435	813,041	84,607	(9,683,147)	667,985	154,953	73,593
Change in net unrealized gains and losses on investment other than trading securities	(2,896,072)	-	(763,753)	(1,380,006)	(13,361)	(530,960)	(1,728)	(10,891)	(104,671)	(43,962)	-	-	(8)	(46,732)
Change in net unrealized gain on derivative financia instrument	8,450,548	-	8,450,548	-	-	-	-	-	-	-	-	-	-	-
Transfer from (to) unconsolidated subsidiary	-	-	8,856,643	(3,030,260)	(2,107,217)	(860,732)	(403,379)	(70,380)	(314,847)	(140,144)	-	(1,872,205)	(57,479)	-
Net assets released from restriction for purchase of property and equipment	3,243,024	-	1,275,415	1,818,335	32,890	27,084	-	25,000	64,300	-	-	-	-	-
Other unrestricted net asset activity	(82,046)	-	(82,046)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets from continuing operations	12,761,082	472,701	25,124,401	12,671,762	(14,318,363)	(2,505,294)	1,645,427	75,164	457,823	(99,499)	(9,683,147)	(1,204,220)	97,466	26,861
Loss from discontinued operations	(472,701)	(472,701)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	$ 12,288,381	$ -	$ 25,124,401	$ 12,671,762	$ (14,318,363)	$ (2,505,294)	$ 1,645,427	$ 75,164	$ 457,823	$ (99,499)	$ (9,683,147)	$ (1,204,220)	$ 97,466	$ 26,861

Adventist Healthcare, Inc. - Obligated Group

Combining Schedule, Balance Sheet
December 31, 2013

Assets	Combined AHC Obligated Group	Eliminating Entries	Support Center	Shady Grove Adventist Hospital	Washington Adventist Hospital	Hackettstown Regional Medical Center	Adventist Behavioral Health	Adventist Rehabilitation Hospital of Maryland
Current Assets								
Cash and cash equivalents	$ 97,304,709	$ -	$ (33,782,969)	$ 105,863,271	$ (6,971,085)	$ 33,788,130	$ (9,472,647)	$ 7,880,009
Short-term investments	128,642,187	-	128,642,187	-	-	-	-	-
Assets whose use is limited	3,950,514	-	3,950,514	-	-	-	-	-
Patient accounts receivable, net of estimated allowances of $91,260,000	122,424,627	-	393,103	52,479,937	40,561,412	9,497,690	9,253,345	10,239,140
Other receivables, net of estimated allowance for uncollectible accounts of $684,000	8,398,116	(190,379)	3,493,980	1,900,776	743,346	461,392	1,920,199	68,802
Due from third party payors	-	(2,167,080)	-	-	-	-	194,072	1,973,008
Due from affiliates	-	(180)	-	74,141	(74,141)	-	-	180
Inventories	12,023,705	-	-	5,931,563	4,056,160	1,801,874	130,095	104,013
Prepaid expenses and other current assets	6,006,605	-	2,961,189	1,501,979	1,084,096	293,660	93,334	72,347
Total current assets	378,750,463	(2,357,639)	105,658,004	167,751,667	39,399,788	45,842,746	2,118,398	20,337,499
Property and Equipment, Net	389,251,046	-	112,688,907	181,192,380	33,476,093	42,952,842	10,363,701	8,577,123
Assets Whose Use is Limited								
Under trust indenture and capital lease purchase financing facilities, held by trustees and banks	7,045,353	-	1,340,578	1,105,757	866,336	2,793,642	492,996	446,044
Professional liability trust fund	8,835,811	-	8,835,811	-	-	-	-	-
Deferred compensation fund	164,057	-	-	-	164,057	-	-	-
Cash and Cash Equivalents Temporarily Restricted for Capital Acquisition	2,061,872	-	-	330,520	-	1,520,468	-	210,884
Investments and Investments in Unconsolidated Subsidiaries	8,549,028	-	5,094,069	2,101,791	-	1,353,168	-	-
Land Held for Healthcare Development	84,805,542	-	62,758,405	15,657	22,031,480	-	-	-
Deferred Financing Costs	2,622,135	-	589,643	900,879	540,174	445,734	79,485	66,220
Intangible Assets, Net	5,179,479	-	48,632	1,426,333	-	867,660	1,862,520	974,334
Deposits and Other Noncurrent Assets	5,134,605	-	1,192,987	3,002,585	3,408	876,951	26,674	32,000
Total assets	$ 892,399,391	$ (2,357,639)	$ 298,207,036	$ 357,827,569	$ 96,481,336	$ 96,653,211	$ 14,943,774	$ 30,644,104

Adventist Healthcare, Inc. - Obligated Group

Combining Schedule, Balance Sheet
December 31, 2013

Liabilities and Net Assets	Combined AHC Obligated Group	Eliminating Entries	Support Center	Shady Grove Adventist Hospital	Washington Adventist Hospital	Hackettstown Regional Medical Center	Adventist Behavioral Health	Adventist Rehabilitation Hospital of Maryland
Current Liabilities								
Accounts payable and accrued expenses	$ 80,775,623	$ (182)	$ 21,467,559	$ 31,685,715	$ 18,006,464	$ 5,399,992	$ 2,631,420	$ 1,584,655
Accrued compensation and related items	30,020,472	(190,379)	4,076,530	11,212,107	8,042,978	2,974,886	2,028,514	1,875,836
Interest payable	2,222,769	-	2,217,729	-	2,302	-	2,738	-
Due to third party payors	21,972,354	(2,167,080)	-	14,415,364	8,210,143	555,818	985,166	(27,057)
Estimated self-insured professional liability	1,202,986	-	1,202,986	-	-	-	-	-
Current portion of long-term obligations	22,925,596	-	12,823,929	4,981,571	4,213,189	45,657	861,250	-
Long-term debt subject to short-term remarketing and repayment arrangements	41,985,000	-	-	32,920,739	9,064,261	-	-	-
Total current liabilities	201,104,800	(2,357,641)	41,788,733	95,215,496	47,539,337	8,976,353	6,509,088	3,433,434
Construction Payable	116,254	-	-	-	-	116,254	-	-
Long-Term Obligations, Net								
Bonds payable	221,015,919	-	181,885,000	3,732,000	35,398,919	-	-	-
Notes payable	18,916,729	-	18,216,562	-	243,750	-	456,417	-
Capital lease obligation	16,348,680	-	13,831,198	1,892,022	577,265	48,195	-	-
Internal debt	-	2	(177,649,000)	103,119,312	32,143,145	32,229,053	5,809,634	4,347,854
Derivative Financial Instruments	16,103,581	-	16,103,581	-	-	-	-	-
Deferred Compensation	164,057	-	-	-	164,057	-	-	-
Other Liabilities	12,251,307	-	5,207,680	5,249,737	486,931	1,106,959	-	200,000
Estimated Self-Insured Professional Liability	8,121,925	-	8,121,925	-	-	-	-	-
Total liabilities	494,143,252	(2,357,639)	107,505,679	209,208,567	116,553,404	42,476,814	12,775,139	7,981,288
Net Assets (Deficit)								
Unrestricted	396,044,313	-	190,608,660	148,328,361	(20,642,842)	52,986,699	2,168,636	22,594,799
Temporarily restricted	2,211,826	-	92,697	290,641	570,774	1,189,698	(1)	68,017
Total net assets (deficit)	398,256,139	-	190,701,357	148,619,002	(20,072,068)	54,176,397	2,168,635	22,662,816
Total liabilities and net assets	$ 892,399,391	$ (2,357,639)	$ 298,207,036	$ 357,827,569	$ 96,481,336	$ 96,653,211	$ 14,943,774	$ 30,644,104

Adventist Healthcare, Inc. - Obligated Group

Combining Schedule, Statement of Operations
Year Ended December 31, 2013

	Combined AHC Obligated Group	Eliminating Entries	Support Center	Shady Grove Adventist Hospital	Washington Adventist Hospital	Hackettstown Regional Medical Center	Adventist Behavioral Health Services	Adventist Rehabilitation Hospital of Maryland
Unrestricted Revenues								
Net patient service revenue	$ 632,624,095	$ (85,757,199)	$ 4,577,689	$ 338,865,036	$ 216,357,425	$ 85,579,847	$ 39,049,612	$ 33,951,685
Provision for doubtful collections	(41,490,454)	4,624,228	(36,641)	(18,775,242)	(20,223,050)	(4,624,228)	(1,473,295)	(982,226)
Net patient service revenue less provision for doubtful collections	591,133,641	(81,132,971)	4,541,048	320,089,794	196,134,375	80,955,619	37,576,317	32,969,459
Other revenue	26,991,606	(10,029,294)	4,839,558	11,068,192	6,540,625	7,382,747	6,829,623	360,155
Total unrestricted revenues	618,125,247	(91,162,265)	9,380,606	331,157,986	202,675,000	88,338,366	44,405,940	33,329,614
Operating Expenses								
Salaries and wages	256,793,361	(37,662,435)	12,012,680	119,025,920	82,830,918	37,662,435	23,960,613	18,963,230
Employee benefits	54,921,996	(9,313,960)	3,156,429	25,068,467	17,329,481	9,313,650	5,482,342	3,885,587
Contract labor	25,979,935	(1,936,549)	200,624	10,775,754	13,338,507	1,871,196	1,012,436	717,967
Medical supplies	91,844,933	(12,110,967)	(3,442)	52,143,295	36,700,444	12,047,963	1,743,800	1,323,840
General and administrative	109,353,354	(10,264,757)	37,266,028	39,561,825	27,423,483	9,418,785	3,092,734	2,855,256
Building and maintenance	33,611,078	(7,042,003)	907,509	21,344,117	9,031,414	5,192,743	2,961,967	1,215,331
Insurance	4,854,782	(532,209)	89,963	2,528,458	1,852,746	532,209	239,722	143,893
Interest	8,363,060	(1,388,123)	(125,251)	5,982,743	1,988,992	1,388,123	311,353	205,223
Depreciation and amortization	30,727,495	(5,033,010)	8,259,458	14,628,247	6,195,471	5,033,010	1,009,126	635,193
IT depreciation	(1,269,003)	(1,217,489)	(7,664,344)	3,856,865	2,108,421	1,217,489	68,779	361,276
Allocation: IT services	(3,793,483)	(3,267,690)	(31,115,283)	14,235,038	10,091,609	3,267,690	1,412,424	1,582,729
AHC management fees	(2,884,330)	(2,310,968)	(15,408,268)	6,482,897	4,504,478	2,310,968	862,984	673,579
Total expenses	608,503,178	(92,080,160)	7,576,103	315,633,626	213,395,964	89,256,261	42,158,280	32,563,104
Income (loss) from operations	9,622,069	917,895	1,804,503	15,524,360	(10,720,964)	(917,895)	2,247,660	766,510
Other Income (Expense)								
Investment income (loss)	2,695,750	(426,358)	3,061,483	731,946	(1,027,531)	426,358	(151,156)	81,008
Loss on extinguishment of debt	(707,292)	-	(707,292)	-	-	-	-	-
Other income (expense)	1,673,660	649,149	3,228,900	(992,613)	(482,180)	(649,149)	(45,970)	(34,477)
Total other income (expense)	3,662,118	222,791	5,583,091	(260,667)	(1,509,711)	(222,791)	(197,126)	46,531
Revenue in excess of (less than) expenses from continuing operations	13,284,187	1,140,686	7,387,594	15,263,693	(12,230,675)	(1,140,686)	2,050,534	813,041
Change in net unrealized gains and losses on investments other than trading securities	(2,794,479)	-	(763,753)	(1,380,006)	(13,361)	(530,960)	(1,728)	(104,671)
Change in net unrealized gain on derivative financial instrument	8,450,548	-	8,450,548	-	-	-	-	-
#REF!	2,140,208	-	8,856,643	(3,030,260)	(2,107,217)	(860,732)	(403,379)	(314,847)
Net assets released from restriction for purchase of property and equipment	3,218,024	-	1,275,415	1,818,335	32,890	27,084	-	64,300
Other unrestricted net asset activity	(82,046)	-	(82,046)	-	-	-	-	-
Increase (decrease) in unrestricted net assets from continuing operations	24,216,442	1,140,686	25,124,401	12,671,762	(14,318,363)	(2,505,294)	1,645,427	457,823
Loss from discontinued operations	(1,140,686)	(1,140,686)	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	$ 23,075,756	$ -	$ 25,124,401	$ 12,671,762	$ (14,318,363)	$ (2,505,294)	$ 1,645,427	$ 457,823

Adventist HealthCare, Inc. - Foundations

Combining Schedule, Balance Sheet
December 31, 2013

	Combined Adventist HealthCare, Inc. Foundations	Eliminating Entries	Shady Grove Adventist Hospital Foundation, Inc.	Washington Adventist Hospital Foundation, Inc.	Hackettstown Community Hospital Foundation, Inc.	Adventist Behavioral Health Foundation, Inc.
Assets						
Current Assets						
Cash and cash equivalents	$ 1,775,874	$ -	$ 300,509	$ 1,258,759	$ 155,739	$ 60,867
Current portion pledges receivable, less allowance for doubtful pledges of $77,000	1,298,901	-	1,110,621	148,724	10,324	29,232
Other receivables	25,879	-	-	-	25,879	-
Prepaid expenses and other current assets	350	-	-	-	350	-
Total current assets	3,101,004	-	1,411,130	1,407,483	192,292	90,099
Cash and Cash Equivalents Held for Capital Acquisitions	367,290	-	-	218,389	-	148,901
Investments	955,049	-	949,332	5,717	-	-
Beneficial Interest in Trusts	829,438	-	-	829,438	-	-
Noncurrent Portion of Pledges Receivable	1,399,478	-	1,266,532	132,946	-	-
Total assets	$ 6,652,259	$ -	$ 3,626,994	$ 2,593,973	$ 192,292	$ 239,000
Liabilities and Net Assets						
Current Liabilities						
Accounts payable and accrued expenses	$ 124,250	$ -	$ 114,251	$ -	$ 9,999	$ -
Liability to Charitable Gift Annuitants	59,576	-	59,576	-	-	-
Total liabilities	183,826	-	173,827	-	9,999	-
Net Assets						
Unrestricted	2,154,847	-	1,484,794	587,961	19,967	62,125
Temporarily restricted	4,313,586	-	1,968,373	2,006,012	162,326	176,875
Total net assets	6,468,433	-	3,453,167	2,593,973	182,293	239,000
Total liabilities and net assets	$ 6,652,259	$ -	$ 3,626,994	$ 2,593,973	$ 192,292	$ 239,000

Adventist HealthCare, Inc. - Foundations

Combining Schedule, Statement of Operations
Year Ended December 31, 2013

	Combined Adventist HealthCare, Inc. Foundations	Eliminating Entries	Shady Grove Adventist Hospital Foundation, Inc.	Washington Adventist Hospital Foundation, Inc.	Hackettstown Adventist Hospital Foundation, Inc.	Adventist Behavioral Health Foundation Inc.
Changes in Unrestricted Net Assets						
Unrestricted Revenues, Gains, And Other Support						
Contributions, net	$ 405,434	$ -	$ 140,374	$ 214,150	$ 45,812	$ 5,098
Investment income	51,101	-	50,678	-	41	382
Net assets released from restrictions	2,637,124	-	2,102,088	193,238	299,107	42,691
Total unrestricted revenues, gains, and other support	3,093,659	-	2,293,140	407,388	344,960	48,171
Expenses						
General administrative expenses	516,194	-	191,059	176,871	148,264	-
In-kind gifts expended	187,660	-	102,967	84,693	-	-
Total expenses before transfers to the hospitals	703,854	-	294,026	261,564	148,264	-
Transfers to the hospitals	2,316,212	-	2,000,000	17,941	212,952	85,319
Total expenses	3,020,066	-	2,294,026	279,505	361,216	85,319
Revenues in excess of (less than) expenses	73,593	-	(886)	127,883	(16,256)	(37,148)
Change in net unrealized gains on investments other than trading securities	(46,732)	-	(46,732)	-	-	-
Increase (decrease) in unrestricted net assets	26,861	-	(47,618)	127,883	(16,256)	(37,148)
Unrestricted net assets, beginning	2,127,986	-	1,532,412	460,078	36,223	99,273
Unrestricted net assets, ending	$ 2,154,847	$ -	$ 1,484,794	$ 587,961	$ 19,967	$ 62,125
Changes in Temporarily Restricted Net Assets						
Contributions, net	$ 2,336,471	$ -	$ 1,134,120	$ 738,916	$ 400,296	$ 63,139
Net assets released from restrictions	(2,637,124)	-	(2,102,088)	(193,238)	(299,107)	(42,691)
Change in value of beneficial interest in trusts	13,579	-	-	13,579	-	-
Change in discount of pledges receivable and provision for doubtful pledges	(146,325)	-	(135,431)	(10,894)	-	-
Investment income and unrealized gain on investments	31,901	-	13,298	18,603	-	-
(Decrease) increase in temporarily restricted net assets	(401,498)	-	(1,090,101)	566,966	101,189	20,448
Temporarily restricted net assets, beginning	4,715,084	-	3,058,474	1,439,046	61,137	156,427
Temporarily restricted net assets, ending	$ 4,313,586	$ -	$ 1,968,373	$ 2,006,012	$ 162,326	$ 176,875

ADVENTIST HEALTHCARE, INC.
OBLIGATED GROUP

AMENDED AND RESTATED MASTER TRUST INDENTURE

February 1, 2003

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AMENDED AND RESTATED MASTER TRUST INDENTURE

THIS AMENDED AND RESTATED MASTER TRUST INDENTURE (this "Amended and Restated Indenture"), dated as of February 1, 2003, is by and among the Obligated Group Members (as defined herein), and the Trustee (as defined herein).

RECITALS

The Obligated Group Members have determined that it is necessary and desirable to provide for the issuance from time to time by the Obligated Group Members of indebtedness and other obligations (collectively, the "Obligations," as defined herein) for any lawful corporate purpose of the Obligated Group Members.

The Obligated Group Members have previously entered into the Original Indenture (as defined herein). Pursuant to the Third Supplemental Master Trust Indenture dated as of February 1, 2003 (the "Third Supplemental Indenture"), the Original Indenture shall be automatically amended and restated in its entirety in accordance with this Amended and Restated Indenture upon the Effective Date (defined herein).

All things necessary to constitute this Indenture (as defined herein) a valid agreement have been done and performed, and the creation and delivery of this Indenture have in all respects been duly authorized; and this Indenture shall become effective on the Effective Date.

GRANTING CLAUSES

The Obligated Group Members, in consideration of the premises, of the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the Obligations by the owners thereof, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, in order to secure the payment of all amounts payable under the Obligations according to their tenor and effect and the performance and observance by the Obligated Group Members of all the covenants expressed or implied herein and in the Obligations, for the equal and ratable benefit of the holders thereof and their respective successors and assigns, forever, subject only to the provisions of this Indenture permitting the application thereof on the terms and conditions set forth in this Indenture, does hereby grant, bargain, sell, convey, assign and pledge to the Trustee, and unto its respective successors in trust and assigns forever, and grant to the Trustee, and unto its respective successors in trust and assigns forever, a security interest in, the following (the "Trust Estate"):

(a) all of the right, title and interest of the Obligated Group Members in and to the Unrestricted Revenues (defined herein); and

(b) all moneys and securities, if any, held at any time by the Trustee under this Indenture;

(c) all of the right, title and interest of the Obligated Group Members in and to any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, as and for additional security hereunder by the Obligated Group Members or by anyone on their behalf, or with the written consent of the Obligated Group Representative (defined herein), to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of this Indenture;

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its successors in trust and assigns forever upon the terms and trusts herein set forth for the equal and ratable benefit, security and protection of all present and future such holders, without privilege, priority or distinction as to the lien or otherwise of any Obligation over any other Obligation, except as otherwise expressly provided herein;

PROVIDED, that it is the purpose and intention of the parties that all Obligations outstanding hereunder be secured equally and ratably by this Indenture, that the trust estate under the Original Indenture be included within the Trust Estate hereunder and that the lien of the Original Indenture remain in full force and effect notwithstanding the amendment and restatement thereof in accordance with the Third Supplemental Indenture and this Indenture;

AND PROVIDED FURTHER that, notwithstanding the pledge and assignment made hereby, nothing herein shall be construed to preclude any Obligated Group Member from applying its Unrestricted Revenues to its own uses so long as no Event of Default (defined herein) shall have occurred and be continuing hereunder, and if the Obligated Group Members shall well and truly pay, or cause to be paid all amounts payable under the Obligations according to the true intent and meaning thereof or shall provide for the payment thereof as provided by Article VIII, and shall perform and observe all the covenants and conditions of this Indenture and the Obligations to be performed and observed by them, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then, upon compliance with Article VIII, the lien of this Indenture shall be discharged and satisfied and shall be null and void; otherwise, this Indenture is to be and remain in full force and effect.

All Obligations secured hereunder are to be issued and all such property, rights and interests, including (without limitation) the amounts hereby assigned and pledged, are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed.

The Obligated Group Members and the Trustee do hereby agree and covenant for the benefit of the respective owners of the Obligations that the Original Indenture shall be amended and restated in its entirety to read as follows, it being the express intention of the Obligated Group Members and the Trustee that this Indenture shall not extinguish, discharge or release the lien of the Original Indenture and shall not be construed as a substitution or novation of such lien, and that all Obligations, whether issued prior to, on, or after the Effective Date, shall be continuously secured by the Original Indenture, as amended and restated by this Indenture:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. Definitions.

In addition to the terms defined elsewhere herein, terms used in this Indenture shall have the following meanings, unless a different meaning clearly appears from the context:

"**Authority**" means Maryland Health and Higher Educational Facilities Authority, a body politic and corporate and a public instrumentality under the laws of the State of Maryland, and its successors and assigns.

"**Balloon Long-Term Indebtedness**" means Long-Term Indebtedness 25% or more of the principal amount of which matures in the same 12-month period, which portion of such principal amount is not required by the documents governing such Long-Term Indebtedness to be amortized by redemption prior to such period.

"**Bond Counsel**" means McKennon Shelton & Henn LLP or any other law firm designated by the Obligated Group Representative reasonably acceptable to the Trustee having a favorable reputation in the field of municipal law, whose legal opinions are generally accepted by purchasers of municipal bonds.

"**Book Value**," when used with respect to any property or interest therein, means the value of such property or interest, net of accumulated depreciation, as it is carried on the books of its owner or its lessee in conformity with generally accepted accounting principles and shall be determined in such a manner that no portion of such property is included more than once.

"**Business Day**" means a day other than (a) a Saturday, Sunday or legal holiday in the city in which the Designated Office of the Obligated Group Representative or the Trustee is located or (b) a day on which the New York Stock Exchange is closed.

"**Capital Improvements**" means any capital project, including (without limitation) land, easements, rights-of-way, leaseholds and other interests in real property and any improvement, addition or betterment to or any construction, replacement, remodeling or equipping of any Operating Assets.

"**Certificate**," "**Notice**," "**Opinion**," "**Order**," "**Request**" and "**Statement**" mean, respectively, a written certificate, notice, opinion, order, request or statement, in form and substance reasonably satisfactory to the Trustee, signed (a) when used with respect to any other Obligated Group Member, the Obligated Group or the Obligated Group Representative, by the President, any Vice President or any other person authorized by the bylaws or a resolution of the governing body of the Obligated Group Representative, and (b) when used with respect to any other person, by an authorized officer thereof. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other

instrument, opinion or representation, and the instruments so combined shall be read and construed as a single instrument.

"Code" means the Internal Revenue Code of 1986, as amended.

"Counsel" means an attorney duly admitted to practice law before the highest court of any state or the District of Columbia designated by the Obligated Group Representative and reasonably acceptable to the Trustee, who may be (without limitation) an officer or employee of an Obligated Group Member.

"Credit Facility" means any liquidity facility, letter of credit, bond insurance policy, bond purchase agreement, guaranty, line of credit, surety bond or similar credit or liquidity facility securing any Obligation or other Indebtedness of any Obligated Group Member.

"Credit Facility Agreement" means the agreement pursuant to which any Credit Facility is issued.

"Credit Facility Provider" means the issuer of any Credit Facility then in effect.

"Current Value" means, when used with respect to any property as of any particular date, the fair market value of such property as shown on a written appraisal reasonably acceptable to the Trustee. Any such appraisal shall be made by (a) an M.A.I. appraiser, in the case of real property, not more than three years prior to such date, (b) a recognized financial publication, in the case of marketable securities, not more than in its most recent publication prior to such date and (c) a broker, appraiser or other expert qualified with respect to the valuation thereof selected by the Obligated Group Representative and reasonably acceptable to the Trustee, which respect to any other property within one year prior to such date.

"Debt Service Coverage Ratio" means, when used with respect to any Fiscal Year, the quotient obtained by dividing (a) the aggregate of the Net Income Available for Debt Service of the Obligated Group for such Fiscal Year by (b) the Maximum Annual Debt Service on all Outstanding Long-Term Indebtedness of the Obligated Group as of the last day of such Fiscal Year.

"Debt Service Requirements" means, when used with respect to any Long-Term Indebtedness for any Fiscal Year, as of any particular date of calculation, the amount required to pay the sum of (a) the interest on such Long-Term Indebtedness payable during such Fiscal Year, and (b) the principal of and any amount required to effect any mandatory redemption of such Long-Term Indebtedness, if any, during such Fiscal Year, less any amount of such interest or principal for the payment of which moneys, Government Obligations or obligations of or guaranteed by any agency or instrumentality thereof, or obligations collateralized thereby, the principal of and interest on which when due will provide for such payment, are held in trust. For the purpose of calculating the Debt Service Requirements:

(i) with respect to any Variable Rate Indebtedness:

(A) for the purpose of calculating the principal amount of Balloon Long-Term Indebtedness constituting Variable Rate Indebtedness payable in any Fiscal Year under clause (ii)(C) below (1) if any Obligated Group Member shall have entered into any Hedging Transaction with an entity rated in one of the three highest Rating Categories by a Rating Agency identified in the records of the Obligated Group with respect to such Indebtedness for the term thereof, at the option of the Obligated Group, such Indebtedness may be deemed to bear interest at the maximum rate payable thereunder and (2) in any other case, such Indebtedness shall be deemed to bear interest at an interest rate equal to "The Bond Buyer 25 Revenue Bond Index" as published in *The Bond Buyer* (or, if such index is no longer published, a comparable index selected by the Obligated Group Representative and reasonably acceptable to the Trustee) on the most recent date prior to the issuance thereof;

(B) for all other purposes of this Indenture, such Variable Rate Indebtedness shall be deemed to bear interest at an annual rate equal to the weighted average interest rate per annum borne by such Indebtedness during the 12-month period ending on the date of calculation (or, in the case of any Variable Rate Indebtedness to be issued or issued during the immediately preceding 12-month period, the weighted average interest rate per annum borne by other outstanding Indebtedness having comparable terms and issued by, or secured by agreements issued by, entities of comparable creditworthiness during the immediately preceding 12-month period); *provided* that if any Obligated Group Member shall have entered into any Hedging Transaction with an entity rated in one of the three highest Rating Categories by a Rating Agency identified in the records of the Obligated Group with respect to any Indebtedness, at the option of the Obligated Group, such Indebtedness shall be deemed to bear interest at the rate payable under such Hedging Transaction prior to the date of calculation;

(ii) with respect to any Balloon Long-Term Indebtedness, at the option of the Obligated Group Representative:

(A) if a liquidity facility is then in effect with respect to such Indebtedness, the principal amount of such Indebtedness payable in each Fiscal Year as of any date of calculation may be deemed to be the amount that would be payable during such Fiscal Year if such liquidity facility was used or drawn upon to purchase or retire such Indebtedness on the stated maturity date thereof or on any date established for the mandatory redemption thereof, less the aggregate amount required to be on deposit in any sinking fund established to provide for the payment of such Indebtedness in accordance with clause (B) below during such Fiscal Year;

(B) if (1) pursuant to a resolution duly adopted by the governing body of the Obligated Group Member that shall have issued or incurred such Indebtedness, a sinking fund shall have been established to provide for the payment of such Indebtedness when due, and (2) deposits to such sinking fund are current and timely, then the principal amount of such Indebtedness payable in each Fiscal Year may be deemed to be the amount required to be deposited in such sinking fund for such Fiscal Year; or

(C) the principal amount of such Indebtedness payable in each Fiscal Year may be deemed to be the amount that would have been payable during such Fiscal Year if such Indebtedness were required to be amortized in full from the date of its issuance or, in the case of

any such Indebtedness issued to finance or refinance any Capital Improvement, at the option of the Obligated Group Representative, a later date on or before the expected date of completion of such Capital Improvement, in substantially equal annual installments of principal and interest over a term equal to the shorter of (a) 30 years and (b) 120% of the weighted average economic life of the property financed or refinanced thereby;

(iii) with respect to any Optional Tender Indebtedness, the option of the holder thereof to require the redemption or purchase thereof or any required purchase or redemption thereof in connection with any termination of any liquidity facility securing such Optional Tender Indebtedness prior to the stated maturity thereof shall be disregarded;

(iv) with respect to any Guaranty of any Indebtedness that would constitute Long-Term Indebtedness if incurred directly by an Obligated Group Member:

(A) so long as, within the three years immediately preceding the date of calculation, no default shall have occurred with respect to such Indebtedness and no demand for payment shall have been made under such Guaranty, there shall be excluded 80% of the debt service requirements of such guaranteed Indebtedness; and

(B) if during the immediately preceding three-year period, a default shall have occurred with respect to such Indebtedness or a demand for payment shall have been made under such Guaranty, 100% of the debt service requirements of such Indebtedness shall be taken into account; and

(C) such Indebtedness shall be taken into account only once in calculating the Debt Service Requirements of all outstanding Long-Term Indebtedness;

(v) with respect to any Credit Facility Agreement, except as provided in clause (ii)(A) above, so long as no demand for payment under the Credit Facility issued under such Credit Facility Agreement shall have been made, the debt service requirements of such Credit Facility Agreement shall be excluded from such calculation; and

(vi) with respect to any Joint Indebtedness, the amount of the debt service requirements of such Joint Indebtedness that, pursuant to the agreement between or among the primary obligors with respect to such Indebtedness, is required to be paid by persons that are not Obligated Group Members shall be excluded to the extent of the amount of such debt service requirements that would be excluded if a Guaranty of such amount of such Joint Indebtedness were delivered by an Obligated Group Member, determined in accordance with clause (iv) above, as if such persons were the only primary obligors with respect to such amount.

"**Designated Office**" means, when used with respect to the Obligated Group Representative, the principal office of the Obligated Group Representative, and, when used with respect to or the Trustee, the corporate trust office designated as such by the Trustee.

"**Effective Date**" means the earliest date as of which (i) none of the Series 1995 Bonds (as defined in the Original Indenture) remain Outstanding or (ii) there shall have been delivered

to the Master Trustee the written consent of Financial Security Assurance Inc. to the amendment and restatement of the Original Indenture in accordance with this Indenture.

"**Event of Default**" means any event of default specified in Section 6.01.

"**Favorable Opinion of Bond Counsel**" means, when used with respect to or in connection with any action, an Opinion of Bond Counsel to the effect that such action will not adversely affect the excludability from gross income, for federal income tax purposes, of interest paid on any Tax-Exempt Bonds theretofore issued.

"**Fiscal Year**" means the period of 12 consecutive months beginning on January 1 in any year and ending on December 31 of such year, or such other fiscal year as the Obligated Group Representative shall establish as the fiscal year of the Obligated Group. If any Obligated Group Member has a different fiscal year from that established by the Obligated Group Representative, "Fiscal Year" when used with respect to such Obligated Group Member shall mean the most recent fiscal year of such Obligated Group Member for which financial statements have been prepared prior to the date as of which any determination is required to be made hereunder.

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

"**Governmental Restriction**" means any federal, state or other governmental law or regulation affecting any Obligated Group Member or its facilities, including (without limitation) laws or regulations placing restrictions and limitations on (i) the fees, rentals, rates and other charges to be fixed, charged and collected by any Obligated Group Member or (ii) the timing of the receipt of such revenues.

"**Guaranty**" means any guaranty, loan commitment or other obligation of any Obligated Group Member guaranteeing in any manner, whether directly or indirectly, any Indebtedness of any other person (other than another Obligated Group Member).

"**Hedging Transaction**" means any transaction entered into by an Obligated Group Member, in order to hedge the interest payable on all or a portion of any Indebtedness, including, (without limitation) an interest rate swap, a forward or futures contract or an option, such as (without limitation) a call, put, cap, floor or collar.

"**Holder**" or "**holder**" or any similar term means the registered owner of such Obligation or such other person as shall be deemed to constitute the holder or owner thereof in accordance with this Indenture.

"**Indebtedness**" means any indebtedness or liability for borrowed money, any installment sale obligation or any obligation under any lease that is capitalized under generally accepted accounting principles and any Guaranty of any of the foregoing. Indebtedness shall not include any obligation of any Obligated Group Member to any other Obligated Group Member.

"**Indenture**" means the Original Indenture as amended and restated by this Amended and Restated Master Trust Indenture, as the same may be further amended, modified or supplemented from time to time by Supplemental Indentures.

"**Independent Public Accountant**" means Cohen, Rutherford, Blum & Knight, PC or any other individual, partnership or corporation reasonably acceptable to the Trustee engaged in the accounting profession, either entitled to practice, or having members or officers entitled to practice, as a certified public accountant and in fact independent, employed by the Obligated Group from time to time to pass upon those matters required by this Indenture to be passed upon by an Independent Public Accountant.

"**Joint Indebtedness**" means any Indebtedness for which one or more Obligated Group Members and one or more persons that are not Obligated Group Members are jointly and severally liable.

"**Long-Term Indebtedness**" means all of the following Indebtedness incurred or assumed by any Obligated Group Member:

(a) any obligation for the payment of principal and interest with respect to money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;

(b) any obligation for the payment of money under leases that are required to be capitalized under generally accepted accounting principles;

(c) any obligation for the payment of money under installment purchase contracts having an original term in excess of one year; and

(d) any Guaranty of any Indebtedness that would be described in item (a), (b) or (c) above if such Indebtedness were incurred directly.

"**Management Consultant**" means an independent professional management consultant having a favorable reputation for skill and experience in hospital consulting work, selected by the Obligated Group and reasonably acceptable to the Trustee, who may be (without limitation) the Independent Public Accountant if the Independent Public Accountant otherwise meets the criteria set forth in this definition.

"**Material Member**" means any Obligated Group Member whose Total Operating Revenues as set forth on its financial statements for the most recently completed Fiscal Year for which audited financial statements have been prepared exceed ten percent of the Total Operating Revenues of the Obligated Group for the most recently completed Fiscal Year for which audited financial statements have been prepared.

"**Maximum Annual Debt Service**" means, when used with reference to any Long-Term Indebtedness, as of any particular date of computation, the greatest amount required in the then-current or any future Fiscal Year to pay the Debt Service Requirements of such Long-Term Indebtedness.

"**Net Income Available for Debt Service**" means, when used with reference to any Obligated Group Member, for any period, an amount determined in accordance with generally accepted accounting principles by deducting (a) the operating expenses of such Obligated Group Member, exclusive of depreciation, interest and amortization of financing expenses from (b) the sum of all operating and nonoperating revenues of such Obligated Group Member; *provided*, however, that there shall be excluded from such calculation any nonoperating gains or losses on the sale or disposition of any asset or on the extinguishment of debt and any unrealized gain or loss on any investment.

"**Non-Recourse Indebtedness**" means Indebtedness that does not constitute a general obligation of any Obligated Group Member and that is payable solely from (a) property of an Obligated Group Member, or the revenues of property (i) the purchase or improvement of which was financed by such Indebtedness or (ii) that, as of the date on which such Indebtedness is incurred, could be disposed of by such Obligated Group Member pursuant to Section 4.14, (b) payments made to any Obligated Group Member pursuant to pledges or contributions to such Obligated Group Member, or (c) guarantees or payments from a person other than an Obligated Group Member, or any combination of the foregoing.

"**Obligated Group**" and "**Obligated Group Members**" mean all of the Obligated Group Members, collectively.

"**Obligated Group Member**" means each Member (as defined in the Original Indenture) and any person that shall become an Obligated Group Member in accordance with the Original Indenture prior to the Effective Date or in accordance with Article III on or after the Effective Date (other than any of the foregoing that shall have withdrawn from the Obligated Group in accordance with the Original Indenture prior to the Effective Date or in accordance with Article III on or after the Effective Date).

"**Obligated Group Representative**" means the Obligated Group Representative under the Original Indenture or such other entity as shall be designated as such by Notice to the Trustee executed by the President or any Vice President of each of the Obligated Group Members.

"**Obligations**" means the Existing Notes (as defined in the Original Indenture) outstanding under the Original Indenture on the Effective Date and any other Obligation issued in accordance with Section 2.03.

"**Officer's Certificate**" means a Certificate of the Obligated Group Representative.

"**Operating Assets**" means any land, building, machinery, equipment, hardware, inventory or other property or any interest therein (except cash, accounts receivable, investment securities and other property held for investment purposes) of any Obligated Group Member used in its trade or business.

"**Optional Tender Indebtedness**" means any Indebtedness that is subject to optional or mandatory tender by the holder thereof (including, without limitation, any mandatory tender in connection with the expiration or termination of any Credit Facility securing such Indebtedness

or any conversion of the interest rate on such Indebtedness) for purchase or redemption prior to the stated maturity date thereof if the purchase or redemption price of such Indebtedness is under any circumstances payable by any Obligated Group Member.

"Original Indenture" means the Master Trust Indenture dated as of September 1, 1991 among Shady Grove Adventist Hospital, Incorporated and Washington Adventist Hospital, Incorporated and The First National Bank of Maryland, as trustee, as amended and supplemented by the First Supplemental Master Trust Indenture dated as of November 17, 1993 among Shady Grove Adventist Hospital, Incorporated and Washington Adventist Hospital, Incorporated and The First National Bank of Maryland, as trustee, the Second Supplemental Master Trust Indenture dated as of June 1, 1995 among Shady Grove Adventist Hospital, Incorporated, Washington Adventist Hospital, Incorporated and Shady Grove Adventist Nursing & Rehabilitation Center, Inc. and The First National Bank of Maryland, as trustee, and the Third Supplemental Master Trust Indenture dated as of February 1, 2003 among Adventist HealthCare, Inc., Shady Grove Adventist Nursing & Rehabilitation Center, Inc. and Hackettstown Community Hospital and Allfirst Bank, as trustee, as the same may be further amended and supplemented prior to the Effective Date.

"Outstanding" or **"outstanding"** means, as of any particular date, (a) when used with reference to Obligations, all Obligations authenticated and delivered under this Indenture except (i) any Obligation canceled by the Trustee (or delivered to the Trustee for cancellation) at or before such date, (ii) any Obligation for the payment of the principal of and interest and premium, if any, on which provision shall have been made as provided in Section 8.01 and (iii) any Obligation in lieu of or in substitution for which a new Obligation shall have been authenticated and delivered pursuant to Section 2.05; and (b) when used with reference to any other Indebtedness, all Indebtedness theretofore issued or incurred other than any such Indebtedness that is deemed to have been paid and discharged under generally accepted accounting principles.

"Permitted Encumbrance" means:

(a) any lien arising by reason of any good faith deposit in connection with any lease of real estate, bid or contract (other than any contract for the payment of money), any deposit to secure any public or statutory obligation, or to secure, or in lieu of, any surety, stay or appeal bond, and any deposit as security for the payment of taxes or assessments or other similar charges;

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

(c) any judgment lien that does not exceed five percent of the Total Operating Revenues of the Obligated Group or that is being contested in good faith by appropriate proceedings diligently pursued and the execution thereon stayed;

(d) any right 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; any lien on any property for taxes, assessments, levies, fees, water and sewer rents or charges and other governmental and similar charges and any lien of any mechanic, materialman, laborer, supplier or vendor for work or services performed or materials furnished in connection with such property that is not due and payable or that is not delinquent or the amount or validity of which is being contested and execution thereon stayed;

(e) this Indenture and any lien or encumbrance permitted by the Original Indenture in existence on the Effective Date, *provided* that such lien or encumbrance is not extended, renewed or modified to apply to any property of any Obligated Group Member not subject to such lien or encumbrance on such date, unless the lien or encumbrance, as so extended, renewed or modified, otherwise qualifies as a Permitted Encumbrance without reference to this clause;

(f) any lien with respect to moneys deposited by patients or others as security for, or as prepayment of, the cost of patient or other client care and any lien arising under law or by contract with respect to initial deposits made under life care contracts;

(g) any lien on property received through any gift, grant or bequest constituting a restriction imposed by the donor, grantor or testator on such gift, grant or bequest or the income therefrom;

(h) any lien of any third-party payor for recoupment of amounts paid for patient care;

(i) statutory reverters under Hill-Burton grants (42 U.S.C. Section 291, *et seq.*) and similar federal or state legislation;

(j) any lien or encumbrance on inventory;

(k) any lien or encumbrance on the Unrestricted Revenues securing any Indebtedness permitted by this Indenture, *provided* that such lien or encumbrance is subordinate to the lien of this Indenture;

(l) any lien or encumbrance securing any Non-Recourse Indebtedness;

(m) any lien granted for the benefit of holders of all outstanding Obligations;

(n) any lease of any Operating Assets which is reasonably necessary or appropriate for or incidental to the operation thereof;

(o) any lien placed upon any property being acquired by any Obligated Group Member to secure Indebtedness incurred to finance all or a portion of the purchase price thereof;

(p) any lien or encumbrance on any property of any Obligated Group Member existing on the date hereof or on the date on which such property was acquired by a Obligated Group Member, or, in the case of any person that is not an initial Obligated Group Member, the date on which such person becomes an Obligated Group Member, including (without limitation) any acquisition as a result of a merger or consolidation permitted by Section 4.11 involving the owner of such property, *provided* that (i) such lien was not created to avoid the limitations on the creation of liens contained in this Indenture, and (ii) such lien is not extended, renewed or modified to apply to any property of any Obligated Group Member not subject to such lien on such date, unless the lien, as so extended, renewed or modified, otherwise qualifies as a Permitted Encumbrance without reference to this clause;

(q) any lien or encumbrance on any accounts receivable, *provided* that the total value of the net accounts receivable so encumbered shall not exceed 25% of the total value of all of the net accounts receivable of the Obligated Group;

(r) any lien or encumbrance securing any Hedging Transaction permitted under this Indenture;

(s) any other liens, easements, rights-of-way, servitudes, restrictions and other defects, liens and encumbrances as do not materially impair the use of the Operating Assets for their intended purposes or the value of the Operating Assets; and

(t) any other lien or encumbrance *provided* that the Value all property subject to any lien or encumbrance under clauses (l), (o), (r) and (t) shall not exceed 20% of the Value of the total assets of the Obligated Group.

"**Property,**" all rights, titles and interests of any Obligated Group Member in and to any and all property, whether real or personal, tangible or intangible, and wherever situated.

"**Rating Agency**" means Fitch Ratings, Moody's Investors Service, Inc., Standard & Poor's Ratings Services, or any other securities rating agency that shall have assigned a rating that is then in effect with respect to any Obligations or any Related Bonds, and their successors and assigns, and "**Rating Agencies**" means each such Rating Agency, collectively.

"**Rating Category**" means one of the general rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category by numerical modifier or otherwise.

"**Related Bond Indenture**" means any indenture, bond resolution or similar instrument pursuant to which any Related Bonds are issued, as the same may be amended and supplemented from time to time.

"**Related Bonds**" means any revenue bonds or other obligations issued by or on behalf of any state, commonwealth or territory of the United States of America or any municipal corporation or other political subdivision thereof or any agency or instrumentality of any of the foregoing, the proceeds of which are loaned or otherwise made available to (a) any Obligated Group Member in consideration of the execution, authentication and delivery of an Obligation to

such governmental issuer, the holder of such bonds or obligations or the Related Bond Trustee or (b) any person other than a Obligated Group Member in consideration of the execution, authentication and delivery of an Obligation to the holder of such bonds or obligations or the Related Bond Trustee guaranteeing in whole or in part the repayment of such loan and, when used with reference to any Obligation, means the bonds or obligations in consideration of the issuance of which such Obligation was issued.

"**Related Bond Trustee**" means any trustee under any Related Bond Indenture and any successor trustee thereunder or, if no trustee is appointed under a Related Bond Indenture, the Related Issuer.

"**Related Issuer**" means the issuer of Related Bonds.

"**Related Loan Document**" means any document (including, without limitation, any loan agreement, lease, sublease or installment sales contract) pursuant to which any proceeds of any Related Bonds are loaned to or used for the benefit of any Obligated Group Member, or any property financed or refinanced with such proceeds is leased, sublet or sold to any Obligated Group Member, as the same may be amended and supplemented from time to time.

"**Revenue Test**" means, when used in connection with any admission to or withdrawal from the Obligated Group, the disposition of any assets, the incurrence of any Indebtedness or any other action, that:

(a) there shall have been delivered to the Trustee an Officer's Certificate to the effect that the Debt Service Coverage Ratio for the most recent Fiscal Year for which audited financial statements have been prepared was not less than 1.10; and

(b) either:

(i) there shall have been delivered to the Trustee an Officer's Certificate to the effect that, if such action had been taken as of the first day of the most recent Fiscal Year for which audited financial statements have been prepared, the Debt Service Coverage Ratio for such Fiscal Year would not have been less than 1.25; or

(ii) after giving effect to such action, the projected Debt Service Coverage Ratio for each of the first two full Fiscal Years after the date on which such action is taken or, in the case of the incurrence of any Indebtedness in order to finance any Capital Improvements, the date on which such Capital Improvements are expected to be placed in service, is either:

(A) not less than 1.25; or

(B) not less than 1.00 and is greater than the projected Debt Service Coverage Ratio for each such Fiscal Year assuming such action is not taken.

For the purposes of this Indenture, compliance with paragraph (b)(ii) above shall be evidenced by the Opinion of a Management Consultant, *provided* that compliance with paragraph

(b)(ii) above may be determined by an Officer's Certificate setting forth the Net Income Available for Debt Service of the Obligated Group and the Debt Service Coverage Ratio for the most recent Fiscal Year for which audited financial statements have been prepared and the projected Net Income Available for Debt Service of the Obligated Group and the Debt Service Coverage Ratio for each of the two Fiscal Years referred to in clause (b)(ii) above after giving effect to such action, if the Debt Service Coverage Ratio for each Fiscal Year set forth in such Certificate is not less than 1.50.

"**Supplemental Indenture**" means any indenture between the Obligated Group Members and the Trustee amending, modifying or supplementing this Indenture, any Supplemental Indenture, or any Obligation executed and delivered in accordance with the terms of this Indenture.

"**Tax-Exempt Bonds**" means any Obligations or Related Bonds with respect to which there shall have been delivered to the issuer thereof an opinion of bond counsel to the effect that the interest thereon is excludable from gross income for federal income tax purposes.

"**Tax-Exempt Obligated Group Member**" means an Obligated Group Member that is an organization described in Section 501(c)(3) of the Code and exempt from federal income taxation under Section 501(a) of the Code.

"**Total Operating Revenues**" means, when used with reference to any Obligated Group Member for any period, the sum of all operating and nonoperating revenues of such Obligated Group Member for such period, determined in accordance with generally accepted accounting principles consistently applied.

"**Trust Estate**" means all property, rights and other assets that from time to time may be pledged and assigned to the Trustee under the Granting Clauses of this Indenture.

"**Trustee**" means the Master Trustee under and as defined in the Original Indenture on the Effective Date and any other corporation or association that may at any time be substituted in its place pursuant to this Indenture, and their successors.

"**Unrestricted Revenues**" means all receipts, revenues, income and other moneys received by or on behalf of an Obligated Group Member, including, but without limiting the generality of the foregoing, revenues derived from the ownership or operation of Property, including insurance and condemnation proceeds with respect to Property or any portion thereof, and all rights to receive the same, whether in the form of accounts, accounts receivable, contract rights or other rights, and the proceeds of such rights, and whether now owned or held or hereafter coming into existence; *provided,* however, that Unrestricted Revenues shall not include gifts, grants, bequests, donations and contributions heretofore or hereafter made and designated or specified by the granting authority, donor or maker thereof as being for specified purposes inconsistent with the payment of debt service on Indebtedness and the income derived therefrom to the extent required by such designation or specification.

"**Value**" means (i) when used in connection with any property other than any investment security, at the option of the Obligated Group, the Book Value or Current Value thereof and (ii) when used with respect to any investment, the Value of such investment.

"**Variable Rate Indebtedness**" means, as of any particular date, Long-Term Indebtedness the interest rate on which is not established at a fixed rate or rates for the remaining term thereof.

Section 1.02. Rules of Construction.

Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Amended and Restated Indenture:

(a) Words importing the singular number include the plural number and words importing the plural number include the singular number.

(b) Words of the masculine gender include correlative words of the feminine and neuter genders.

(c) The headings and the table of contents set forth in this Amended and Restated Indenture are solely for convenience of reference and shall not constitute a part of this Amended and Restated Indenture, nor shall they affect its meaning, construction or effect.

(d) Words importing persons include any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or agency or political subdivision thereof.

(e) Any reference to a particular percentage or proportion of Obligations shall mean the holders at the particular time of the specified percentage or proportion in aggregate principal amount of all Obligations then Outstanding under this Indenture affected thereby, except Obligations held by or for the account of any Obligated Group Member or affiliate thereof, whether or not pledged to or by any Obligated Group Member or affiliate thereof to secure any Indebtedness, *provided*, that Obligations so pledged may be regarded as Outstanding for the purposes of this paragraph if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Obligations. For the purposes of this paragraph, Obligations held by or on behalf of any Credit Facility Provider shall not be deemed to be held by or for the account of any Obligated Group Member or affiliate.

(f) Any reference to a particular Article or Section shall be to such Article or Section of this Amended and Restated Indenture unless the context shall otherwise require.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF OBLIGATIONS

Section 2.01. Obligations Authorized.

In addition to the Obligations outstanding hereunder as of the Effective Date, additional Obligations may be issued by one or more of the Obligated Group Members from time to time hereunder. The aggregate principal amount of Obligations that may be issued and outstanding hereunder at any one time is not limited, except as expressly provided by this Indenture. No Obligations may be issued under this Indenture except in accordance with this Article.

Section 2.02. Nature and Form of Obligations.

Any obligation of any Obligated Group Member may constitute an Obligation hereunder if all of the requirements of Section 2.03 are satisfied with respect thereto. Without limiting the generality of the foregoing, obligations may consist of (a) bonds, notes, debentures, loan agreements, reimbursement agreements, capitalized leases, installment sale agreements, conditional purchase agreements and other Indebtedness, (b) leases that are not capitalized, agreements entered into in connection with Hedging Transactions and other obligations and (c) Guaranties of any of the foregoing.

The aggregate principal amount of Obligations that may be issued or outstanding hereunder at any one time is not limited, except as provided in Section 4.12. No Obligations may be issued under this Indenture except in accordance with this Article.

Additional Obligations shall be issued in such forms as shall be set forth in the Supplemental Indentures authorizing the issuance of such Obligations.

Section 2.03. Issuance of Obligations; Conditions Precedent to Delivery of Obligations.

The issuance of each Obligation or series of Obligations shall be authorized by a Supplemental Indenture, which shall specify all matters required to be provided in this Section. The Supplemental Indenture authorizing the issuance of any Obligation shall specify the form thereof and any other terms and provisions thereof.

Each Obligation shall be executed by an Obligated Group Member and delivered to the Trustee, whereupon the Trustee shall authenticate such Obligation in accordance with this Article and deliver such Obligation to or upon the order of the Obligated Group Representative, *provided* that prior to the authentication of any Obligation the Trustee shall have received:

(a) an executed counterpart of the Supplemental Indenture authorizing the authentication of such Obligation, executed by the Obligated Group Representative and the Trustee;

(b) all certificates, opinions, written statements and other items required pursuant to Section 4.12 in connection with the incurrence by the Obligated Group Members of such Obligation, or, if such Obligation does not constitute Indebtedness, evidence that the Obligated Group shall have satisfied the Revenue Test, in each case as if such Obligation were incurred on the date of the authentication thereof by the Trustee;

(c) a copy of a resolution of the governing body of each Obligated Group Member authorizing the issuance of such Obligation and the execution and delivery by the Obligated Group Representative of the Supplemental Indenture authorizing the authentication of such Obligation, certified by an authorized officer of the Obligated Group Representative;

(d) an Opinion of Counsel to the effect that (i) the Supplemental Indenture authorizing the issuance of such Obligation has been duly authorized, executed and delivered by the Obligated Group Representative in accordance with this Indenture and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes the valid and binding obligation of the Obligated Group; (ii) the Obligated Group Member is duly authorized and entitled to issue such Obligation and, upon the execution, authentication and delivery thereof as provided in such Supplemental Indenture, such Obligation will be duly and validly issued in accordance with this Indenture and will constitute a valid and binding obligation of the Obligated Group Members in accordance with its terms; (iii) all outstanding Obligations are secured equally and ratably with such Obligation by any pledge, lien or other security interest in any property of any Obligated Group Member securing such Obligation; and (iv) the issuance of such Obligation is in accordance with the provisions of this Indenture and the Supplemental Indenture authorizing the issuance of such Obligation;

(e) an Officer's Certificate to the effect that, upon the issuance of such Obligation, no Event of Default or event that, with notice or lapse of time or both, would constitute an Event of Default, shall have occurred and be continuing; and

(f) an Order of the Obligated Group Representative directing the authentication and delivery of such Obligation and designating the person to whom such Obligation is to be delivered.

Section 2.04. Execution and Authentication.

Each Obligation shall be executed in the name and on behalf of the Obligated Group Representative by the manual or facsimile signature of such officer as shall be authorized by law or a resolution of the governing body of the Obligated Group Representative or the bylaws of the Obligated Group Representative to execute the same. In case any officer whose manual or, to the extent permitted by law, facsimile signature appears on any Obligation shall cease to be such officer before delivery of such Obligation, such signature, nevertheless, shall be valid and sufficient for all purposes as if he had remained in office until such delivery, and the Obligated

Group Representative may adopt and use for the execution of Obligations the manual or the facsimile signature of any person who shall have been at the time the proper officer to execute such Obligations, notwithstanding the fact that he may not have been such officer on the date of such Obligations or that he may have ceased to be such officer at the time when such Obligations shall be actually authenticated and delivered.

No Obligation shall be valid or obligatory for any purpose or entitled to any right or benefit hereunder unless there shall be endorsed on such Obligation a certificate of authentication, duly executed by the Trustee to the effect that such Obligation is an Obligation issued under this Indenture.

The authentication certificate of the Trustee may be executed by any authorized signatory of the Trustee.

Section 2.05. Registration and Exchange of Obligations; Lost, Stolen or Mutilated Obligations; Cancellation of Obligations.

The provisions of this Section shall apply to all Obligations, unless otherwise provided with respect to any particular Obligations in the Supplemental Indenture authorizing the authentication thereof.

Books for registration and the registration of transfer of Obligations shall be prepared and kept by the Trustee.

If any Obligation is surrendered to the Trustee at its Designated Office for transfer or exchange in accordance with the provisions of such Obligation, the Obligated Group Representative shall execute and the Trustee shall authenticate and deliver in exchange for such Obligation a new Obligation or Obligations, in accordance with the terms thereof.

Neither the Trustee nor any Obligated Group Member shall be required to register the transfer of any Obligation or make any such exchange of any Obligation after such Obligation or any portion thereof has been selected for redemption in accordance with the terms thereof.

If any temporary or definitive Obligation shall become mutilated or be destroyed, lost or stolen, the Obligated Group Representative in its discretion may execute, and upon its Request the Trustee shall authenticate and deliver, a new Obligation in exchange for the mutilated Obligation, or in lieu of and substitution for the Obligation so destroyed, lost or stolen. In every case of exchange or substitution, the applicant shall furnish to the Obligated Group Representative and the Trustee (i) evidence to their satisfaction of the mutilation, destruction, loss or theft of the Obligation and of the ownership thereof and (ii) in the case of any destroyed, lost or stolen Obligation, such security or indemnity as may be required by them to save each of them harmless from all risks, however remote. The Trustee may authenticate any Obligation issued upon such exchange or substitution and deliver such Obligation upon the Request of the Obligated Group Representative. Upon the issuance of any Obligation upon such exchange or substitution, the Obligated Group Representative and the Trustee may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation

thereto and any other expenses, including counsel fees, of the Obligated Group Representative or the Trustee. If any Obligation that has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, instead of issuing an Obligation in exchange or substitution therefor, the Obligated Group Representative may pay or authorize the payment of such Obligation (without surrender thereof except in the case of a mutilated Obligation) if the applicant for such payment shall furnish to the Obligated Group Representative and the Trustee evidence to their satisfaction of the mutilation, destruction, loss or theft of such Obligation and of the ownership thereof and, in the case of any destroyed, lost or stolen Obligation, such security or indemnity as they may require to save each of them harmless.

Every Obligation issued pursuant to the provisions of this Section in exchange or substitution for any Obligation that is mutilated, destroyed, lost or stolen shall constitute an additional contractual obligation of the Obligated Group Members, whether or not the destroyed, lost or stolen Obligation shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits hereof equally and proportionately with any and all other Obligations duly issued under this Indenture. All Obligations shall be held and owned upon the express condition that the foregoing provisions, together with any provisions relating to a particular Obligation set forth in any Supplemental Indenture, are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Obligations, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

All mutilated Obligations, all Obligations surrendered for exchange or transfer, all Obligations that have been paid at maturity or upon prior redemption and all Obligations surrendered to the Trustee by the Obligated Group Members for cancellation shall be canceled by the Trustee and cremated or destroyed by other means. The Trustee shall deliver to the Obligated Group Representative, upon request, a certificate of any such cremation or other destruction of any Obligation, identifying the Obligation so canceled and cremated or otherwise destroyed.

ARTICLE III

OBLIGATED GROUP

Section 3.01. Obligated Group.

Each Obligated Group Member, as a co-obligor and not a guarantor, shall at all times be jointly and severally liable for each representation, warranty, covenant, agreement and other obligation of each other Obligated Group Member and the Obligated Group under this Indenture, including (without limitation) the obligation to pay when due all amounts payable under any Obligations now existing or hereafter issued. The Trustee may, in its discretion, look to any or all of such Obligated Group Members for performance of such covenants, agreements and other obligations.

Section 3.02. Admission to Obligated Group.

Any person may be admitted to the Obligated Group, from time to time, upon Notice from the Obligated Group Representative to the Trustee, *provided* that each of the following conditions shall have been satisfied on and as of the date as of which any such person becomes an Obligated Group Member (the "Admission Date"):

(a) the applicant for such admission (the "Applicant") shall have granted to the Trustee a lien on and security interest in all of its Unrestricted Revenues, subject only to Permitted Encumbrances, and shall have executed and delivered to the Trustee such supplemental security agreements, financing statements and other documents as the Trustee may reasonably require;

(b) the Applicant shall have duly executed and delivered, or caused to be executed and delivered, to the Trustee a Supplemental Indenture and such other agreements and instruments as reasonably may be required by the Trustee to evidence the agreement of the Applicant to become an Obligated Group Member and to become obligated to observe, perform and comply with all of the provisions of this Indenture;

(c) the admission of the Applicant shall not result in the occurrence of an Event of Default or event that, with notice or lapse of time or both, would constitute an Event of Default, and a Certificate to that effect shall have been delivered to the Trustee by the Obligated Group Representative;

(d) the Trustee shall have received an Opinion of Counsel to the effect that the Supplemental Indenture and any other agreements and instruments executed by the Applicant or any Obligated Group Member in connection with the admission of the Applicant (including, without limitation, any agreements of cross indemnity and cross guaranty) have been duly authorized, executed and delivered by the Applicant or such Obligated Group Member (as the case may be) in accordance with this Indenture and are valid, binding and enforceable obligations of the Applicant or such Obligated Group Member (as the case may be);

(e) the Revenue Test shall have been satisfied; and

(f) the Trustee shall have received a Favorable Opinion of Bond Counsel.

Section 3.03. Withdrawal from Obligated Group.

Except as permitted by Section 4.11, no Obligated Group Member may withdraw from the Obligated Group unless Notice of the proposed withdrawal of such Obligated Group Member shall have been provided by the Obligated Group Representative to the Trustee, and each of the following conditions shall have been satisfied on and as of the date as of which such withdrawal becomes effective (the "Withdrawal Date"):

(a) there shall have been delivered to the Trustee the written consent of the Obligated Group Representative to such withdrawal;

(b) such withdrawal shall not result in the occurrence of an Event of Default or event that, with notice or lapse of time or both, would constitute an Event of Default, and a Certificate to that effect shall have been delivered to the Trustee by the Obligated Group Representative;

(c) the Revenue Test shall have been satisfied; and

(d) the Trustee shall have received a Favorable Opinion of Bond Counsel.

Upon the withdrawal of any person from the Obligated Group, such person shall have no further liability as obligor or guarantor of any Obligation or otherwise under this Indenture.

Notwithstanding the foregoing, Adventist HealthCare, Inc. may not withdraw from the Obligated Group.

ARTICLE IV

PARTICULAR COVENANTS

Section 4.01. Payment of Obligations.

The Obligated Group Members unconditionally and irrevocably, jointly and severally, covenant that they will promptly pay all amounts payable under the outstanding Obligations and all other amounts payable by the Obligated Group Members hereunder, at the place, on the dates and in the manner provided herein and in such Obligations according to the true intent and meaning thereof. The obligation of each Obligated Group Member to pay or cause to be paid the amounts payable hereunder and under the Obligations shall be joint and several, absolute, irrevocable, complete and unconditional and the amount, manner and time of payment of such amounts shall not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever regardless of any right of setoff, recoupment or counterclaim that any Obligated Group Member might otherwise have against the Trustee, the Holder of any Obligation, any Related Issuer or any other party and regardless of any contingency, *force majeure*, event or cause whatsoever.

Section 4.02. Satisfaction of Obligations.

The Obligated Group Members shall fix, charge and collect such fees, rentals, rates and other charges in connection with the operation of the Operating Assets and the products and services provided by the Obligated Group Members that, together with the general funds of the Obligated Group Members and any other moneys available to the Obligated Group Members, shall provide moneys at least sufficient at all times to pay (i) all amounts payable on all Obligations, (ii) all expenses of operation, maintenance and repair of the Operating Assets and (iii) all other obligations of the Obligated Group Members as they become due and payable. The Obligated Group Members shall, from time to time as often as necessary, revise such fees, rentals, rates and other charges to the extent required to comply with the provisions of this Section.

Section 4.03. Rate Covenant.

(a) The Obligated Group Members shall fix, charge and collect such fees, rentals, rates and other charges in connection with the operations of the Obligated Group Members and the products and services provided by the Obligated Group as shall be sufficient to produce in each Fiscal Year a Debt Service Coverage Ratio as of the last day of such Fiscal Year that is not less than 1.10. There shall be excluded from the calculation of the Debt Service Coverage Ratio required by this paragraph the Debt Service Requirements of any Long-Term Indebtedness issued to finance Capital Improvements until the earliest of (i) the first full Fiscal Year after the utilization of such Capital Improvements has begun, (ii) the first Fiscal Year in which the principal of any such Long-Term Indebtedness shall become due and payable and (iii) the first Fiscal Year in which any interest on such Long-Term Indebtedness ceases to be paid from amounts deposited in escrow for payment of interest on such Long-Term Indebtedness.

(b) If the fees, rentals, rates and other charges imposed and collected by the Obligated Group shall be less than the amount required under paragraph (a) of this Section in any Fiscal Year, the Obligated Group Members, at their expense, shall immediately employ a Management Consultant to submit a Report including recommendations with respect to such fees, rentals, rates and other charges and improvements or changes in the operations of or the services rendered by the Obligated Group. The Obligated Group Members shall require any Management Consultant employed hereunder to file its report and recommendations within 120 days from the end of any such Fiscal Year with the Trustee, and any holders of any Obligations or Related Bonds who shall have filed with the Trustee a written request for such report.

(c) Notwithstanding the provisions of paragraph (b) of this Section, upon the Request of the Obligated Group Representative, the Trustee shall waive the requirement that the Obligated Group Members appoint a Management Consultant in accordance with this Section in such Fiscal Year, if:

(i) the fees, rentals, rates and other charges imposed and collected by the Obligated Group Members, together with any unrestricted funds and other moneys available to the Obligated Group, shall equal or exceed the amount required under paragraph (a) of this Section in such Fiscal Year; and

(ii) there is delivered to the Trustee the Statement of an Independent Public Accountant to the effect that Governmental Restrictions prevented the Obligated Group Members from meeting the requirements of paragraph (a) of this Section, together with a concurring Opinion of Counsel as to any conclusions of law supporting such Statement.

If the Trustee waives the requirement that the Obligated Group Members appoint a Management Consultant pursuant to this paragraph the Trustee shall so notify any Related Issuers and holders of Obligations or Related Bonds who shall have filed with the Trustee a Request for such notification.

(d) Any Management Consultant retained by the Obligated Group Members pursuant to this Section may recommend with respect to the fees, rentals, rates or other charges imposed and collected by the Obligated Group and with respect to improvements or changes in the operations of or the services rendered by the Obligated Group Members that the Obligated Group Members either (A) make no change or (B) make some change, even though such recommendation is not calculated to result in compliance with the requirements of this Section, if the Management Consultant includes in its report a statement to the effect that compliance with the recommendations included in such report should result in compliance with such requirements to the maximum extent feasible.

(e) To the extent permitted by applicable law, the Obligated Group Members shall revise their fees, rentals, rates and charges in conformity with any recommendation of the Management Consultant retained pursuant to this Section and otherwise follow the recommendations of such Management Consultant. If the requirement for the appointment of a Management Consultant is waived in any Fiscal Year pursuant to this Section, or if the Obligated Group Members shall revise such fees, rentals, rates and other charges in conformity with the recommendations of the Management Consultant and otherwise follow the recommendations of the Management Consultant, then the failure to meet the requirements of this Section for such Fiscal Year shall not constitute an Event of Default. If approvals of any regulatory or supervisory authority are required in order to fix, charge, collect and otherwise implement any fees, rentals, rates and charges required by the operation of this Section, the Obligated Group Members shall take all action within their power to obtain such approvals in an expeditious manner.

(f) The requirements of this Section shall not be construed to prohibit any Obligated Group Member from providing services to indigent patients without charge or at reduced rates to the extent required to retain any Tax-Exempt Obligated Group Member's status as tax-exempt under applicable law, to comply with then applicable requirements of law or to fulfill the medical responsibility of such entity to its patients or to the extent of moneys designated by their donor for the purpose of providing such services.

(g) Nothing set forth in this Section shall be construed to excuse the Obligated Group Members from the payment in timely manner of all amounts due under any Obligation or the performance of any other obligation of the Obligated Group Members under this Indenture.

Section 4.04. Obligations Not to Be Impaired.

While the covenants of the Obligated Group Members set forth in Sections 4.02 and 4.03 are subject to applicable requirements imposed by law or lawfully imposed by federal, state or local regulatory authorities, nothing therein shall be construed or applied so as to permit any federal, state or local authority to impair the obligation of the Obligated Group Members to fix, charge and collect fees, rentals, rates and other charges in the amounts required by such Sections. The Obligated Group Members shall make timely application for, and diligently pursue to a prompt conclusion, any proceedings required to obtain all regulatory approvals necessary to enable the Obligated Group Members to perform in timely manner all of their obligations under this Indenture.

Section 4.05. Operation and Maintenance of the Operating Assets.

The Obligated Group Members shall operate the Operating Assets in a sound and economical manner and shall maintain, preserve and keep the Operating Assets in good condition and repair. The Obligated Group Members shall make all necessary and proper repairs, replacements and renewals so as to conduct the operation of the Operating Assets in accordance with all applicable governmental operating standards.

The Obligated Group Members shall pay all extraordinary expenses of maintaining, repairing and replacing the Operating Assets to the extent necessary to permit the Obligated Group Members to make the payments required by this Indenture and to perform their obligations hereunder.

Section 4.06. Compliance with Law; Accreditation.

The Obligated Group Members shall conduct their operations in accordance with all material laws, regulations, requirements or orders of any federal, state or local agency, court or other governmental body applicable from time to time to the ownership or operation of the property of the Obligated Group Members. The Obligated Group Members shall obtain and maintain all material permits, licenses and approvals necessary for the fulfillment of their obligations under this Indenture. Nothing contained in this Section shall be construed to prevent the Obligated Group Members from contesting in good faith the validity of any such law, regulation, requirement or order, *provided* that such contest shall not materially adversely affect the ability of the Obligated Group Members to comply with the provisions of this Indenture or the effective use or operation of any material portion of the Operating Assets.

The Obligated Group Members shall not allow any permit, right, franchise or privilege necessary for the ownership or operation of any material portion of the Operating Assets to lapse or be forfeited. Each Obligated Group Member that operates a hospital or other health care facility shall use its best efforts to maintain its accreditation by the Joint Commission on Accreditation of Health Care Organizations or its successors and its qualification as a provider of services under the Medicare and Medicaid programs or any successor program to either or any program by a federal, state or local government providing for payment or reimbursement for services rendered for hospital and health care unless the governing body of the Obligated Group Representative determines in good faith that to do so is not in the best economic interest of such Obligated Group Member.

Section 4.07. Federal Tax Exemptions.

(a) The Obligated Group Members shall not (i) perform any act or enter into any agreement that shall cause any revocation or adverse modification of the federal income tax status of any Tax-Exempt Obligated Group Member or (ii) carry on or permit to be carried on in the facilities of any Tax-Exempt Obligated Group Member or permit such facilities to be used in or for any trade or business, the conduct of which is not substantially related to the exercise or performance by such Tax-Exempt Obligated Group Member of the purposes or functions

constituting the basis for its tax-exempt status under the Code, if such use of such facilities would result in the loss by any Tax-Exempt Obligated Group Member of its tax-exempt status under the Code. The Obligated Group Members shall immediately take all steps necessary to restore the tax-exempt status under the Code of any Obligated Group Member which shall lose that status for any reason.

Notwithstanding the foregoing provisions of this Section, no Tax-Exempt Obligated Group Member shall be obligated to maintain its tax-exempt status as provided herein if there shall be delivered to the Trustee (i) in the case of any Obligated Group Member that is not a Material Member, an Officer's Certificate to the effect that, if the loss of such status had occurred as of the first day of the most recently completed Fiscal Year for which audited financial statements have been prepared, the Debt Service Coverage Ratio for such Fiscal Year would have been not less than 1.10, or in the case of any Material Member, an Opinion of a Management Consultant to the effect that for each Fiscal Year during the period ending at least two full Fiscal Years after the loss by such Obligated Group Member of its tax-exempt status, the Debt Service Coverage Ratio is projected to be not less than 1.10, (ii) a Favorable Opinion of Bond Counsel, and (iii) an Opinion of Counsel addressed to the Trustee to the effect that the failure of such Obligated Group Member to maintain its tax-exempt status will not adversely affect any exemption of any Obligations or Related Bonds from the registration requirements of the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the exemption of this Indenture or any Related Bond Indenture from qualification under the Trust Indenture Act of 1939, as amended.

(b) The Obligated Group Members shall (i) take any and all action necessary to maintain the excludability from gross income for federal income tax purposes of the interest on all Tax-Exempt Bonds and (ii) not perform any act or enter into any agreement, merger, consolidation or corporate reorganization, or use or permit the use of their facilities or any portion thereof in a manner that shall have the effect of terminating the excludability from gross income for federal income tax purposes of the interest paid on any Tax-Exempt Bonds.

Section 4.08. Obligated Group to Provide Information.

Upon the request of the Trustee, the Obligated Group Representative shall provide and certify, at the expense of the Obligated Group Members, such information concerning the Obligated Group Members, their respective facilities, their respective finances and other topics as the Trustee reasonably may request.

Section 4.09. Annual Audit.

(a) Within 120 days after the end of each Fiscal Year, the Obligated Group shall cause consolidated and consolidating financial statements of the Obligated Group to be prepared with respect to such Fiscal Year in accordance with generally accepted accounting principles, consistently applied, which financial statements shall be audited by, and accompanied by a report of, an Independent Public Accountant. The Obligated Group Representative shall deliver to the Trustee upon completion thereof such financial statements and report and any other audited

financial statements prepared with respect to any Obligated Group Member, accompanied by an Officer's Certificate setting forth the Debt Service Coverage Ratio for such Fiscal Year (and the calculations supporting the determination thereof) and including a statement to the effect that the Obligated Group Members have complied with the provisions of Sections 4.01, 4.03, 4.11, 4.12 and 4.14 and stating whether any Event of Default or noncompliance with this Indenture existed as of the end of such Fiscal Year and whether all reports required to be made to the Trustee during the course of such Fiscal Year have been filed.

(b) If the statements referred to in paragraph (a) above do not include the results of operations of any Obligated Group Member, within 120 days of the end of each Fiscal Year, the Obligated Group shall cause to be prepared and filed with the Trustee financial statements of such Obligated Group Member with respect to such Fiscal Year prepared in accordance with generally accepted accounting principles, consistently applied, which financial statements shall be audited by, and accompanied by a report of, an Independent Public Accountant and unaudited financial statements of the Obligated Group with respect to such Fiscal Year prepared on a combined or consolidated basis in accordance with generally accepted accounting principles, consistently applied, which financial statements shall be accompanied by a Certificate of the chief financial officer of the Obligated Group Representative to the effect that such financial statements meet the requirements of this Section.

Section 4.10. Payment of Impositions and Maintenance of Tax Exemptions.

The Obligated Group Members shall pay, prior to the accrual of any interest or penalties thereon, all governmental impositions (including, without limitation, taxes of every kind and nature whatsoever) and assessments, if any, lawfully levied or assessed upon or with respect to any material portion of the Operating Assets, or upon any revenue therefrom, all ground rents, if any, on any material portion of the Operating Assets and all costs of operating, maintaining, repairing and replacing the Operating Assets. Nothing contained in this Section shall be construed to prevent any Obligated Group Member from contesting in good faith any governmental imposition or assessment and no Event of Default shall be deemed to have occurred during the pendency of such contest, *provided* that such contest shall not materially adversely affect the security for the Obligations or the ability of the Obligated Group Members to perform their obligations under this Indenture or the effective use or operation of any material portion of the Operating Assets.

Section 4.11. Merger, Consolidation and Acquisition or Transfer of Assets.

The Obligated Group Members shall not permit any Obligated Group Member to merge or consolidate with, transfer all or substantially all of its assets to or acquire all or substantially all of the assets of, any other person, unless each of the following conditions is satisfied:

(a) the surviving, resulting or transferee corporation (the "Surviving Corporation") is an Obligated Group Member or, as part of such transaction, becomes an Obligated Group Member and assumes in writing all of the obligations of the Obligated Group Members under this Indenture as provided in Section 3.02;

(b) the Revenue Test shall have been satisfied;

(c) at least 30 days prior to effecting such merger, consolidation, transfer or acquisition, there shall be filed with the Trustee (i) a Favorable Opinion of Bond Counsel addressed to the Trustee, and (ii) an Opinion of Counsel to the effect that each participant in such merger, consolidation, transfer or acquisition has obtained all necessary governmental, board and other consents and approvals for such consolidation, merger, transfer or acquisition; and

(d) immediately following such merger, consolidation, transfer or acquisition, no Event of Default or event that, with notice or lapse of time or both, would constitute an Event of Default, shall have occurred and be continuing and an Officer's Certificate to such effect shall have been delivered to the Trustee.

Notwithstanding the foregoing and without complying with the provisions thereof, any Obligated Group Member may merge or consolidate with, transfer assets to or acquire assets from any other Obligated Group Member.

Section 4.12. Additional Indebtedness.

The Obligated Group Members shall not incur or permit to exist any Indebtedness except as follows:

(a) the outstanding Obligations and any other outstanding Indebtedness issued in accordance with the Original Indenture and in existence on the Effective Date;

(b) Short-Term Indebtedness in an aggregate principal amount that shall not exceed 15% of the Total Operating Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements have been prepared, *provided* that the Obligated Group shall have no such Indebtedness outstanding on any day unless, during the 12 calendar month period immediately preceding such day, there has been a period of at least 15 consecutive days during which all such Indebtedness outstanding has not exceeded five percent of the Total Operating Revenues of the Obligated Group for such 12-month period, unless there is delivered to the Authority and the Trustee an Officer's Certificate to the effect that such Indebtedness was incurred or continues to exist as a result of a temporary delay in the receipt by any Obligated Group Member of amounts due from third-party payors, governmental agencies or grantors and that the outstanding amount of such Indebtedness has been reduced to the minimum amount practicable under the circumstances;

(c) Long-Term Indebtedness issued to refinance or refund any outstanding Indebtedness of any Obligated Group Member ("Refunding Indebtedness"), if the Trustee shall have received an Officer's Certificate to the effect that, after giving effect to the proposed refinancing or refunding, Maximum Annual Debt Service on all Outstanding Long-Term Indebtedness of the Obligated Group will not be increased by more than ten percent;

(d) Non-Recourse Indebtedness;

(e) any other Long-Term Indebtedness, *provided* that the Revenue Test shall have been satisfied;

(f) any other Long-Term Indebtedness, *provided* that the aggregate principal amount of such Indebtedness, together with the aggregate principal amount of all other Indebtedness then outstanding under clause (b) above and this clause (f) shall not exceed 25% of the Total Operating Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements have been prepared; and

(g) any Indebtedness under any Credit Facility Agreement pursuant to which a Credit Facility shall have been issued with respect to any other Indebtedness (herein referred to as "Credit Enhanced Debt"), *provided* that, if any amount shall have been realized under such Credit Facility for the purchase or payment of such Credit Enhanced Debt (i) amounts payable under such Credit Facility Agreement shall constitute Indebtedness in determining whether any additional Indebtedness may be incurred by the Obligated Group Members in accordance with this Section, and (ii) if such Credit Enhanced Debt shall not have been retired by the application of amounts realized under such Credit Facility, the aggregate principal amount of such Credit Enhanced Debt shall be excluded in the calculation of the Debt Service Requirements under this Indenture.

If the Obligated Group Members shall at any time deliver to the Trustee the evidence required by clause (e) of this Section with respect to any Indebtedness initially issued or incurred pursuant to clause (f) of this Section, such Indebtedness shall no longer be deemed to be outstanding under clause (f) of this Section.

At least ten Business Days prior to incurring any Indebtedness, the Obligated Group Representative shall give written notice to the Trustee regarding (i) the principal amount of the Indebtedness to be incurred, (ii) the date on which such Indebtedness is to be incurred and (iii) the provisions of this Section being relied upon to permit such Indebtedness to be incurred, and furnished to the Trustee.

Section 4.13. Liens and Encumbrances; Further Assurances.

Except as otherwise expressly permitted by this Indenture, the Obligated Group Members shall not permit any Obligated Group Member to create any lien or encumbrance or allow any lien or encumbrance to remain against any portion of the Operating Assets or the Unrestricted Revenues except Permitted Encumbrances.

The Obligated Group Members shall execute, acknowledge and deliver such further resolutions, assurances and other instruments as may be necessary or desirable for better assuring and confirming the rights of the Trustee and the holders of the Obligations.

Section 4.14. Disposition of Assets.

So long as no Event of Default shall have occurred and be continuing, the Obligated Group Members may demolish, remove, sell, lease, loan, assign, transfer or otherwise dispose of

any property, including (without limitation) cash, marketable securities, receivables or any property, structures, machinery or other improvements constituting a part of the Operating Assets, *provided* that:

(a) such disposition is made to another Obligated Group Member; or

(b) the aggregate fair market value of all property disposed of by the Obligated Group Members pursuant to this Section in such Fiscal Year does not exceed five percent of the aggregate Value of all of the assets of the Obligated Group as of the last day of the most recent Fiscal Year for which audited financial statements have been prepared, and Notice of the disposition thereof is provided to the Trustee prior to the disposition thereof; or

(c) such Obligated Group Member shall receive in consideration of the disposition of such property an amount at least equal to the fair market value of such property immediately prior to such disposition; or

(d) the Revenue Test shall have been satisfied.

Nothing contained in this Section shall be construed to restrict the right of the Obligated Group Members (i) to purchase or sell any property in the ordinary course of business, or (ii) to transfer cash, securities or other investment properties in connection with ordinary investment transactions.

The provisions of this Section shall be subject to the provisions of Section 4.07.

Section 4.15. Insurance.

The Obligated Group Members shall keep the Operating Assets adequately insured at all times and to maintain with respect to their facilities and operations insurance of such types, in such amounts and against such risks as are customarily maintained by persons in similar circumstances having facilities of a comparable type and size and offering comparable services as those of the Obligated Group Members to the extent such insurance is available on commercially reasonable terms.

If at any time the Obligated Group Members fail to procure or maintain any insurance required by this Section, upon five days' notice to the Obligated Group Representative, the Trustee may (but shall not be obligated to) procure and maintain such insurance at the expense of the Obligated Group Members, and the Obligated Group Members shall reimburse the Trustee for all amounts expended in connection therewith.

Section 4.16. Application of Proceeds of Condemnation and Insurance.

(a) Proceeds received under any title insurance policy relative to any of the Operating Assets ("title insurance proceeds"), the proceeds of all or any of the Operating Assets taken in the exercise of the power of eminent domain, condemnation or through the exercise of any right or any obligation on the part of any public authority to purchase the same, or as a result of any

agreement between any Obligated Group Member and any such public authority ("condemnation proceeds"), and any insurance proceeds payable in connection with the loss, damage or destruction of any of the Operating Assets ("casualty insurance proceeds" and, together with any title insurance proceeds and condemnation proceeds, the "Net Proceeds"), may be applied by the Obligated Group Members to any lawful corporate purpose, subject to the further provisions of this Section.

(b) If any Operating Assets shall be lost, damaged or destroyed and the amount of such loss, damage or destruction in any single Fiscal Year is in excess of ten percent of the Value of the Operating Assets of the Obligated Group as of the last day of the most recent Fiscal Year for which audited financial statements have been prepared, (i) the Obligated Group Members shall pay over to the Trustee or an escrow agent reasonably satisfactory upon receipt thereof all Net Proceeds received in such Fiscal Year, which amount shall be deposited in an escrow account (the "Escrow") for application in accordance with this Section, and (ii) the Obligated Group Members shall elect, promptly after such loss, damage or destruction, either to expend for repairs, restoration or replacement of the property lost, damaged or destroyed such sum as may be required therefor, or to pay such sum to the Trustee in accordance with the provisions of this Section.

(i) The Obligated Group Members may elect within six months of such loss, damage, destruction or taking to apply any Net Proceeds and expend such other amount as shall be necessary to repair or replace the lost, damaged, destroyed or taken property, if:

(A) the Obligated Group Members deliver to the Trustee a Certificate of an architect reasonably satisfactory to the Trustee setting forth an estimate of the cost of repairing or replacing the lost, damaged, destroyed or taken property to be repaired or replaced and the time required therefor; and

(B) the Obligated Group Members deliver to the Trustee (1) any amount required to make the amount on deposit in the Escrow Account equal to the amount set forth in the certificate of the architect provided in accordance with clause (A) above or other evidence reasonably satisfactory to the Trustee that such amount will be so available for deposit in the Escrow Account (which may include, without limitation, amounts available to be drawn under a letter of credit, guaranty or other commitments reasonably satisfactory to the Trustee) will be sufficient to pay the costs of repairing or replacing the lost, damaged, destroyed or taken property to be repaired or replaced and (2) an Officer's Certificate demonstrating that the Debt Service Coverage Ratio (taking into account Net Proceeds available to the Obligated Group) for each Fiscal Year during the period of restoration is projected to be not less than 1.10; *provided* that, if the Obligated Group Members shall determine to repair or replace the lost, damaged, destroyed or taken property but not to restore the Operating Assets to their condition immediately prior to such repair or replacement, then the Obligated Group Members shall satisfy the Revenue Test after giving effect to such application of such proceeds.

(ii) The Obligated Group Members may elect within six months of such loss, damage, destruction or taking to apply any Net Proceeds and other amounts available to the Obligated Group Members to the redemption of Outstanding Obligations if:

(A) the Obligated Group Members either (1) satisfy the Revenue Test or (2) deliver to the Trustee a Statement of a Management Consultant to the effect that (after giving effect to the redemption of such Obligations) the Debt Service Coverage Ratio for each Fiscal Year during the period ending two full Fiscal Years after the date as of which such Obligations are deemed to have been paid is projected to be not less than 1.10; or

(B) the Obligated Group Members pay to the Trustee for deposit in the Escrow an amount of money that, together with the Net Proceeds and any other moneys held under the Related Bond Indentures or otherwise for any Obligations, shall be sufficient to provide for the redemption of all Outstanding Obligations.

(iii) The Obligated Group Members may elect to repair or replace a portion of the lost, damaged, destroyed or taken property and to redeem a portion of the Outstanding Obligations so long as the Obligated Group Members shall satisfy the requirements of paragraph (i) above.

(iv) The Obligated Group Members shall make an election in accordance with paragraph (i), (ii) or (iii) above within six months of such loss, damage, destruction or taking. If the Obligated Group Members are not able to satisfy the requirements for any such election, the Obligated Group Members, at their own expense, shall employ a Management Consultant, within six months of such loss, damage, destruction or taking, to submit a Report including recommendations as to the use of the Net Proceeds and other available amounts that should result in the maximum feasible Debt Service Coverage Ratio. Such report shall include a financial projection for a period extending at least through the second full Fiscal Year after the date of completion of any repairs or replacements recommended by such Management Consultant. The Obligated Group Members shall apply the Net Proceeds in accordance with the reasonable recommendations of such Management Consultant.

(c) As used in this Section, the terms "repair" and "replace" include (without limitation) the construction or acquisition of replacement or substitute property, structures, machinery, equipment or other improvements which need not have the same function as the property lost, damaged, destroyed or taken.

(d) The provisions of this Section are subject to the rights of the holders of any Permitted Encumbrances.

Section 4.17 Trustee May Enter and Examine the Facilities.

The Trustee shall have the right, upon reasonable notice to the Obligated Group Representative, to enter upon, inspect and examine the facilities and properties of the Obligated Group at any time during regular business hours in such manner as not to interfere with the normal operations of any Obligated Group Member and not to disturb patients and staff so far as practicable. Representatives of the Obligated Group Members may accompany the employees, members or representatives of the Trustee on the premises.

Section 4.18. Indenture Constitutes Security Agreement; Financing Statements.

(a) This Indenture shall constitute a security agreement for the purposes of the Uniform Commercial Code as in effect in each jurisdiction under the laws of which any Obligated Group Member is organized. The Obligated Group Members hereby represent that no Obligated Group Member has heretofore granted any lien, encumbrance or security interest in the Trust Estate except liens, encumbrances and security interests permitted by the Original Indenture.

(b) The Obligated Group Members covenant that, in order to perfect the security interest in the Trust Estate granted to the Trustee hereby to the extent possible by such filing, appropriate financing statements, naming the Trustee as assignee of the Trust Estate, will be filed in the appropriate offices as required by applicable law.

ARTICLE V

CONCERNING THE TRUSTEE

Section 5.01. Trustee Entitled to Indemnity.

The Trustee shall be under no obligation to institute any suit, or to undertake any proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability except as a consequence of its own negligence or willful misconduct. Nevertheless, the Trustee may begin suit, or appear in and defend suit, or do anything else in its judgment deemed proper to be done by it as the Trustee, without indemnity, and in such case the Obligated Group Members shall reimburse the Trustee for all costs and expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith. If the Obligated Group Members shall fail to make such reimbursement, the Trustee shall be entitled to a preference therefor over any Obligations Outstanding hereunder.

Section 5.02. Responsibilities of Trustee.

The recitals contained in this Indenture and in the Obligations shall be taken as the statements of the Obligated Group Members, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or the Obligations or with respect to the security afforded by this Indenture, and the Trustee shall incur no liability with respect thereto. Except as otherwise expressly provided in this Indenture, the Trustee shall have no responsibility or duty with respect to: (i) the issuance of the Obligations for value; (ii) the application of the proceeds thereof (except to the extent that any such proceeds may be received by it in its capacity as Trustee); or (iii) the application of any moneys paid to the Obligated Group Members or others in accordance with this Indenture except as to the application of any moneys paid to it in its capacity as Trustee.

Prior to the occurrence of an Event of Default and after the curing or waiving of an Event of Default, the duties and obligations of the Trustee shall be determined by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture. In case such an Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances.

The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under this Indenture except for its own gross negligence or willful misconduct. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the owners of not less than a majority in aggregate principal amount of the Obligations then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

Section 5.03. Property Held in Trust.

Any moneys and securities held by the Trustee at any time pursuant to the terms of this Indenture shall be held by the Trustee in trust for the purposes and under the terms and conditions of this Indenture.

Section 5.04. Trustee Protected in Relying on Certain Documents.

The Trustee may rely upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, bond or other document provided to the Trustee in accordance with the terms of this Indenture that it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, or upon the written opinion of any counsel, architect, engineer, insurance consultant, management consultant or accountant believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquiry into any statements contained or matters referred to in

any such instrument. The Trustee may consult with counsel, who may or may not be Bond Counsel or counsel to any or all of the Obligated Group Members, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it in good faith and in accordance therewith.

Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Indenture, such matter may be deemed to be conclusively proved and established by an Officer's Certificate, unless other evidence in respect thereof be hereby specifically prescribed. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions hereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by any Obligated Group Member or the Obligated Group Representative to the Trustee shall be sufficiently executed if executed in the name of the Obligated Group Representative by an authorized officer thereof.

Section 5.05. Compensation.

Unless otherwise provided by contract with the Trustee, the Obligated Group Members shall pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder, together with all its reasonable expenses, charges and other disbursements and those of its counsel, agents and employees, incurred in and about the administration and execution of the trusts hereby created and the exercise of its powers and the performance of its duties hereunder, and the Trustee shall have a lien therefor on any and all funds at any time held by it hereunder prior to any Outstanding Obligations. The Obligated Group Members shall indemnify and save the Trustee harmless against any expenses and liabilities that the Trustee may incur in the exercise and performance of its powers and duties hereunder that are not due to its gross negligence or willful misconduct. None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers. If the Obligated Group Members shall fail to make any payment required by this Section, the Trustee shall be entitled to a preference therefor over any Obligations Outstanding hereunder.

Section 5.06. Permitted Acts.

The Trustee and its directors, officers, employees or agents may become the owner of or may in good faith buy, sell, own, hold and deal in Obligations and may join in any action that any holder of Obligations may be entitled to take as fully and with the same rights as if it were not the Trustee. The Trustee may act as depository, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, the Obligated Group Members or any committee formed to protect the rights of holders of Obligations or to effect or aid in any reorganization growing out of the enforcement of the Obligations or this Indenture, whether or not such committee shall represent the holders of a majority of the Obligations.

Section 5.07. Resignation of Trustee.

The Trustee may at any time resign and be discharged of its duties and obligations hereunder by giving not fewer than 30 days' written notice, specifying the date when such resignation shall take effect, to the Obligated Group Representative and each holder of any outstanding Obligations. Such resignation shall take effect upon the date specified in such notice or prior thereto in the event a successor shall have been previously appointed by the Obligated Group Representative or the holders of the Obligations as provided in Section 5.09, in which event such resignation shall take effect immediately on the appointment of such successor and the acceptance of such appointment by such successor.

Section 5.08. Removal of Trustee.

The Trustee may be removed at any time by (i) the Obligated Group Representative, so long as no Event of Default shall have occurred and be continuing or (ii) the holders of a majority of the Obligations by an instrument or concurrent instruments in writing signed and acknowledged by such holders or by their attorneys-in-fact, duly authorized and delivered to the Obligated Group Representative. Facsimile copies of each such instrument shall be delivered by the Obligated Group Representative to the Trustee and any successor thereof. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Obligated Group Representative or of the holders of not less than 25% of the Obligations.

Section 5.09. Successor Trustee.

If the Trustee shall resign, be removed, be dissolved or become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the position of the Trustee hereunder shall thereupon become vacant.

If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, a successor Trustee shall be appointed by the Obligated Group Representative, *provided* that if an Event of Default shall have occurred and be continuing, the holders of a majority of the Obligations shall have the right to appoint any successor Trustee by an instrument or concurrent instruments in writing signed and acknowledged by such holders or their attorneys-in-fact, duly authorized and delivered to such successor Trustee, with notification thereof being given to the predecessor Trustee and the Obligated Group Representative. Any appointment of a successor Trustee made by the Obligated Group Representative immediately and without further act shall be superseded and revoked by an appointment subsequently made by the holders of the Obligations.

The Trustee so appointed shall mail notice of any such appointment to each holder of any outstanding Obligations within 30 days after such appointment.

If in a proper case no appointment of a successor Trustee shall be made within 30 days after the giving by any Trustee of any written notice of resignation in accordance with Section 5.07 or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any holder of Obligations may apply to any court of competent jurisdiction for the appointment of such a successor, and the court may thereupon, after such notice, if any, as the court may deem proper, appoint such successor.

Any successor Trustee appointed under the provisions of this Section shall be a commercial bank or trust company or national banking association (i) having a capital and surplus aggregating at least $50,000,000, if there be such a commercial bank or trust company or national banking association willing and able to accept the appointment on reasonable and customary terms, and (ii) authorized by law to perform all the duties of the Trustee required by this Indenture.

Section 5.10. Transfer of Rights and Property to Successor Trustee.

Any successor Trustee appointed under the provisions of Section 5.09 shall execute, acknowledge and deliver to its predecessor and the Obligated Group Representative an instrument in writing accepting such appointment, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, immunities, powers, duties, obligations and trusts of its predecessor hereunder, with like effect as if originally appointed as Trustee. However, the Trustee then ceasing to act shall nevertheless, on request of the Obligated Group Representative or of such successor, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the rights, immunities, powers and trusts of such Trustee and all the right, title and interest of such Trustee in and to any property held by it hereunder, and shall pay over, assign and deliver to such successor any moneys or other properties subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from any Obligated Group Member or the Obligated Group Representative be required by such successor for more fully and certainly vesting in and confirming to it any such moneys, estates, properties, rights, powers, duties or obligations, any and all such deeds, conveyances and instruments in writing, on request and so far as may be authorized by law, shall be executed, acknowledged and delivered by such Obligated Group Member or the Obligated Group Representative (as the case may be).

Section 5.11. Merger, Conversion or Consolidation of Trustee.

Any company into which the Trustee may be merged or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business shall be the successor to such Trustee hereunder, without any further

act, deed or conveyance, *provided* that such company shall be a commercial bank or trust company or national banking association qualified to be a successor to such Trustee under the provisions of Section 5.09.

Section 5.12. Notice of Events of Default.

The Trustee shall not be required to take notice, or be deemed to have notice, of any default or Event of Default under this Indenture, other than an Event of Default under clause (a) of Section 6.01, unless an officer, agent or employee responsible for matters relating to the Obligations shall have actual knowledge of such default or Event of Default, or the Trustee shall have been specifically notified in writing of such default or Event of Default by the Obligated Group Representative or not less than 25% of the Holders.

Section 5.13. Construction of Indenture.

The Trustee may construe any of the provisions of this Indenture insofar as the same may appear to be ambiguous or inconsistent with any other provision hereof, and any construction of any such provisions hereof by the Trustee in good faith shall be binding upon the Holders and the Obligated Group Members.

Section 5.14. Co-Trustees.

It is the purpose hereof that there shall be no violation of any law of any jurisdiction denying or restricting the right of banking corporations or associations to transact business as trustee in such jurisdiction. It is recognized that in case of litigation hereunder and in particular in case of the enforcement of this Indenture upon the occurrence of an Event of Default, it may be necessary that the Trustee and the Obligated Group Representative enter into a Supplemental Indenture to appoint an additional individual or institution as a separate Trustee or Co-Trustee. The following provisions of this Section are adopted to these ends.

Upon the incapacity or lack of authority of the Trustee, by reason of any present or future law of any jurisdiction, to exercise any of the rights, powers and trusts herein granted to the Trustee or to hold a security interest in the Trust Estate or to take any other action which may be necessary or desirable in connection therewith, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vested in a separate Trustee or Co-Trustee appointed by the Trustee but only to the extent necessary to enable the separate Trustee or Co-Trustee to exercise such rights, powers and trusts, and every agreement and obligation necessary to the exercise thereof by such separate Trustee or Co-Trustee shall run to and be enforceable by either of them.

Should any deed, conveyance or instrument in writing from the Obligated Group Representative be required by the separate Trustee or Co-Trustee so appointed by the Trustee in order to more fully and certainly vest in and confirm to him or it such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments shall, on

request, be executed, acknowledged and delivered by the Obligated Group Representative. In case any separate Trustee or Co-Trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate Trustee or Co-Trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new Trustee or successor to such separate Trustee or Co-Trustee.

Section 5.15. Perfection of Liens.

Each Obligated Group Member shall cause any security interest, mortgage or other security device granted to the Trustee by a Member to be perfected to the extent possible under applicable law, including, as applicable, the filing of financing statements which comply with the Uniform Commercial Code, as from time to time in effect (the "UCC") and/or the recording of mortgages. Each Obligated Group Member agrees that, at its expense, it will furnish to the Master Trustee all necessary continuation statements, so as to enable the Master Trustee to cause such continuation statements to be filed within the time prescribed in order to continue such security interests and hereby authorizes the Trustee to file such continuation statements as are necessary to continue the effectiveness of the security interests granted pursuant to this Indenture.

Section 5.16. Trustee to File Continuation Statements.

The Trustee shall file such continuation statements as may be required by the UCC in such jurisdictions in which the Obligated Group Members shall be organized in order to continue perfection of the security interest of the Trustee in such property as may have been granted to the Trustee pursuant to this Indenture in the time, place and manner required by the UCC (to the extent such security interest may be perfected by such filing).

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.01. Events of Default.

Each of the following events is hereby declared to constitute an event of default hereunder (an "Event of Default"):

(a) payment of any amount payable under any Obligation shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or acceleration or otherwise, in accordance with the terms thereof;

(b) failure by any Obligated Group Member to perform, observe or comply with any other of the terms, covenants, conditions or provisions contained in this Indenture, which failure shall continue for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, shall have been

given to the Obligated Group Representative by the Trustee or the holders of not less than 25% of the Obligations Outstanding; *provided*, however, that if any such Obligated Group Member shall proceed to take any curative action that, if begun and prosecuted with due diligence, cannot be completed within a period of 30 days, then such period shall be increased to a period not in excess of 180 days after receipt of such notice to the extent as shall be necessary to enable such Obligated Group Member to complete such curative action through the exercise of due diligence;

(c) default under any Related Loan Document which is not cured within any applicable grace period, which default permits the acceleration of the Obligation issued in connection therewith;

(d) if any Material Member, other than any Material Member who could withdraw from the Obligated Group pursuant to Section 3.03, shall become insolvent or the subject of any insolvency proceeding or shall file a petition or other pleading seeking an "order for relief" within the meaning of the United States Bankruptcy Code or shall file any petition or other pleading seeking any reorganization, composition, readjustment, liquidation or similar relief for itself under any present or future law or regulation, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of such Material Member, or of substantially all of the assets of such Material Member, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due;

(e) if a petition or other pleading shall be filed against any Material Member, other than any Material Member who could withdraw from the Obligated Group pursuant to Section 3.03, seeking an "order for relief" within the meaning of the United States Bankruptcy Code or any reorganization, composition, readjustment, liquidation or similar relief under any present or future law or regulation and shall remain undismissed or unstayed for an aggregate period of 90 days (whether or not consecutive), or if, by an order or decree of a court of competent jurisdiction, any such Material Member shall become the subject of an "order for relief" within the meaning of the United States Bankruptcy Code or relief shall be granted under or pursuant to any such petition or other pleading, and such order or decree continues unvacated or unstayed, on appeal or otherwise, and in effect for a period of 90 days; or if, by order or decree of such court, there shall be appointed, without the consent or acquiescence of any such Material Member, a trustee in bankruptcy or reorganization or a receiver or liquidator of such Material Member or of all or any substantial part of the property of such Material Member and such order or decree continues unvacated or unstayed, on appeal or otherwise, and in effect for a period of 90 days; or

(f) default in the payment of principal of or interest on any outstanding Indebtedness of any Obligated Group Member in an amount exceeding one-half of one percent (1/2%) of the Total Operating Revenues of the Obligated Group for

the most recent Fiscal Year for which audited financial statements have been prepared, or default under any indenture, agreement or other similar instrument under which any such Indebtedness may be issued, which default permits the acceleration of the maturity of such Indebtedness.

The provisions of paragraph (b) of this Section are subject to the following limitations: If by reason of acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States of America or of any state, or any department, agency, political subdivision or official thereof, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery; partial or entire failure of utilities; or any cause or event not reasonably within the control of any Obligated Group Member, the Obligated Group Members are unable in whole or in part to carry out their agreements referred to in paragraph (b) of this Section, the Obligated Group Members shall not be deemed in default during the continuance of such inability. The Obligated Group Members shall use their best efforts to remedy with all reasonable dispatch the cause or causes preventing them from carrying out their agreements; *provided*, however, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Obligated Group Members, and the Obligated Group Members shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party when such course is, in the judgment of the Obligated Group Members, unfavorable to the Obligated Group Members. Any failure of any Obligated Group Member to perform its obligations under Section 4.01 shall constitute an Event of Default regardless of the reason for such failure to perform.

Section 6.02. Acceleration of Maturity.

Upon the happening and continuance of any Event of Default, then and in every such case the Trustee may, and upon the written request of the Holders of not less than 25% of the Outstanding Obligations shall, by a notice in writing to the Obligated Group Representative, declare the principal of all of the Outstanding Obligations to be due and payable. Notwithstanding the foregoing, the Trustee may not declare the principal of any Obligation to be due and payable without the written direction of any person whose direction is required as a condition to such declaration under the terms of the Original Indenture or any Supplemental Indenture authorizing the issuance of such Obligation.

Upon the giving of notice of such declaration, such principal shall become and be immediately due and payable, anything in the Obligations or in this Indenture to the contrary notwithstanding. At any time after the principal of the Obligations shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Indenture, the Trustee may (but in the event that such declaration has been made upon the request of the Holders of the Obligations, only with the written consent of the holders of not less than 25% of the Obligations), by written notice to the Obligated Group Representative, annul such declaration and its consequences if: (i) there shall have been

deposited with the Trustee moneys sufficient to pay all amounts payable under the outstanding Obligations that have not been paid (except the interest accrued on such Obligations since the last interest payment date and the principal of any Obligations due only as a result of such declaration); (ii) sufficient moneys shall have been deposited with Trustee and shall be available to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee; and (iii) every other default in the observance or performance of any covenant, condition or agreement contained in the Obligations or in this Indenture of which the Trustee has actual knowledge shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Nothing herein shall preclude the holder of any Obligation from accelerating the due date for the payment thereof in accordance with the terms of such Obligation or any Related Bond Indenture or Related Loan Document entered into in connection with the issuance thereof.

Section 6.03. Enforcement.

Upon the happening and continuance of any Event of Default, then and in every such case the Trustee may proceed, and upon the written request of the Holders of not less than 25% of the Obligations shall proceed, to protect and enforce its rights and the rights of the holders of the Obligations under this Indenture by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained herein, or in aid or execution of any power herein granted, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under this Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Obligated Group Members for principal of or interest on the outstanding Obligations, or otherwise under any of the provisions of this Indenture or of any Obligations, with interest on overdue payments of principal at the rate or rates of interest specified in the Obligations, together with any and all costs and expenses of collection and of all proceedings hereunder and under the Obligations, without prejudice to any other right or remedy of the Trustee or of the holders of the Obligations, and to recover and enforce judgment or decree against any Obligated Group Member for any portion of such amounts remaining unpaid and to collect in any manner provided by law the moneys adjudged or decreed to be payable.

Section 6.04. Receiver.

If an Event of Default shall occur and be continuing, the Trustee shall be entitled as a matter of right, and without regard to the adequacy of the security, to the immediate appointment of a receiver of the Operating Assets and of the revenues and profits thereof, with all such other powers as the court making such appointment shall confer. The Trustee shall give written notice to the Obligated Group Representative of its intent to exercise such right, but failure to give such notice shall not affect the validity of any exercise of such right.

The Obligated Group Members shall deliver to any receiver so appointed all original records, books, bank accounts, leases, agreements, security deposits of the lessees and all other materials relating to the operation of the Operating Assets.

Section 6.05. Application of Moneys.

If at any time there shall have occurred and be continuing an Event of Default, after payment of all amounts owing to the Trustee under this Indenture, any moneys available to the Trustee through exercise of the remedies provided in this Article or otherwise shall be applied as follows:

(a) unless the principal of all Outstanding Obligations shall have become or shall have been declared due and payable, all such moneys shall be applied:

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

SECOND: to the payment to the persons entitled thereto of the unpaid principal of any Outstanding Obligations that shall have become due and payable, in the order of their due dates, with interest upon the principal amount of such Obligations from the respective dates upon which such principal shall have become due and payable and, if the amount available shall not be sufficient to pay in full the principal of such Obligations due and payable on any particular date, together with such interest, then first to the payment of such interest, ratably, according to the amount of interest due on such date, and then to the payment of such principal, ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in such Obligations; and

THIRD: to the payment of the interest on and the principal of the Obligations Outstanding as the same become due and payable; and

(b) if the principal of all Outstanding Obligations shall have become due by their terms or the principal of all Outstanding Obligations subject to acceleration shall have become due and payable by a declaration of acceleration, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon such Obligations, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Obligations.

Notwithstanding the foregoing, moneys received by the Trustee under any Credit Facility securing any Obligation or Related Bond shall be applied only to the payment of such Obligation or Related Bond (as the case may be) and any amounts received by the Trustee under Section 16A of Article 43C of the Annotated Code of Maryland, as amended, for the payment of particular Obligations shall be applied only to the payment of such Obligations.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for the benefit of all holders of outstanding Obligations shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to any Obligated Group Member, to any holder of any Obligations or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date upon which such application is to be made, and upon such date interest on the amounts of principal of the Obligations to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date, provided that the provisions of this paragraph shall be subject in all respects to the provisions of the Obligations with respect to the payment of defaulted interest on the Obligations. The Trustee shall not be required to make payment to the holder of any Obligation unless such Obligation shall be presented to the Trustee for appropriate endorsement.

Section 6.06. Discontinuance of Proceedings.

In case any proceedings taken by the Trustee or the holders of the Obligations on account of any default with respect to the Obligations shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or such holders, then and in every such case the Obligated Group Members, the Trustee and the Holders of the Obligations shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Section 6.07. Majority of Holders May Control Proceedings.

Anything in this Indenture to the contrary notwithstanding, the holders of a majority of the Obligations shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under this Indenture, *provided* that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to holders of Obligations not parties to such direction.

Section 6.08. Restrictions upon Action by Individual Holders.

No Holder of any Obligations shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder or for any other remedy hereunder unless (i) such holder previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (ii) the Holders of not less than 25% of the Obligations shall have made Request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by this Indenture or to institute such action, suit or proceeding in its or their name, and (iii) there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Indenture or to any other remedy hereunder, provided that, notwithstanding the foregoing provisions of this Section and without complying therewith, the holders of not less than 25% of the Obligations may institute any such suit, action or proceeding in their own names for the benefit of all holders of Obligations.

It is understood and intended that, except as otherwise provided above, no one or more Holders of the Obligations shall have any right in any manner whatever by his or their action to affect, disturb or prejudice this Indenture or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all holders of outstanding Obligations hereunder and that any individual right of action or other right given by law to one or more of such holders is restricted by this Indenture to the rights and remedies herein provided.

Nothing herein shall preclude the holder of any Obligation from enforcing any right or remedy under the Related Bond Indenture or Related Loan Document in accordance with the terms thereof.

Section 6.09. Actions by Trustee.

All rights of action under this Indenture or under any of the Obligations may be enforced by the Trustee without the possession of any of such Obligations or the production thereof at the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all holders of the Obligations, all subject to the provisions of this Indenture.

Section 6.10. No Remedy Exclusive.

No remedy herein conferred upon or reserved to the Trustee or to the holders of the Obligations is intended to be exclusive of any other remedy, and each and every such remedy

shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 6.11. No Delay or Omission Construed as a Waiver; Waiver of Default.

No delay or omission of the Trustee or of any holder of any Obligation to exercise any right or power accruing upon any default shall impair any such right or power, nor shall any such delay or omission be construed to be a waiver of any such default or an acquiescence therein. Every power and remedy given by this Article to the Trustee and the Holders of the Obligations, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon the Request of the holders of not less than 25% of the Obligations shall, waive any default with respect to the Obligations which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Indenture or before the completion of the enforcement of any other remedy under this Indenture, but no such waiver shall extend to or affect any other existing or any subsequent default or impair any rights or remedies consequent thereon.

Section 6.12. Notice of Default.

The Trustee shall mail to the holders of the outstanding Obligations written notice of the occurrence of any Event of Default of which the Trustee shall have knowledge (within the meaning of Section 5.12) within 30 days after such Event of Default shall have occurred and be known to it (within the meaning of Section 5.12). The Trustee shall not be subject to any liability to any Holder of the Obligations by reason of its failure to mail any notice required by this Section.

ARTICLE VII

MODIFICATION OR AMENDMENT OF INDENTURE

Section 7.01. Modification or Amendment of Indenture Without Consent.

Without notice to or the consent of the holders of the Obligations, the Obligated Group Representative and the Trustee may enter into Supplemental Indentures at any time or from time to time supplementing, modifying or amending this Indenture or any Supplemental Indenture for one or more of the following purposes:

(a) to grant to or confer upon the Trustee for the benefit of the Holders of the Obligations any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Trustee for the benefit of such Holders;

(b) to add to the covenants and agreements of the Obligated Group Members contained in this Indenture, other covenants and agreements thereafter to be observed relative to the acquisition, construction, equipping, operation,

maintenance, development or administration of the Operating Assets, or relative to the application, custody, use or disposition of the proceeds of any Obligations;

(c) to surrender any right, power or privilege reserved to or conferred upon the Obligated Group Members by this Indenture;

(d) to cure any ambiguity or to cure or correct any defect or inconsistent provisions contained in this Indenture or to make such provisions in regard to matters or questions arising under this Indenture as may be necessary or desirable and not contrary to or inconsistent with this Indenture;

(e) to authorize the issuance of Obligations;

(f) to permit the qualification of this Indenture or any Supplemental Indenture under any federal statute now or hereafter in effect or under any state blue sky law and, in connection therewith, to add to this Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted or required by such federal statute or state blue sky law;

(g) to obtain or to maintain any ratings on any Obligations or any Related Bonds from any nationally recognized securities rating agency;

(h) upon compliance with the provisions of Section 3.02, to provide for the admission of any person to the Obligated Group;

(i) to preserve the excludability from gross income for federal income tax purposes of the interest paid on any Tax-Exempt Bonds theretofore issued; or

(j) to make any other change in this Indenture which the Trustee determines shall not prejudice in any material respect the rights of the Holders of the Obligations Outstanding at the date as of which such change shall become effective *provided*, that such change shall not (A) effect a change in the times, amounts or currency of payment of the principal of, premium, if any, or interest on any Obligations or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, or (B)(1) reduce the aforesaid percentage of Obligations, the owners of which are required to consent to any such Supplemental Indenture or (2) permit the preference or priority of any Obligation or Obligations over any other Obligation or Obligations. The Master Trustee shall conclude that a change does not materially adversely affect the interest of the Owners of the Obligations if the Obligated Group Representative provides the Master Trustee with notice that the rating on any Obligations or Related Bonds shall not be adversely affected, as evidenced by a letter from each rating agency then rating the Obligations or Related Bonds *provided*, that such rating confirmation shall not be construed to permit any change which would result in either (A) or (B) above.

Section 7.02. Supplemental Indentures Requiring Consent of Holders.

In addition to Supplemental Indentures permitted by Section 7.01, with the prior written consent of the holders of a majority of the Obligations, the Obligated Group Representative and the Trustee may enter into at any time and from time to time Supplemental Indentures amending or supplementing this Indenture, any Supplemental Indenture or any Obligation to modify any of the provisions thereof or to release any Obligated Group Member from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained; *provided*, however, that nothing contained herein shall permit (i) a change in any terms of payment redemption, prepayment or purchase of any Obligation without the consent of the Holder of such Obligation or (ii) a preference or priority of any Obligation over any other Obligation or a reduction in the percentage of Obligations the consent of the Holders of which is required for any modification of this Indenture without the unanimous consent of the holders of the Outstanding Obligations.

Section 7.03. Notation on Obligations.

Obligations authenticated and delivered after the effective date of any Supplemental Indenture may, and if the Trustee or the Obligated Group Representative so determines, shall, bear a notation by endorsement or otherwise in form approved by the Obligated Group Representative and the Trustee of such action. If the Obligated Group Representative or the Trustee shall so determine, new Obligations modified as necessary, in the opinion of the Trustee and the Obligated Group Representative, to conform to such Supplemental Indenture shall be prepared, authenticated and delivered and, upon demand of the Holder of any Outstanding Obligation and surrender of such Obligation to the Trustee, such Obligation shall be exchanged, without cost to such Holder, for a new Obligation so modified.

ARTICLE VIII

DEFEASANCE

Section 8.01. Defeasance.

(a) If the Obligated Group Members shall pay or cause to be paid all amounts payable under all Obligations at the times and in the manner stipulated therein, in this Indenture and in any Supplemental Indenture, then all rights granted hereby to the Obligations shall be discharged and satisfied. In such event, upon the Request of the Obligated Group Representative, the Trustee shall execute and deliver to the Obligated Group Representative all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay or deliver to the Obligated Group Representative, or to such officer, board or body as may then be entitled by law to receive the same, all property held by it pursuant to this Indenture (other than any moneys and securities required for the payment or redemption of Obligations not theretofore surrendered for such payment or redemption).

(b) Unless otherwise provided in the Supplemental Indenture authorizing the issuance of any Obligation with respect to such Obligation, an Obligation shall be deemed to have been paid within the meaning of and with the effect expressed in this Section if (i) money for the payment or redemption of such Obligation shall be held by the Trustee (through deposit by the Obligated Group Members of moneys for such payment or redemption or otherwise, regardless of the source of such moneys), whether at or prior to the maturity or the redemption date of such Obligation, or (ii) if the maturity or redemption date of such Obligation shall not have arrived, provision shall have been made by the Obligated Group Members for the payment of all amounts payable under such Obligation on the due dates for such payments by deposit with the Trustee (or other method satisfactory to the Trustee) of Government Obligations, the principal of and the interest on which when due will provide for such payment; *provided*, however, that if such Obligation is to be redeemed prior to the maturity thereof, the Obligated Group Members shall have taken all action necessary to redeem such Obligation and notice of such redemption shall have been duly given or provisions satisfactory to the Trustee shall have been made for the giving of such notice.

(c) Anything in this Indenture to the contrary notwithstanding, at the Request of the Obligated Group Representative, any moneys held by the Trustee in trust for the payment of any of the Obligations which remain unclaimed for one year after the later of the date at which such Obligations became due and payable and the date of deposit of such moneys shall be repaid by the Trustee to the Obligated Group Representative, or to such officer, board or body as may then be entitled by law to receive such moneys, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto; *provided*, however, that before being required to make any such payment to the Obligated Group Representative, the Trustee may, at the expense of the Obligated Group Members, cause to be published in a newspaper or financial journal of general circulation in the Borough of Manhattan, City and State of New York, a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not fewer than 40 nor more than 90 days after the date of publication of such notice, the balance of such moneys shall be returned to the Obligated Group Representative.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Further Assurances.

The Obligated Group Members shall pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights hereby granted, or intended so to be, or which the Obligated Group Members may hereafter become bound to pledge or assign.

Section 9.02. Consent or Direction of Holders; Evidence of Signatures of Holders; Ownership of Obligations.

(a) Any request, direction, consent or other instrument which this Indenture may require or permit to be signed and executed by the holders of Obligations may be in one or more instruments of similar tenor, and shall be signed or executed by such holders in person, by their attorneys duly appointed in writing or by their legal representatives. Except as otherwise expressly provided herein, proof of the execution of any such instrument or of an instrument appointing any such attorney, or the holding by any person of such Obligation shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Obligated Group Members with regard to any action taken by either under such instrument if made in the following manner, but the Trustee may nevertheless in its discretion require further or other proof in any case in which it deems such further or other proof desirable:

(i) the fact and date of the execution by any holder of any Obligation, his attorney or legal representative of such instrument may be proved by the certificate (which need not be acknowledged or verified) of an officer of a bank or trust company satisfactory to the Trustee or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer; and the authority of any person executing any such instrument on behalf of a corporate holder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary, an assistant secretary, its cashier or an assistant cashier; and

(ii) the ownership of any Obligation and the amount, numbers and other identification and date of holding the same shall be proved by the registration books established with respect to such Obligation.

(b) Notwithstanding the foregoing provisions of this Section, the Supplemental Indenture authorizing the issuance of any Obligation may provide that the issuer of any Credit Facility securing such Obligation or any Related Bond, or an other person shall be deemed the holder of such Obligation, in each case for the purposes of making any request or giving or withholding any consent, vote or direction permitted or required to be made or given by any holder of such Obligation under this Indenture or such Supplemental Indenture.

(c) Any right or power granted to the Trustee hereunder may be exercised by the holders of a majority of the Obligations, and the Trustee shall take any action or refrain from taking any action required or permitted to be taken by the Trustee hereunder upon the direction of the holders of a majority of the Obligations. The Trustee shall give written notice to each holder that shall have filed with the Trustee a Request therefor of any discretionary action permitted to be taken by the Trustee hereunder prior to taking such action.

(d) Any request, direction, consent or vote of the owner of any Obligation given in accordance with this Indenture or any Supplemental Indenture shall bind all future owners of such Obligation with respect to anything done or suffered to be done or omitted to be done by any Obligated Group Member, the Obligated Group Representative or the Trustee in accordance therewith.

Section 9.03. Preservation by Trustee and Inspection of Documents.

All documents received by the Trustee from the Obligated Group Representative, any Obligated Group Member, the Holders of Obligations or otherwise under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Obligated Group Representative and any holder of Obligations and their agents and representatives, any of whom may make copies thereof.

Section 9.04. Moneys Held for Particular Obligations.

Amounts held by the Trustee for the payment of the principal of and interest and premium on Obligations due on any date shall, pending such payment, be set aside and held in trust by it for the holders of such Obligations and, for the purposes of this Indenture, such principal and interest and premium on such Obligations shall no longer be considered to be unpaid.

Section 9.05. No Recourse on Obligations.

No recourse shall be had for the payment of amounts due under the Obligations or for any claims based thereon or on this Indenture against any director or officer of any Obligated Group Member, all such liability, if any, being expressly waived and released by every Holder of Obligations by the acceptance of such Obligations.

Section 9.06. Severability of Invalid Provision.

If any covenant or agreement provided in this Indenture on the part of the Obligated Group Representative, any Obligated Group Member or the Trustee to be performed should be contrary to law, then such covenant or agreement shall be null and void and shall in no way affect the validity of the other provisions of this Indenture or of the Obligations.

Section 9.07. Notices.

Except as otherwise expressly provided in this Indenture, after the Effective Date all notices or other instruments required or permitted under this Indenture shall be in writing and shall be telexed, cabled, delivered by hand or mailed by first class mail, postage prepaid, and addressed as follows:

If to the Obligated Group Representative:

Adventist HealthCare, Inc.
1801 Research Boulevard
Suite 300
Rockville, Maryland 20850
Attention: Chief Financial Officer

If to the Trustee:

Allfirst Bank
25 South Charles Street
16th Floor
Baltimore, Maryland 21201
Attention: Corporate Trust Department

The addresses set forth above are correct as of the date of February 1, 2003. After the Effective Date, either of such addresses may be changed at any time upon written notice of such change given to the other party by the party effecting the change.

Section 9.08. Business Days.

Except as otherwise expressly provided herein, if any date specified herein for the performance of any act shall not be a Business Day, such performance shall be made on the next succeeding Business Day with the same effect as if made on such date.

Section 9.09. Counterparts.

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

Section 9.10. Governing Law.

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

Section 9.11. Effectiveness of this Indenture.

This Indenture shall become effective as of the Effective Date. The amendment and restatement of the Original Indenture by this Indenture does not extinguish, discharge or release the lien of the Original Indenture and shall not be construed as a substitution or novation of the Original Indenture and all Obligations, whether issued prior to on, or after the Effective Date, shall be continuously secured by the Original Indenture, as amended and restated by this Indenture.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, sealed and delivered, all as of the day and year first above written.

(SEAL)

ADVENTIST HEALTHCARE, INC.

ATTEST:

By: _____
William G. Robertson
President and Chief Executive Officer

_____
Authorized Officer

(SEAL)

SHADY GROVE ADVENTIST NURSING & REHABILITATION CENTER, INC.

ATTEST:

By: _____
William G. Robertson
President and Chief Executive Officer

_____
Authorized Officer

(SEAL)

HACKETTSTOWN COMMUNITY HOSPITAL

ATTEST:

By: _____
William G. Robertson
President and Chief Executive Officer

_____
Authorized Officer

(SEAL)

ALLFIRST BANK, as Trustee

ATTEST:

By: _____
Jeffrey O. Johns
~~Vice President~~ Corporate Trust Officer

_____
Authorized Officer