SERIES 2008A BONDS – NEW ISSUE **RATINGS: See "RATINGS" herein.**
SERIES 2004B BONDS – NOT A NEW ISSUE – REOFFERING OF PREVIOUSLY ISSUED BONDS
BOOK-ENTRY ONLY

In the opinion of Bond Counsel, under existing law and assuming compliance by the Agency and the Corporation with the tax covenants described herein, interest on the Series 2008A Bonds is not includable in the gross income of the owners of the Series 2008A Bonds for purposes of federal income taxation. Interest on the Series 2008A Bonds may be included in the calculation of certain taxes, including the alternative minimum tax imposed on corporations, as described under "TAX EXEMPTION" herein. The Act provides that the Series 2008A Bonds and the income therefrom shall at all times be exempt from taxation in the State of Vermont, except for transfer and estate taxes. On the Remarketing Date, the Corporation is required to deliver an opinion of Bond Counsel to the effect that (i) the conversion of the interest rate for the Series 2004B Bonds from an Auction Rate to a Long-Term Interest Rate is authorized and permitted under applicable law and (ii) the conversion, in and of itself, will not adversely affect the validity of the Series 2004B Bonds or the exclusion from gross income for federal income tax purposes or any exemption from State of Vermont income taxes, of interest on the Series 2004B Bonds. See the caption "TAX EXEMPTION" herein.

Fletcher Allen HEALTH CARE
In alliance with The University of Vermont

$160,525,000
Vermont Educational and Health Buildings Financing Agency
Variable Rate Hospital Revenue Bonds (Fletcher Allen Health Care Project) Series 2004B

$54,705,000
Vermont Educational and Health Buildings Financing Agency
Variable Rate Hospital Revenue Refunding Bonds (Fletcher Allen Health Care Project) Series 2008A

Dated: Date of Original Issuance **Due: December 1, as shown on the inside cover page**

The purpose of this Official Statement is to set forth information in connection with (i) the conversion of the Series 2004B Bonds from an ARS Rate Period to a Long-Term Interest Rate Period and (ii) the issuance of the Series 2008A Bonds as bonds that bear interest at the Weekly Interest Rate, each on May 21, 2008. The Series 2008A Bonds and the Series 2004B Bonds are referred to collectively as the "Bonds."

The Series 2008A Bonds are being issued pursuant to a Trust Agreement, dated as of April 1, 2008 (the "Series 2008A Trust Agreement"), between the Vermont Educational and Health Buildings Financing Agency (the "Agency") and Chittenden Trust Company, as bond trustee (the "Bond Trustee"). The Series 2004B Bonds were issued pursuant to a Trust Agreement, dated as of March 1, 2004, as amended as of April 1, 2008 (the "Series 2004B Trust Agreement" and, together with the Series 2008A Trust Agreement, each a "Trust Agreement"), between the Agency and the Bond Trustee.

While the Series 2008A Bonds bear interest at the Weekly Interest Rate, the Series 2008A Bonds are issuable in denominations of $100,000 or any integral multiple of $5,000 in excess thereof. While the Series 2004B Bonds bear interest at the Long-Term Interest Rate, the Series 2004B Bonds will be issuable in denominations of $5,000 or any integral multiple in excess thereof. The Series 2004B Bonds are dated the date of their original issuance and, assuming satisfaction of certain conditions, will bear interest at a Long-Term Interest Rate commencing on and including May 21, 2008 (the "Remarketing Date"). The Bonds are issuable in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") under the book entry only system maintained by DTC. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal or redemption price of and interest on the Bonds will be made directly to DTC. Disbursement of such payments to the Direct Participants (defined herein) is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the Direct Participants and the Indirect Participants (defined herein), as more fully described herein. Purchasers will not receive certificates representing their respective interests in the Bonds purchased. So long as Cede & Co. is the registered owner, as nominee for DTC, references herein to the registered owners of the Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (defined herein) of the Bonds. See "THE BONDS - Book-Entry Only System" herein. Upon conversion to the Long-Term Interest Rate, interest on the Series 2004B Bonds will be payable on December 1, 2008 and semiannually thereafter on June 1 and December 1 of each year. Interest on the Series 2008A Bonds will be payable on the first Wednesday of each month, commencing on June 4, 2008.

The Series 2004B Bonds will be subject to mandatory tender on the Remarketing Date. The Series 2004B Bonds will bear interest from the Remarketing Date as shown on the inside cover page of this Official Statement at the rates established by Citigroup Global Markets Inc., in its capacity as the Remarketing Agent.

The Bonds are subject to redemption prior to maturity, including optional redemption, sinking fund redemption and extraordinary redemption, as described herein. See "THE BONDS — Redemption" herein. The Bonds in certain circumstances described herein will be required to be tendered.

The principal or purchase price of or redemption price of and interest on the Series 2008A Bonds are payable from amounts drawn on the Letter of Credit (as hereinafter defined). Fletcher Allen Health Care Inc., a Vermont non-profit corporation located in Burlington, Vermont (the "Corporation") is obligated to make payments sufficient to reimburse TD Banknorth, National Association (the "Bank") for draws on the Letter of Credit used to pay the principal and purchase and redemption price of and interest on the Series 2008A Bonds from payments to be made by the Corporation under a Loan Agreement, dated as of April 1, 2008 (the "Series 2008A Loan Agreement"), between the Agency and the Corporation. The principal and redemption price of and interest on the Series 2004B Bonds are payable solely from payments made by the Corporation under a Loan Agreement, dated as of March 1, 2004 (the "Series 2004B Loan Agreement" and, together with the Series 2008A Loan Agreement, each a "Loan Agreement"). The payments to be made pursuant to each Loan Agreement are general obligations of the Corporation. In addition, the obligations of the Corporation under each Loan Agreement are evidenced by the respective obligations ("Obligation Nos. 12 and 9") issued pursuant to the Amended and Restated Master Trust Indenture, dated as of March 1, 2004, as supplemented (the "Master Indenture"), by and between the Corporation (formerly known as Medical Center Hospital of Vermont, Inc.) and Chittenden Trust Company, as Master Trustee. The Corporation will be the only Member of the Obligated Group established pursuant to the Master Indenture, and Obligation Nos. 12 and 9 securing the Series 2008A Bonds and Series 2004B Bonds, respectively, will each constitute a joint and several obligation of the Corporation and any future Member of the Obligated Group. Reference is made to this Official Statement for relevant security provisions of the Bonds.

The scheduled payment of the principal of and interest on the Series 2004B Bonds when due is guaranteed under an insurance policy which was issued concurrently with the delivery of the Series 2004B Bonds by Financial Security Assurance Inc.

FSA

Payments of the principal of and interest on the Series 2008A Bonds, including any payments to be made with respect to an optional or mandatory redemption of the Series 2008A Bonds and payments of the purchase price of Series 2008A Bonds tendered or deemed tendered for purchase and not remarketed, are to be secured by and payable from amounts drawn by the Bond Trustee under an irrevocable, direct-pay letter of credit (the "Letter of Credit") to be issued by TD Banknorth, National Association.

TD Banknorth

The Letter of Credit is stated to expire on April 30, 2013, unless earlier terminated or extended, and may be replaced, as described herein. So long as the Letter of Credit is in effect, the Weekly Interest Rate may not exceed 12% per annum.

There are certain risks associated with the purchase of the Bonds. See "BONDHOLDERS' RISKS" herein.

The Series 2008A Bonds may be converted to bear interest for a Daily Interest Rate Period, an ARS Rate Period, a Long-Term Interest Rate Period, or a Short-Term Interest Rate Period. This Official Statement in general describes the terms of the Series 2008A Bonds only while the Series 2008A Bonds bear interest at a Weekly Interest Rate and does not describe all factors relevant to the Series 2008A Bonds upon conversion of the Series 2008A Bonds to other interest rate modes as provided in the Series 2008A Trust Agreement.

The Series 2004B Bonds may be converted to bear interest for a Daily Interest Rate Period, a Weekly Interest Rate Period, an ARS Rate Period, another Long-Term Interest Rate Period, or a Short-Term Interest Rate Period. This Official Statement in general describes the terms of the Series 2004B Bonds only while the Series 2004B Bonds bear interest at a Long-Term Interest Rate and does not describe all factors relevant to the Series 2004B Bonds upon conversion of the Series 2004B Bonds to other interest rate modes as provided in the Series 2004B Trust Agreement.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY PAYABLE SOLELY FROM THE REVENUES OF THE AGENCY, INCLUDING PAYMENTS TO THE BOND TRUSTEE FOR THE ACCOUNT OF THE AGENCY DERIVED FROM AND TO BE MADE BY THE CORPORATION, IN ACCORDANCE WITH THE PROVISIONS OF THE APPLICABLE LOAN AGREEMENT AND THE APPLICABLE TRUST AGREEMENT AND FROM CERTAIN OTHER FUNDS, ALL AS MORE FULLY DESCRIBED HEREIN. THE AGENCY HAS NO TAXING POWER. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF VERMONT OR OF ANY MUNICIPALITY OR POLITICAL SUBDIVISION OF THE STATE OF VERMONT IS PLEDGED TO THE PAYMENT OF THE BONDS.

This cover page and the inside cover page contain information for quick reference only. Investors must read the entire Official Statement, including all Appendices, to obtain information essential to making an informed investment decision.

The Series 2008A Bonds are offered when, as and if issued by the Agency, and delivered and received by the Underwriter, subject to prior sale, or withdrawal or modification of the offer without notice, and to the approval of their legality and certain other matters by Sidley Austin LLP, New York, New York, Bond Counsel. The Series 2004B Bonds are reoffered when and as tendered by the existing holders thereof and received by the Remarketing Agent, subject to prior sale, to withdrawal or modification of the reoffer without notice and to certain other conditions. Certain legal matters will be passed upon for the Underwriter and the Remarketing Agent by their counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York; for the Corporation by its counsel, Dinse, Knapp & McAndrew, P.C.; for the Agency by its counsel, Deppman & Foley, P.C.; and for the Bank by its counsel, Burak Anderson & Melloni, PLC, Burlington, Vermont. The Bonds are expected to be available for delivery through the facilities of DTC in New York, New York on or about May 21, 2008.

Citi[1]

May 9, 2008.

[1] Citigroup Global Markets Inc. is serving as Underwriter and Remarketing Agent in connection with the issuance of the Series 2008A Bonds and as Remarketing Agent in connection with the conversion and remarketing of the Series 2004B Bonds.

$160,525,000
Vermont Educational and Health Buildings Financing Agency
Variable Rate Hospital Revenue Bonds
(Fletcher Allen Health Care Project)
Series 2004B

$36,075,000 Serial Bonds

Year	Amount	Interest Rate	Yield	Year	Amount	Interest Rate	Yield
2008	$2,725,000	3.000%	2.200%	2014	$2,750,000	5.000%	3.750%
2009	2,925,000	4.000	2.430	2015	3,275,000	5.000	3.890
2010	2,350,000	5.000	2.970	2016	2,950,000	4.000	4.030
2011	3,075,000	4.000	3.280	2017	3,450,000	4.000	4.170
2012	2,475,000	5.000	3.510	2018	3,675,000	4.125	4.280
2013	3,250,000	4.000	3.630	2019	3,175,000	4.125	4.400

$11,675,000 5.00% Term Bonds due December 1, 2022 - price 101.974%*

$21,975,000 5.50% Term Bonds due December 1, 2028 - price 104.063%*

$90,800,000 5.00% Term Bonds due December 1, 2034 - price 98.125%

*Priced to the first optional par call date of June 1, 2018.

$54,705,000
Vermont Educational and Health Buildings Financing Agency
Variable Rate Hospital Revenue Refunding Bonds
(Fletcher Allen Health Care Project)
Series 2008A

Interest Rate: Weekly | Price 100% | Due: December 1, 2030

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

No dealer, broker, salesman or other person has been authorized by the Agency or the Corporation to give any information or to make representations with respect to the Bonds, other than those contained in the Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "BOND INSURANCE" and Appendix E "SPECIMEN MUNICIPAL BOND INSURANCE POLICY OF FINANCIAL SECURITY" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2004B Bonds; or (iii) the tax exempt status of the interest on the Series 2004B Bonds.

Certain information as contained herein has been obtained from the Corporation, Financial Security, TD Banknorth, National Association (the "Bank") and other sources, including DTC, which are believed to be reliable, but information obtained from sources other than the Agency is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Agency. The information herein under the heading "THE AGENCY" has been supplied by the Agency. The Underwriter and the Remarketing Agent have provided the following sentence for inclusion in this Official Statement. The Underwriter and the Remarketing Agent have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter and the Remarketing Agent do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAVE THE TRUST AGREEMENTS OR MASTER INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Official Statement contains a general description of the Bonds, the Agency, the Corporation, Financial Security, the Bank, the reoffering of the Series 2004B Bonds, and the plan of refunding and sets forth summaries of certain provisions of the Act (as defined herein), the Trust Agreements, the Loan Agreements, the Master Indenture, Obligation No. 9, Obligation No. 12 and Obligation No. 13. The descriptions and summaries herein do not purport to be complete and are not to be construed to be a representation of the Agency, the Underwriter or the Remarketing Agent. Persons interested in purchasing the Bonds should carefully review this Official Statement (including the Appendices attached hereto) as well as copies of the documents referred to herein in their entirety, which documents are held by the Bond Trustee at its principal corporate trust office in Burlington, Vermont.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

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Vermont Educational and Health Buildings Financing Agency
Variable Rate Hospital Revenue Refunding Bonds
(Fletcher Allen Health Care Project)
Series 2008A

INTRODUCTION

This Official Statement, including the cover page, the inside cover page and Appendices, sets forth certain information concerning the offering by the Vermont Educational and Health Buildings Financing Agency (the "Agency") of its Variable Rate Hospital Revenue Refunding Bonds (Fletcher Allen Health Care Project), Series 2008A in the aggregate principal amount of $54,705,000 (the "Series 2008A Bonds") and the reoffering and conversion of its Variable Rate Hospital Revenue Bonds (Fletcher Allen Health Care Project), Series 2004B in the aggregate principal amount of $160,525,000 (the "Series 2004B Bonds" and, together with the Series 2008A Bonds, the "Bonds") to bear interest at a Long-Term Interest Rate.

The Series 2004B Bonds are dated their date of original issuance (April 15, 2004) and, assuming the satisfaction of certain conditions, from and including May 21, 2008 (the "Remarketing Date") will bear interest at a Long-Term Interest Rate (as defined herein). The Series 2004B Bonds will be subject to mandatory tender on the Remarketing Date.

Certain capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings given to such terms under the heading "DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF PRINCIPAL LEGAL DOCUMENTS" in Appendix C hereto. This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to the entire Official Statement of which a full review should be made by potential investors.

The Agency

The Agency is a body corporate and politic constituting a public instrumentality of the State of Vermont (the "State") organized and existing under and by virtue of the Vermont Educational and Health Buildings Financing Agency Act, being Chapter 131, Sections 3851 to 3862, inclusive, of Title 16, Vermont Statutes Annotated, as amended (the "Act"). For a further discussion of the Agency, see "THE AGENCY" herein.

The Bonds

The Series 2008A Bonds are being issued under a Trust Agreement, dated as of April 1, 2008 (the "Series 2008A Trust Agreement"), between the Agency and Chittenden Trust Company, as bond trustee (the "Bond Trustee").

The Series 2004B Bonds were issued under a Trust Agreement, dated as of March 1, 2004, as amended as of April 1, 2008 (the "Series 2004B Trust Agreement" and, together with the Series 2008A Trust Agreement, each a "Trust Agreement" and collectively, the "Trust Agreements"), between the Agency and the Bond Trustee. The Series 2008A Bonds are being, and the Series 2004B Bonds were, issued in accordance with the provisions of the Act.

The Series 2008A Bonds will initially bear interest at the Weekly Interest Rate from their date of original issuance. Interest on the Series 2008A Bonds will initially be payable on June 4, 2008 and thereafter, while such Series 2008A Bonds bear interest at a Weekly Interest Rate, on the first Wednesday of each month (or the next succeeding Business Day if such Wednesday is not a Business Day). The Series 2004B Bonds will be converted to the Long-Term Interest Rate on May 21, 2008. The Series 2004B will bear interest at a Long-Term Interest Rate until maturity. The Bonds are subject to redemption prior to maturity. For a further description of the Bonds, see "THE BONDS" herein.

While bearing interest in the Weekly Interest Rate, the Series 2008A Bonds are issuable as fully registered bonds in denominations of $100,000 or any integral multiple of $5,000 in excess thereof. The Series 2004B Bonds will be reoffered as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Both the Series 2004B Bonds, and, when issued in the case of the Series 2008A Bonds, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. See "THE BONDS – Book-Entry Only System" herein.

Use of Series 2008A Bond Proceeds

The proceeds of the Series 2008A Bonds will be applied by the Agency to make a loan (the "Series 2008A Loan") to Fletcher Allen Health Care, Inc. (the "Corporation") pursuant to a Loan Agreement, dated as of April 1, 2008 (the "Series 2008A Loan Agreement"), by and between the Agency and the Corporation. In accordance with the Series 2008A Loan Agreement, the Series 2008A Loan is to be used for the purposes of (i) currently refunding the Agency's outstanding Variable Rate Hospital Revenue Bonds (Fletcher Allen Health Care Projects), Series 2000B (the "Series 2000B Bonds"); and (ii) paying certain costs incidental to the issuance and sale of the Series 2008A Bonds and the conversion of the Series 2004B Bonds, including a swap termination payment. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Security for the Bonds

Master Indenture and Security Therefor

The Series 2008A Bonds are limited obligations of the Agency, payable solely from money to be paid by the Corporation pursuant to the terms of the Series 2008A Loan Agreement and money to be paid by the Obligated Group pursuant to Obligation No. 12 issued to the Agency under an Amended and Restated Master Trust Indenture, dated as of March 1, 2004 (the "Master Trust Indenture"), amending and restating the Master Trust Indenture, dated as of January 1, 1993 (the "Prior Master Trust Indenture"), between the Corporation (formerly known as Medical Center Hospital of Vermont, Inc.) and Chittenden Trust Company, as Master Trustee (the "Master Trustee"), and Supplemental Indenture for Obligation No. 12, dated as of April 1, 2008 ("Supplement No. 12").

The Series 2004B Bonds are limited obligations of the Agency, payable solely from money to be received from the Corporation pursuant to the terms of a Loan Agreement, dated as of March 1, 2004 (the "Series 2004B Loan Agreement" and, together with the Series 2008A Loan Agreement, each a "Loan Agreement" and collectively, the "Loan Agreements"), by and between the Agency and the Corporation and pursuant to Obligation No. 9 issued to the Agency under the Master Trust Indenture and Supplemental Indenture for Obligation No. 9, dated as of March 1, 2004, as amended ("Supplement No. 9"). See "SUMMARY OF THE MASTER INDENTURE" in Appendix C attached hereto. The Master Trust Indenture, as supplemented in accordance with the provisions thereof, is referred to in this Official Statement as the "Master Indenture".

Payments on Obligation No. 12 will be required to be sufficient to pay the principal or purchase price of and interest and any premium on the Series 2008A Bonds, as due and payable. Payments on Obligation No. 9 will be required to be sufficient to pay the principal of and interest and any premium on the Series 2004B Bonds, as due and payable. To secure the payment of the Series 2008A Bonds, the Agency will assign to the Bond Trustee all of its interest in Obligation No. 12 and, with certain exceptions, the Series 2008A Loan Agreement. To secure the payment of the Series 2004B Bonds, the Agency assigned to the Bond Trustee all of its interests in Obligation No. 9 and, with certain exceptions, the Series 2004B Loan Agreement. Obligation Nos. 12 and 9 are joint and several obligations of the Corporation, as currently the sole Member of the Obligated Group, and any future Members of the Obligated Group under the Master Indenture, and will be secured by a security interest in the Pledged Assets (as defined herein) of each Member of the Obligated Group and the Mortgage (as defined herein). The Master Indenture permits any Person to become a Member of the Obligated Group upon compliance with certain financial tests. The Master Indenture also permits, upon compliance with the terms thereof, any Member to withdraw from the Obligated Group. The Corporation has covenanted in Supplement Nos. 12 and 9, respectively, not to withdraw from the Obligated Group so long as any Series 2008A Bonds or Series 2004B Bonds are Outstanding unless it has the prior written consent of the Agency and Financial Security to do so. Appendix A contains a description of the Corporation.

Pursuant to the Master Indenture, the Corporation has heretofore executed and delivered Obligation No. 1, dated as of January 1, 1993 ("Obligation No. 1"), in the original aggregate principal amount of $48,350,000. Obligation No. 1 was issued in connection with the issuance by the Agency of its $48,350,000 Hospital Revenue Bonds (Medical Center Hospital of Vermont Project), Series 1993 (the "Series 1993 Bonds"), the proceeds of which were used to pay the costs of various capital improvements to the Corporation. Obligation No. 1 has been cancelled. Pursuant to the Master Indenture, the Corporation has heretofore executed and delivered Obligation No. 2, dated as of August 1, 1994 ("Obligation No. 2"), in the aggregate principal amount of $37,600,000, of which $15,650,000 is currently outstanding. Obligation No. 2 was issued in connection with the issuance by the Agency of its $37,600,000 Hospital Revenue Refunding Bonds (Medical Center Hospital of Vermont Project), Series 1994, Select Auction Variable Rate Securities℠ (SAVRS®) (the "Series 1994 Bonds"), the proceeds of which were used to refund certain bonds of the Agency issued on behalf of the Corporation in 1986. Pursuant to the Master Indenture, the Corporation has heretofore executed and delivered Obligation No. 3, dated as of February 1, 2000 ("Obligation No. 3"), in the aggregate principal amount of $100,000,000, of which $96,265,000 is currently outstanding. Obligation No. 3 was issued in connection with the issuance by the Agency of its $100,000,000 Hospital Revenue Bonds (Fletcher Allen Health Care Project), Series 2000A (the "Series 2000A Bonds"), the proceeds of which were used to pay the costs of various capital improvements to the Corporation, including the Renaissance Project (as defined herein). Pursuant to the Master Indenture, the Corporation has heretofore executed and delivered Obligation No. 4, dated as of March 1, 2000 ("Obligation No. 4"), in the aggregate principal amount of $50,000,000, of which $50,000,000 is currently outstanding. Obligation No. 4 was issued in connection with the issuance by the Agency of its $50,000,000 Variable Rate Hospital Revenue Bonds (Fletcher Allen Health Care Project), Series 2000B, (the "Series 2000B Bonds") the proceeds of which were used to pay the costs of various capital improvements to the Corporation, including the Renaissance Project. The Series 2000B Bonds were converted to an auction rate mode and remarketed simultaneously with the issuance of the Series 2004B Bonds. In addition, the Corporation's payment obligations under the Standby Bond Purchase Agreement, dated as of March 1, 2000, among the Corporation, the Bond Trustee and JPMorgan Chase Bank, formerly The Chase Manhattan Bank, were secured by Obligation No. 5, dated March 29, 2000 ("Obligation No. 5"). Obligation No. 5 has been cancelled. The proceeds of the Series 2008A Bonds will currently refund the Series 2000B Bonds and will subsequently cancel Obligation No. 4. The Corporation's payment obligations under the Loan Agreement, dated September 30, 2003 from Banknorth, N.A. (the "Banknorth Loan Agreement"), were secured by Obligation No. 6, dated September 30, 2003 ("Obligation No. 6"). Obligation No. 6 has been cancelled. The Corporation's payment obligations under the Building Loan Agreement, dated December 19, 2003, from J.P. Morgan Leasing Inc. (the "Building Loan Agreement"),

were secured by Obligation No. 7, dated December 19, 2003 ("Obligation No. 7"). Obligation No. 7 has been cancelled. Pursuant to the Master Indenture, the Corporation has heretofore executed and delivered Obligation No. 8, dated as of March 1, 2004 ("Obligation No. 8"), in the aggregate principal amount of $47,620,000, of which $41,685,000 is currently outstanding. Obligation No. 8 was issued in connection with the issuance by the Agency of its $47,620,000 Hospital Revenue Refunding Bonds (Fletcher Allen Health Care Project), Series 2004A (the "Series 2004A Bonds"), the proceeds of which were used to currently refund the Series 1993 Bonds. Pursuant to the Master Indenture, the Corporation has heretofore executed and delivered Obligation No. 9, dated as of March 1, 2004 ("Obligation No. 9"), in the aggregate principal amount of $170,000,000, of which $160,525,000 will remain outstanding after the reoffering of the Bonds. Obligation No. 9 was issued in connection with the issuance by the Agency of its $170,000,000 Variable Rate Hospital Revenue Bonds (Fletcher Allen Health Care Project), Series 2004B (the "Series 2004B Bonds"), the proceeds of which were used to pay costs of various capital improvements to the Corporation, including the Renaissance Project. Pursuant to the Master Indenture, the Corporation has heretofore executed and delivered Obligation No. 10, dated as of April 15, 2004 ("Obligation No. 10") in the aggregate principal amount of $135,000,000, of which $50,000,000 will be outstanding upon the conversion and reoffering of the Series 2004B Bonds, as described herein. Obligation No. 10 was issued in connection with an interest rate swap transaction pursuant to an ISDA Master Agreement, together with certain schedules and a written Confirmation with Citibank, N.A., New York. Pursuant to the Master Indenture, the Corporation has heretofore executed and delivered Obligation No. 11, dated as of January 1, 2007 ("Obligation No. 11"), in the aggregate principal amount of $56,260,000 of which $56,260,000 is currently outstanding. Obligation No. 11 was issued in connection with the issuance by the Agency of its $56,260,000 Hospital Revenue Bonds (Fletcher Allen Health Care Project), Series 2007A, the proceeds of which were used to pay costs of various capital improvements to the Corporation, including the Renaissance Project. In addition, the Corporation's payment obligations under the Reimbursement Agreement (as defined herein) to the Bank, will be secured by Obligation No. 13, dated as of April 1, 2008 ("Obligation No. 13"). Obligation No. 13 and Obligation No. 12 will be secured pari passu with outstanding Obligation Nos. 2, 3, 4, 8, 9, 10 and 11 (the "Prior Obligations") under the Master Indenture and any other Obligations (as defined herein) issued under the Master Indenture from time to time.

Pursuant to the Master Indenture, as security for the payment of the principal of, and the redemption premium, if any, and interest on, the Prior Obligations, Obligation No. 12 and Obligation No. 13 and any other Obligation issued and outstanding under the Master Indenture, the Corporation has granted a security interest in its Pledged Assets (as hereinafter defined) and has granted the Mortgage (as defined herein) to the Master Trustee. The Corporation (and all future Members of the Obligated Group) has agreed in the Master Indenture that it will not create or suffer to be created or exist any Lien other than Permitted Liens upon its Pledged Assets or on other Property now owned or hereafter acquired. The Lien created by the Mortgage is a Permitted Lien. In addition, the Corporation (and all future Members of the Obligated Group) is subject to covenants under the Master Indenture containing restrictions or limitations with respect to indebtedness, consolidation or merger, and transfer of assets, among others.

The Pledged Assets that are pledged under the Master Indenture to secure the Prior Obligations and Obligation No. 12 and Obligation No. 13 and any additional Obligations that may be issued on a parity with Obligation No. 12 and Obligation No. 13 (collectively, the "Obligations") consist of all Gross Receipts (as defined herein) of the Members of the Obligated Group, now owned or hereafter acquired, and all proceeds thereof (the "Pledged Assets"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Corporation has also granted to the Master Trustee, as security for all Obligations issued under the Master Indenture, a mortgage on certain property located on the Medical Center Campus at 111 Colchester Avenue, Burlington, Vermont (the "Mortgaged Property"). The Corporation and the Master

Trustee entered into the Mortgage Deed on December 17, 2003 (the "Mortgage"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Mortgage" herein.

For more detailed descriptions of the Corporation's obligations under the Master Indenture and Obligation Nos. 9, 12 and 13, including a description of the rate covenant, conditions under which additional Obligations may be issued and other Indebtedness may be incurred, conditions under which other organizations may join or withdraw from the Obligated Group and conditions under which Members of the Obligated Group may acquire or dispose of property and merge with or acquire other organizations, see Appendix C hereto.

The Master Indenture contains provisions pursuant to which, under certain conditions, Holders of Obligations would be required to surrender such Obligations in exchange for a new note or obligation from a new obligated group issued under a different master indenture. See "SUBSTITUTION OF MASTER INDENTURE" herein and "SUMMARY OF THE MASTER INDENTURE – Replacement Master Indenture" in Appendix C hereto.

Brief descriptions and summaries of the Series 2008A Bonds, the Series 2004B Bonds, the Master Indenture, the Loan Agreements and the Trust Agreements are included in Appendix C to this Official Statement. Those descriptions and summaries do not purport to be comprehensive or definitive, and all references in this Official Statement to the Master Indenture, the Loan Agreements and the Trust Agreements are qualified by reference to those documents in their entirety, and all references to the Series 2008A Bonds and the Series 2004B Bonds are qualified by reference to the definitive form of the Series 2008A and Series 2004B Bonds contained in the applicable Trust Agreement.

Reserve Fund for the Series 2004B Bonds

The Series 2004B Trust Agreement creates a reserve fund for the payment of the principal of and interest on the Series 2004B Bonds in the event that other funds available under the Series 2004B Trust Agreement for payment thereof are insufficient. The reserve fund relating to the Series 2004B Bonds (the "Series 2004B Reserve Fund") was funded upon the issuance of the Series 2004B Bonds from bond proceeds. On May 21, 2008, the amount in the Series 2004B Reserve Fund will equal the Series 2004B Reserve Fund Requirement of $13,656,547. For a further discussion of the Series 2004B Reserve Fund see the definition of "Reserve Fund Requirement" and the caption, "SUMMARY OF THE SERIES 2004B TRUST AGREEMENT – Reserve Fund" in Appendix C hereto.

The Obligated Group

Currently, the Corporation is the only Member of the Obligated Group.

Organized on December 30, 1994, the Corporation was created by the consolidation of the former Medical Center Hospital of Vermont, Inc., Fanny Allen Hospital, Hotel Dieu and the University Health Center, Inc. The Corporation is a Vermont non-profit corporation. The Corporation, with 562 licensed beds and 58 licensed bassinets system-wide, has historically served patients residing in the State of Vermont and northeastern New York State. The Corporation is the teaching affiliate of the University of Vermont College of Medicine.

For a further description of the Corporation, see "INFORMATION CONCERNING FLETCHER ALLEN HEALTH CARE, INC. ORGANIZATION AND OPERATIONS" in Appendix A to this Official Statement.

Bond Insurance

The Series 2008A Bonds will not be insured.

Simultaneously with the issuance of the Series 2004B Bonds, Financial Security Assurance Inc. ("Financial Security") issued a municipal bond insurance policy (the "Policy") insuring the scheduled payment, when due, of the principal (including mandatory sinking fund payments) of and interest on the Series 2004B Bonds. For a further description of the Policy, see "BOND INSURANCE" herein and the specimen of the Policy attached as Appendix E to this Official Statement. A description of Financial Security, provided by Financial Security for inclusion in this Official Statement, is set forth under the heading "BOND INSURANCE" herein.

Letter of Credit

The Series 2004B Bonds are not secured by the Letter of Credit.

The principal and redemption and purchase price of and interest on the Series 2008A Bonds will be payable from amounts drawn by the Bond Trustee on the Letter of Credit to be issued by the Bank pursuant to a Letter of Credit and Reimbursement Agreement, dated as of April 1, 2008 (the "Reimbursement Agreement"), between the Bank and the Corporation. The Letter of Credit will be issued concurrently with, and is a condition precedent to the issuance of, the Series 2008A Bonds. For a more detailed description of the Letter of Credit, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS –The Letter of Credit."

Bondholders' Risks

Certain risks associated with the purchase of the Bonds are set forth in the section entitled "BONDHOLDERS' RISKS" herein. Careful evaluation should be made of the risks set forth in such section and elsewhere in this Official Statement concerning the factors which may affect the payment of the principal or redemption price of and interest on the Bonds when due.

Limited Obligations of the Agency

The Bonds are limited obligations of the Agency. The Agency is not obligated to pay the principal of, or the premium, if any, or the interest on, the Series 2008A Bonds except from revenues and receipts derived in respect of Obligation No. 12, as described above, the Series 2008A Loan Agreement and the money attributable to proceeds of the Series 2008A Bonds and the income from the investment thereof and, under certain circumstances, proceeds of insurance, sale and condemnation awards and proceeds derived from the exercise of remedies. The Agency is not obligated to pay the principal of, or the premium, if any, or the interest on, the Series 2004B Bonds except from revenues and receipts derived in respect of Obligation No. 9, as described above, the Series 2004B Loan Agreement and the money attributable to the proceeds of the Series 2004B Bonds and the income from the investment thereof and, under certain circumstances, proceeds of insurance, sale and condemnation awards and proceeds derived from the exercise of remedies. The Agency has no taxing power. The Bonds do not constitute or create any debt, liability or obligation of the State or any political subdivision or instrumentality thereof (other than the Agency) or a pledge of the faith and credit of the State or any political subdivision or agency of the State, and neither the faith and credit nor the taxing power of the State or any political subdivision or any agency thereof is pledged as security for the payment of the principal of, or premium, if any, or the interest on the Bonds.

Miscellaneous

Copies of the Trust Agreements, the Loan Agreements, the Master Indenture, Obligation No. 9, Obligation No. 12, Obligation No. 13, the Reimbursement Agreement and the Policy are available for inspection at the principal corporate trust office of the Bond Trustee. All inquiries should be directed in writing to the Bond Trustee at Chittenden Trust Company, Corporate Trust, Two Burlington Square, Burlington, Vermont 05401, Attention: Corporate Trust Department.

THE AGENCY

The Agency was created as a body corporate and politic constituting a public instrumentality of the State of Vermont for the purpose of exercising the powers conferred on it by virtue of the Act. The purpose of the Agency is essentially to assist certain health care and educational institutions in the acquisition, construction, financing and refinancing of their related projects.

Agency Membership and Organization

Under the Act, the Board of the Agency consists of the Commissioner of Education of the State of Vermont, the State Treasurer, the Secretary of the Agency of Human Services and the Secretary of the Agency of Administration of the State, all *ex officio*, seven members appointed by the Governor of the State, with the advice and consent of the Senate, for terms of six years, and two members appointed by the members appointed by the Governor for terms of two years. The members of the Board annually elect a Chair, a Vice Chair, a Treasurer and a Secretary. There is currently one vacancy on the Board. The day-to-day administration of the Agency is handled by the Executive Director of the Agency.

The present officers and members of the Agency and their places of business or residences are set forth below.

Officers

James B. Potvin, Chairman
Certified Public Accountant
Stevens, Wilcox, Baker, Potvin,
Cassidy & Jakubowski
Rutland, Vermont

Dawn D. Bugbee, Vice Chair
Vice President and Chief Financial Officer
Green Mountain Power Corporation
Colchester, Vermont

Edward Ogorzalek, Treasurer
Chief Financial Officer
Rutland Regional Medical Center
Rutland, Vermont

Stephen Gurin, Secretary
Regional Vice President
Community National Bank
Barre, Vermont

Ex-Officio Members

Jeb Spaulding
State Treasurer
Montpelier, Vermont

Michael K. Smith
Secretary of the Agency of Administration
Montpelier, Vermont

Richard Cate
Commissioner of Education
Montpelier, Vermont

Cynthia D. LaWare
Secretary of the Agency of Human Services
Waterbury, Vermont

Appointed and Elected Members

Dawn D. Bugbee
Vice President and Chief Financial Officer
Green Mountain Power Corporation
Colchester, Vermont

Kenneth Gibbons
President
Union Bank
Morrisville, Vermont

Stephen Gurin
Regional Vice President
Community National Bank
Barre, Vermont

Edward Ogorzalek
Chief Financial Officer
Rutland Regional Medical Center
Rutland, Vermont

James B. Potvin
Certified Public Accountant
Stevens, Wilcox, Baker, Potvin,
Cassidy & Jakubowski
Rutland, Vermont

Sandy Predom
Vice President
Merchants Bank
Rutland, Vermont

Neil G. Robinson
Vice President and Treasurer
Vermont Electric Power Company, Inc.
Rutland, Vermont

Stuart W. Weppler
Financial Consultant
Morrisville, Vermont

Executive Director

Robert Giroux
Executive Director
Vermont Educational and Health
Buildings Financing Agency
58 East State Street
Montpelier, Vermont

Deppman & Foley, P.C., Middlebury, Vermont, is general counsel to the Agency.

Sidley Austin LLP, New York, New York, is Bond Counsel to the Agency and will submit its approving opinion with regard to the legality of the Series 2008A and its opinion with regard to the conversion of the Series 2004B Bonds in substantially the forms attached hereto as Appendix D.

Public Financial Management, Boston, Massachusetts, is the financial advisor to the Agency.

Financing Programs of the Agency

The Agency was duly created under the Act as a body corporate and politic constituting a public instrumentality of the State of Vermont. The Act empowers the Agency, among other things, to finance or assist in the financing of eligible institutions, through financing agreements, which may include loan agreements, lease agreements, conditional sales agreements, purchase money mortgages, installment sale contracts and other types of contracts; to acquire property, both real and personal, including leasehold and other interests in land, necessary or convenient for its corporate purposes; to acquire or make loans with respect to facilities, including buildings, improvements to real property, equipment, furnishings appurtenances, utilities and other property, determined by the Agency to be necessary or convenient in the

operation of any eligible institution; to lease or to make loans with respect to such facilities to any such eligible institution; and to issue refunding bonds of the Agency whether the bonds to be refunded have or have not matured.

The Agency has heretofore authorized and issued numerous series of its bonds and notes. All outstanding Agency bond and note issues, except the Series 1994 Bonds, the Series 2000A Bonds, the Series 2000B Bonds, the Series 2004A Bonds and the Series 2007A Bonds, have been authorized and issued pursuant to financing documents separate from and unrelated to the Loan Agreements and the Trust Agreements for the Series 2008A and Series 2004B Bonds and are payable from certain revenues other than those pledged for payment of the Series 2008A and Series 2004B Bonds. Inasmuch as each such series of bonds and notes of the Agency is secured separately from all other bonds and notes issued thereby, the moneys on deposit in the respective funds (including cash and securities in the respective reserve accounts) established to provide for the timely payment of the debt service requirements on the various issues of outstanding bonds and notes of the Agency cannot be commingled or be used for any purpose other than servicing the requirements of the specific series of bonds or notes in connection with which such funds were created.

The Agency under the Act may issue from time to time other bonds and notes under separate resolutions to assist certain health care and educational institutions in the acquisition, construction, financing and refinancing of their related projects payable from revenues derived by the Agency from such institutions.

Other than with respect to the description of the Agency provided herein, and the information with respect to the Agency under "LITIGATION" herein, the Agency has not prepared or reviewed, and expresses no opinion with respect to the accuracy or completeness of, any of the information set forth in this Official Statement.

No recourse shall be had for any claim based on the Bonds, the Loan Agreements or the Trust Agreements against any past, present or future member, officer, employee or agent, as such, of the Agency or of any predecessor or successor corporation, either directly or through the Agency or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise.

THE MEMBERS OF THE OBLIGATED GROUP

Currently, the Corporation is the only Member of the Obligated Group. For a discussion of the Corporation, see the information concerning the Corporation included in Appendix A to this Official Statement.

PLAN OF REFUNDING

The proceeds of the sale of Series 2008A Bonds will be used to (i) currently refund the Series 2000B Bonds; and (ii) pay certain costs incidental to the issuance and sale of the Series 2008A Bonds and the conversion of the Series 2004B Bonds, including a swap termination payment.

A portion of the net proceeds of the Series 2008A Bonds will be used to redeem $50,000,000 in aggregate principal amount of the Series 2000B Bonds within 90 days of issuance of the Series 2008A Bonds at a redemption price of 100% of the principal amount thereof, plus accrued interest. Such moneys will be deposited in trust with Chittenden Trust Company, as prior bond trustee (the "Prior Trustee") under the Trust Agreement, amended and restated as of March 1, 2004 (the "Prior Trust Agreement").

Subject to the issuance of the Series 2008A Bonds, the deposit of the proceeds thereof in such redemption fund and the satisfaction of the applicable provisions of the Prior Trust Agreement, the pledge and lien of the Series 2000B Bonds will be discharged, and the Series 2000B Bonds will no longer be outstanding under the Prior Trust Agreement.

In connection with the issuance of approximately $135 million of the Series 2004B Bonds, the Corporation, on behalf of the Obligated Group, entered into an interest rate swap transaction (the "Swap Transaction") pursuant to an ISDA Master Agreement, together with certain schedules and a written Confirmation with Citibank, N.A., New York (the "Swap Provider"). The parties' obligations under the Swap Transaction would be settled on a net basis in accordance with the prevailing practice in the interest rate exchange market. As security for its obligation to make its scheduled payments under the Swap Transaction, the Corporation, on behalf of the Obligated Group, delivered to the Swap Provider its Obligation No. 10 issued pursuant to the Master Indenture. As an Obligation under the Master Indenture, the obligations under such Obligation No. 10 are secured on a parity basis with all Obligations issued and outstanding under the Master Indenture from time to time. In connection with the conversion of the Series 2004B Bonds to the Long-Term Interest Rate, a portion of the Swap Transaction will be terminated on the Remarketing Date and the Corporation will pay a termination fee to the Swap Provider.

After the Remarketing Date and upon conversion of the Series 2004B Bonds to the Long-Term Interest Rate, the Swap Transaction will operate to hedge, in part, the Series 2008A Bonds. The Corporation will pay a fixed rate on a notional amount initially equal to approximately $50 million of the outstanding amount of the Series 2008A Bonds for the term of the Series 2008A Bonds and will receive an alternative floating rate derived from a LIBOR based formula which may or may not equal the rate on the Series 2008A Bonds.

Arrangements made in respect of the Swap Transaction do not alter the Obligated Group Members' obligation to pay principal of and interest on the Series 2008A Bonds. The Swap Transaction does not provide a source of security or other credit for the Series 2008A Bonds. Under certain circumstances, the Swap Transaction may be terminated prior to maturity. Accordingly, no assurance can be given that the Swap Transaction will continue to be in existence. If the Swap Transaction is terminated under certain market conditions, the Obligated Group Members may be liable for a substantial termination payment to the Swap Provider. The obligation to make such termination payment is subordinate to the Obligations outstanding under the Master Indenture.

ESTIMATED SOURCES AND USES OF FUNDS

Estimated Sources of Funds	Series 2008A	Series 2004B
Par Amount	$54,705,000	$160,525,000
Net Original Issue Premium		156,067
Trustee-held Funds		2,700,000
Total Sources of Funds	$54,705,000	$163,381,067
Estimated Uses of Funds		
Deposit to the Redemption Fund for the Series 2000B Bonds	$50,000,000	
Funding of Swap Termination Payment	3,128,000	
Payment of Mandatory Tender of Series 2004B Bonds		$163,225,000
Costs of Issuance[(1)]	1,577,000	156,067
Total Uses of Funds	$54,705,000	$163,381,067

(1) Includes Underwriter's discount, legal, consulting and printing fees, and associated bond issuance costs.

ANNUAL DEBT SERVICE REQUIREMENTS[1]

The following table sets forth, for each calendar year ending December 31, the amounts required each year to be made available for the payment of debt service by the Corporation on the Series 1994 Bonds, the Series 2000A Bonds, the Series 2004A Bonds, the Series 2004B Bonds, the Series 2007A Bonds and the Series 2008A Bonds. The principal amounts and sinking fund requirements with respect to the Series 2008A Bonds will be payable on or about December 1.

						Series 2008A Bonds		
Year Ending December 31	Series 1994 Bonds[4]	Series 2000A Bonds	Series 2004A Bonds	Series 2004B Bonds	Series 2007A Bonds	Principal[3]	Interest[5]	Total[2]
2008	$ 2,671,963.17	$ 6,432,481	$ 3,626,091	$ 6,876,071	$ 2,656,044		$ 1,084,147	$ 23,346,797
2009	3,067,004.21	6,398,031	3,638,585	10,708,438	2,696,044		2,054,173	28,562,274
2010	3,003,779.20	6,408,581	3,648,210	10,016,438	2,754,444		2,054,173	27,885,624
2011	3,115,710.43	6,476,225	3,546,785	10,623,938	2,765,444		2,054,173	28,582,274
2012	3,050,386.31	6,482,225	3,552,185	9,900,938	2,795,844		2,054,173	27,835,750
2013	3,071,257.01	6,390,475	3,648,585	10,552,188	2,789,844		2,054,173	28,506,521
2014		9,510,194	3,626,660	9,922,188	3,073,844		2,054,173	28,187,058
2015		9,531,919	3,606,410	10,309,688	2,616,244		2,054,173	28,118,433
2016		9,563,444	3,576,910	9,820,938	3,091,244		2,054,173	28,106,708
2017		9,501,569	3,638,410	10,202,938	2,596,650		2,054,173	27,993,739
2018		9,549,594	3,586,160	10,289,938	2,836,650		2,054,173	28,316,514
2019		9,504,219	3,630,410	9,638,344	2,821,450		2,054,173	27,648,595
2020		9,561,519	3,576,160	10,282,375	2,821,463		2,054,173	28,295,689
2021		9,556,319	3,577,910	9,609,875	3,021,050		2,054,173	27,819,327
2022		9,556,019	3,582,660	10,211,125	2,561,713		2,054,173	27,965,689
2023		9,514,119	7,919,910	5,748,625	2,661,000		2,054,173	27,897,827
2024		13,126,819		9,948,625	2,620,538		2,054,173	27,750,154
2025		13,125,219		9,992,625	2,851,738		2,054,173	28,023,754
2026		13,123,500		9,396,500	2,821,775		2,054,173	27,395,948
2027		5,444,213		9,844,625	2,817,525	$ 8,600,000	2,054,173	28,760,535
2028				9,155,625	2,857,800	14,665,000	1,731,243	28,409,668
2029				9,290,000	2,925,463	15,365,000	1,180,572	28,761,035
2030				8,652,500	3,174,088	16,075,000	603,616	28,505,204
2031				24,060,000	2,909,888			26,969,888
2032				23,836,250	3,011,613			26,847,863
2033				23,423,750	2,972,400			26,396,150
2034				20,580,000	2,913,663			23,493,663
2035					26,076,350			26,076,350
2036					26,077,513			26,077,513
Totals	$17,980,100	$178,756,681	$61,982,041	$312,894,540	$128,589,319	$ 54,705,000	$43,628,860	$798,536,542

(1) Amounts listed in the chart may vary slightly from actual amounts payable due to rounding variances.

(2) Private loans and capital leases are excluded from the existing debt calculation.

(3) Principal due at either maturity or pursuant to the sinking fund requirements.

(4) Variable rate bonds; interest calculated at the assumed rate of 4.930% which is the fixed rate paid by the Corporation under a related swap agreement.

(5) Variable rate bonds; interest calculated at the assumed rate of 3.755% which is the fixed rate paid by the Corporation and which the Corporation receives 66.5% of LIBOR plus .32% under a related swap agreement.

THE BONDS

Description of the Series 2008A Bonds

The following summary describes the terms of the Series 2008A Bonds only while the Series 2008A Bonds bear interest at the Weekly Interest Rate. Prospective purchasers of the Series 2008A Bonds should not rely on this summary if the Series 2008A Bonds are bearing interest at a rate other than the Weekly Interest Rate. If the Corporation elects to convert the Series 2008A Bonds to another Interest Rate Period, a new official statement or a supplement to this Official Statement describing the terms of the Series 2008A Bonds during such Interest Rate Period will be prepared.

General

The Series 2008A Bonds initially will bear interest at the Weekly Interest Rate as described below under "Determination of the Weekly Interest Rate" unless and until, at the election of the Corporation and upon compliance with the conditions set forth in the Series 2008A Trust Agreement, the interest rate borne by the Series 2008A Bonds is converted to a Daily Interest Rate, a Long-Term Interest Rate, Bond Interest Term Rates or the Auction Period Rate.

The Series 2008A Bonds are to (i) mature on December 1, 2030, subject to prior redemption as described under "— Redemption" below, (ii) be dated the date of their issuance and (iii) bear interest from that date until paid. So long as the Series 2008A Bonds bear interest at the Weekly Interest Rate, interest will be computed on the basis of a 365- or 366-day year for the actual days elapsed for the Series 2008A Bonds.

The Series 2008A Bonds will be issued as fully registered Series 2008A Bonds in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of DTC. The Series 2008A Bonds may be purchased by the beneficial owners in denominations, during a Weekly Interest Rate Period, of $100,000 and integral multiples of $5,000 in excess of $100,000 (during a Weekly Interest Rate Period, a "Series 2008A Authorized Denomination").

While the Series 2008A Bonds bear interest at the Weekly Interest Rate, interest on the Series 2008A Bonds will be payable monthly in arrears on the first Wednesday of each month, commencing June 4, 2008, or the next succeeding Business Day if any such Wednesday is not a Business Day (during a Weekly Interest Rate Period, a "Series 2008A Interest Payment Date").

Interest on the Series 2008A Bonds will be payable on each Series 2008A Interest Payment Date for the period commencing on the first Wednesday of the preceding month and ending on the Tuesday immediately preceding the Series 2008A Interest Payment Date (or, if sooner, the last day of the Weekly Interest Rate Period). In any event, interest on the Series 2008A Bonds will be payable for the final Interest Rate Period to the date on which the Series 2008A Bonds have been paid in full.

At no time will any Series 2008A Bond (other than a Bank Bond) bear interest at a Weekly Interest Rate that is in excess of the lesser of 12% per annum and the maximum rate of interest on the relevant obligation permitted by applicable law.

Principal of and premium, if any, and interest on the Series 2008A Bonds will be paid by the Bond Trustee. Principal is payable upon presentation of the Series 2008A Bonds by the Holders thereof as the Series 2008A Bonds become due and payable. Except as otherwise provided in the Series 2008A Trust Agreement, interest on the Series 2008A Bonds will be payable on each Series 2008A Interest Payment Date by the Bond Trustee by check mailed on the date on which interest is due to the Holders of the Series 2008A Bonds at the close of business on the Regular Record Date in respect of such Series 2008A Interest Payment Date at the registered addresses of such Holders as they appear on the registration books maintained by the Bond Trustee. The Regular Record Date with respect to any Series 2008A Interest Payment Date for the

Series 2008A Bonds bearing interest at a Weekly Interest Rate is the Business Day immediately preceding such Series 2008A Interest Payment Date. Notwithstanding the foregoing, so long as records of ownership of the Series 2008A Bonds are maintained through the Book-Entry System described in under "Book-Entry Only System" herein, all payments to the Beneficial Owners of such Series 2008A Bonds will be made in accordance with the procedures described in under "Book-Entry Only System" herein.

The initial Weekly Interest Rate for the Series 2008A Bonds for the period commencing on the date of delivery of the Series 2008A Bonds to and including May 27, 2008, will be determined by the Underwriter. Pursuant to the Series 2008A Trust Agreement and the Remarketing Agreement, the Remarketing Agent will thereafter determine the Weekly Interest Rate on the Series 2008A Bonds and use its best efforts to remarket Series 2008A Bonds subject to optional and mandatory tender for purchase.

Determination of the Weekly Interest Rate

During each Weekly Interest Rate Period, the Series 2008A Bonds will bear interest at the Weekly Interest Rate, which will be determined by the Remarketing Agent on Tuesday of each week during such Weekly Interest Rate Period, or if such day is not a Business Day, then on the next succeeding Business Day. The first Weekly Interest Rate for each Weekly Interest Rate Period will be determined on or prior to the first day of such Weekly Interest Rate Period and will apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on and including the next succeeding Tuesday. Thereafter, each Weekly Interest Rate will apply to the period commencing on and including Wednesday and ending on and including the next succeeding Tuesday, unless such Weekly Interest Rate Period will end on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period will apply to the period commencing on and including Wednesday preceding the last day of such Weekly Interest Rate Period and ending on and including the last day of such Weekly Interest Rate Period.

The Weekly Interest Rate will be the rate of interest per annum determined by the Remarketing Agent (based on the examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent to the Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Series 2008A Bonds, would enable the Remarketing Agent to sell all of the Series 2008A Bonds on such date of determination at a price (without regarding accrued interest) equal to the principal amount thereof.

In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for any week with respect to the Series 2008A Bonds bearing interest at such rate, then the Weekly Interest Rate for such week with respect to such Series 2008A Bonds will be the same as the immediately preceding Weekly Interest Rate if such Weekly Interest Rate was determined by the Remarketing Agent. If the immediately preceding Weekly Interest Rate was not determined by the Remarketing Agent, or if the Weekly Interest Rate determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Interest Rate for such week, as determined by the Remarketing Agent, will be equal to 110% of the SIFMA Index or, if such index is no longer made available, 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal on the day such Weekly Interest Rate would otherwise be determined as provided in the Series 2008A Trust Agreement.

Conversion of Interest Rates on Series 2008A Bonds

Conversion from Weekly Interest Rate. The Corporation may direct that the interest rate on the Series 2008A Bonds be converted to a Daily Interest Rate, a Long-Term Interest Rate, Bond Interest Term Rates or the Auction Period Rate upon satisfaction of certain conditions set forth in the Series 2008A Trust Agreement.

If the Interest Rate Period is to be converted from the Weekly Interest Rate, then the Series 2008A Bonds will be subject to mandatory tender for purchase on the effective date of the conversion to another Interest Rate Period, at a purchase price equal to the principal amount thereof, without premium, plus accrued interest (if any) to the effective date of the conversion. The Series 2008A Trust Agreement provides that the Bond Trustee is required to give notice of any conversion to another Interest Rate Period to the holders of the Series 2008A Bonds not less than 10 days prior to the proposed effective date of such conversion.

Certain Conditions to Conversion of Interest Rates on the Series 2008A Bonds. In connection with any conversion of the Interest Rate Period from a Weekly Interest Rate Period, the Corporation will cause to be provided to the Bond Trustee a Favorable Opinion of Bond Counsel dated the effective date of such conversion. In the event that Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on any such date, then the Interest Rate Period will not be converted from the Weekly Interest Rate Period, and the Series 2008A Bonds will continue to bear interest at a Weekly Interest Rate as in effect immediately prior to such proposed conversion of the Interest Rate Period.

In any event, if notice of such conversion has been mailed to the holders of the Series 2008A Bonds, and Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on the effective date of the proposed conversion, the Series 2008A Bonds will continue to be subject to mandatory purchase on the date which would have been the effective date of such conversion as provided in the Series 2008A Trust Agreement.

The Corporation may rescind its election to convert the Interest Rate Period from a Weekly Interest Rate Period by delivering a rescission notice to the Bond Trustee, the Remarketing Agent, the Tender Agent, the Bank and the Agency on or prior to 10:00 a.m. on the Business Day preceding the proposed effective date of the conversion. However, if a notice of the proposed conversion has been given to the Holders of the Series 2008A Bonds, then the Series 2008A Bonds nevertheless will still be subject to mandatory tender for purchase on the date which would have been the effective date of the conversion, regardless of the rescission.

If, at any time, the Interest Rate Period for the Series 2008A Bonds is to be changed from one Interest Rate Period to another, the Interest Rate Period for all of the Series 2008A Bonds must be changed.

Tender and Purchase of Series 2008A Bonds

The Series 2008A Trust Agreement provides that, so long as Cede & Co. is the sole registered owner of the Bonds, all tenders and deliveries of Series 2008A Bonds under the provisions of the Series 2008A Trust Agreement will be made pursuant to DTC's procedures as in effect from time to time, and none of the Agency, Bank, the Corporation, the Bond Trustee or the Remarketing Agent will have any responsibility for or liability with respect to the implementation of such procedures.

Tender for Purchase Upon Election of Holder During Weekly Interest Rate Period. During any Weekly Interest Rate Period, any Series 2008A Bond (other than a Bank Bond) bearing interest at a Weekly Interest Rate will be purchased in authorized denominations from the Holder thereof at the option of such Holder on any Business Day so designated by such Holder in an irrevocable written notice which also states the principal amount of such Series 2008A Bond and the principal amount thereof to be purchased; provided, however, that such Business Day must be at least 7 days after the date of the delivery of such notice to the Tender Agent. A Holder must deliver the notice to the Tender Agent at its Principal Office for delivery of the Series 2008A Bonds, to the Bond Trustee at its Principal Office and to the Remarketing Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, will be deemed to have been received on the next succeeding Business Day. Bank Bonds may not be tendered for purchase at the option of the Holders thereof. A Series 2008A Bond so tendered will be purchased at a purchase price equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest to the Tender Date (if the Tender Date is not an Interest Accrual Date), payable in immediately available funds.

Mandatory Tender for Purchase Upon Conversion to a Different Interest Rate Period. The Series 2008A Bonds will be subject to mandatory tender for purchase on the effective date of a conversion to a different Interest Rate Period, or on the day which would have been the effective date of such a conversion to a new Interest Rate Period had certain events described in the Series 2008A Trust Agreement not occurred which resulted in the interest rate on such Series 2008A Bonds not being converted, at a purchase price equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest to the Tender Date (if the Tender Date is not an Interest Payment Date), payable in immediately available funds.

Mandatory Tender for Purchase upon Termination, Replacement or Expiration of the Credit Facility. If at any time the Bond Trustee gives notice that the purchase price of the Series 2008A Bonds tendered for purchase will on the date specified in such notice cease to be payable from a then-existing Credit Facility as a result of the termination, replacement or expiration of the term of such Credit Facility, then such Series 2008A Bonds will be purchased or deemed purchased at a purchase price equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest to the Tender Date (if the Tender Date is not an Interest Payment Date), payable in immediately available funds. In the event that funds from the remarketing of Series 2008A Bonds are not sufficient to pay the purchase price of all the Series 2008A Bonds subject to mandatory tender upon replacement of an existing Credit Facility, funds for such purchase will be drawn under the then-existing Credit Facility, not the Alternate Credit Facility.

Any purchase of a Series 2008A Bond under the circumstances described in the preceding paragraph will occur: (1) on the fifth Business Day preceding any expiration or termination of the Credit Facility without replacement, and (2) on the date of the replacement of a Credit Facility, in any case where an Alternate Credit Facility is to be delivered to the Bond Trustee. In the case of any replacement of an existing Credit Facility, the existing Credit Facility will be drawn upon to pay the Tender Price, if necessary, rather than the Alternate Credit Facility. No such mandatory tender will be effected upon the replacement of a Credit Facility in the event such Credit Facility is failing to honor conforming draws.

Mandatory Tender for Purchase at the Direction of the Corporation or the Credit Facility Provider. During any Weekly Interest Rate Period, the Series 2008A Bonds are subject to mandatory tender for purchase on any Business Day designated by the Corporation, with the consent of the Remarketing Agent and the Credit Facility Provider, at the Tender Price, payable in immediately available funds. Such purchase date shall be a Business Day not earlier than the 10th day following the second Business Day after receipt by the Bond Trustee of such designation.

If a Credit Facility is in effect, the Series 2008A Bonds are subject to mandatory tender for purchase on the fourth Business Day after receipt by the Bond Trustee of a written notice from the Credit Facility Provider that an "Event of Default" under the Credit Facility Provider Agreement has occurred and is continuing and a written request from the Credit Facility Provider that all of the Series 2008A Bonds be required to be tendered for purchase.

The Bond Trustee is required to give notice by mail to the Holders of the Series 2008A Bonds secured by a Credit Facility as set forth in the Series 2008A Trust Agreement. Among other things, the notice must state (A) the date of the termination or expiration of the Credit Facility and, in the case of replacement, the date of the proposed substitution of an Alternate Credit Facility (if any), (B) that such Bonds will be purchased as a result of such replacement, termination or expiration, including any termination as a result of such delivery of an Alternate Credit Facility, and (C) the date on which such purchase will occur.

Irrevocable Notice Deemed to be Tender of Series 2008A Bonds. The giving of notice by a Holder of its election to have its Series 2008A Bond purchased during a Weekly Interest Rate Period will constitute the irrevocable tender for purchase of such Series 2008A Bond with respect to which such notice has been given, regardless of whether such Series 2008A Bond is delivered to the Tender Agent for purchase on the relevant Tender Date. If any Holder who has given notice of tender for purchase as described in the preceding sentence fails to deliver such Series 2008A Bond to the Tender Agent at the place and on the

Tender Date and at the time specified, or fails to deliver such Series 2008A Bond properly endorsed, such Series 2008A Bond will constitute an Undelivered Bond.

Undelivered Bonds. If funds in the amount of the purchase price of the Undelivered Bond are available for payment to the Holder thereof on the Tender Date and at the time specified, from and after the Tender Date and time of that required delivery, (1) such Undelivered Bond will be deemed to be purchased and will no longer be deemed to be Outstanding under the Series 2008A Trust Agreement; (2) interest will no longer accrue thereon; and (3) funds in the amount of the Tender Price of such Undelivered Bond will be held by the Tender Agent uninvested for the benefit of the Holder thereof (provided that the Holder will have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such Undelivered Bond to the Tender Agent at its Principal Office for delivery of Series 2008A Bonds. The Tender Agent may refuse to accept delivery of any Series 2008A Bond for which a proper instrument of transfer has not been provided; however, such refusal will not affect the validity of the purchase of such Series 2008A Bond as described in the Series 2008A Trust Agreement.

Payment of Tender Price. For payment of the Tender Price of any Series 2008A Bond required to be purchased as provided in the Series 2008A Trust Agreement on the Tender Date specified in the applicable notice, such Series 2008A Bond must be delivered on the date specified in such notice, to the Tender Agent at its principal office for delivery of the Series 2008A Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Holder thereof or his duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Inadequate Funds for Tenders. If sufficient funds are not available for the purchase of all Series 2008A Bonds tendered or deemed tendered and required to be purchased on any Tender Date, the failure to pay the Tender Price of all Series 2008A Bonds then tendered when due and payable shall constitute an Event of Default pursuant to the terms of the Series 2008A Trust Agreement and all Series 2008A Bonds then tendered shall be returned to their respective Holders and shall bear interest at a rate which is the lesser of 12% per annum and the maximum rate of interest on the relevant obligation permitted by applicable law from the date of such failed purchase until all such Series 2008A Bonds are purchased as required in accordance with the terms of the Series 2008A Trust Agreement. Thereafter, the Bond Trustee shall continue to take all such action available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient others funds from the Credit Facility Provider or the Corporation.

Special Considerations Relating to the Series 2008A Bonds

The Remarketing Agent is Paid By the Corporation. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Series 2008A Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Series 2008A Trust Agreement and the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by the Corporation and is paid by the Corporation for its services. As a result, the interests of the Remarketing Agent may differ from those of existing Holders and potential purchasers of Series 2008A Bonds.

The Remarketing Agent Routinely Purchases Series 2008A Bonds for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2008A Bonds for its own account and, in its sole discretion, may routinely acquire such tendered Series 2008A Bonds in order to achieve a successful remarketing of the Series 2008A Bonds (i.e., because there otherwise are not enough buyers to purchase the Series 2008A Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Series 2008A Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Series 2008A Bonds by routinely purchasing and selling Series 2008A Bonds other than in connection

with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Series 2008A Bonds. The Remarketing Agent may also sell any Series 2008A Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2008A Bonds. The purchase of Series 2008A Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Series 2008A Bonds in the market than is actually the case. The practices described above also may result in fewer Series 2008A Bonds being tendered in a remarketing.

Series 2008A Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to the Series 2008A Trust Agreement and the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Series 2008A Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable interest rate determination date. The interest rate will reflect, among other factors, the level of market demand for the Series 2008A Bonds (including whether the Remarketing Agent is willing to purchase Series 2008A Bonds for its own account). There may or may not be Series 2008A Bonds tendered and remarketed on an interest rate determination date, the Remarketing Agent may or may not be able to remarket any Series 2008A Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Series 2008A Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Series 2008A Bonds at the remarketing price. In the event a Remarketing Agent owns any Series 2008A Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Series 2008A Bonds on any date, including the interest rate determination date, at a discount to par to some investors.

The Ability to Sell the Series 2008A Bonds Other Than Through the Tender Process May Be Limited. The Remarketing Agent may buy and sell Series 2008A Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require Holders that wish to tender their Series 2008A Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Series 2008A Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2008A Bonds other than by tendering the Series 2008A Bonds in accordance with the tender process.

The Remarketing Agent May Resign, Without a Successor Being Named. The Remarketing Agent may resign, upon 45 days' prior written notice, without a successor having been named.

Description of the Series 2004B Bonds

The Series 2004B Bonds were originally issued by the Agency on April 15, 2004 under the Act and pursuant to the Series 2004B Trust Agreement, were originally dated their date of delivery and bear interest from such date of delivery. On May 21, 2008, the Series 2004B Bonds will be subject to mandatory tender and will convert from bonds bearing interest at an Auction Period Rate to bonds bearing interest at a Long-Term Interest Rate. Interest will be payable on December 1, 2008 and semiannually thereafter on June 1 and December 1 in each year (each a "Series 2004B Interest Payment Date"). The Series 2004B Bonds will bear interest at the rates per annum and mature on the dates and in the amounts set forth on the inside cover page hereof. The Series 2004B Bonds will be subject to the redemption provisions set forth below.

The Series 2004B Bonds are issuable as fully registered bonds in the denomination of $5,000 or any integral multiple thereof (a "Series 2008B Authorized Denomination" and together with the Series 2008A Authorized Denomination, the "Authorized Denomination") and are registered in the name of Cede & Co., as nominee for DTC. DTC acts as a securities depository for the Series 2004B Bonds. Purchases of the Series 2004B Bonds will be made in book-entry form. See "THE BONDS - Book-Entry Only System" herein.

As long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2004B Bonds, payments of principal of, redemption premium, if any, and interest on the Series 2004B Bonds will be made directly to Cede & Co. Interest on the Series 2004B Bonds which is payable and is punctually paid or provided for on any Series 2004B Interest Payment Date will be paid to each person who is a registered owner as of the 15th day (whether or not a Business Day) of the calendar month next preceding each Series 2004B Interest Payment Date.

Converting Interest Rate Modes and Mandatory Tender for Purchase. The Corporation may elect to convert the Series 2004B Bonds to other interest rate modes. Upon such conversion, the Series 2004B Bonds may accrue interest based on a Daily Interest Rate Period, Weekly Interest Rate Period, an ARS Rate Period, another Long-Term Interest Rate Period or a Short-Term Interest Rate Period (as such interest rate periods are defined in the Series 2004B Trust Agreement). In order to effect such conversion, the Corporation shall provide a written direction to the Agency, the Bond Trustee, the Tender Agent, the Remarketing Agent and each Rating Agency then rating the Series 2004B Bonds of its election to convert the Series 2004B Bonds to another interest rate mode. The Bond Trustee will provide notice of such conversion to the holders not less than thirty (30) days prior to such effective date. The Series 2004B Bonds, will also be subject to mandatory tender for purchase pursuant to the Series 2004B Trust Agreement on the conversion date if the conversion is successful. The tender price shall be equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest from the immediately preceding Interest Accrual Date (as defined in the Series 2004B Trust Agreement) to the date of such tender.

Redemption

The Bonds are subject to optional, mandatory sinking fund and extraordinary redemption, all as described below.

Optional Redemption: The Series 2004B Bonds are subject to redemption by the Agency prior to maturity, at the direction of the Hospital Representative (as defined in the applicable Loan Agreement), on or after June 1, 2018, in whole or in part, on any date, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed plus accrued interest to the redemption date.

The Series 2008A Bonds are subject to redemption by the Agency prior to maturity, at the direction of the Corporation, in whole or in part, on any date at a redemption price equal to 100% of the principal amount of Bonds to be redeemed plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption: The Series 2004B Bonds maturing on December 1, 2022 are subject to mandatory redemption in part by lot on December 1 in the years and amounts set forth below at a redemption price equal to 100% of the principal amount of the Series 2004B Bonds to be redeemed plus accrued interest to the date of redemption, all in the manner provided in the Trust Agreement.

Series 2004B Bonds Maturing December 1, 2022

Year	Amount
2020	$3,950,000
2021	3,475,000
2022*	4,250,000

* Maturity

Mandatory Sinking Fund Redemption: The Series 2004B Bonds maturing on December 1, 2028 are subject to mandatory redemption in part by lot on December 1 in the years and amounts set forth

below at a redemption price equal to 100% of the principal amount of the Series 2004B Bonds to be redeemed plus accrued interest to the date of redemption, all in the manner provided in the Trust Agreement.

Series 2004B Bonds Maturing December 1, 2028

Year	Amount
2024	$4,200,000
2025	4,475,000
2026	4,125,000
2027	4,800,000
2028*	4,375,000

* Maturity

Mandatory Sinking Fund Redemption: The Series 2004B Bonds maturing on December 1, 2034 are subject to mandatory redemption in part by lot on December 1 in the years and amounts set forth below at a redemption price equal to 100% of the principal amount of the Series 2004B Bonds to be redeemed plus accrued interest to the date of redemption, all in the manner provided in the Trust Agreement.

Series 2004B Bonds Maturing December 1, 2034

Year	Amount
2029	$4,750,000
2030	4,350,000
2031	19,975,000
2032	20,750,000
2033	21,375,000
2034*	19,600,000

* Maturity

The Series 2008A Bonds are subject to mandatory redemption in part by lot on December 1 in the years and amounts set forth below at a redemption price equal to 100% of the principal amount of the Series 2008A Bonds to be redeemed plus accrued interest to the date of redemption, all in the manner provided in the Series 2008A Trust Agreement.

Series 2008A Bonds

Year	Amount
2027	$ 8,600,000
2028	14,665,000
2029	15,365,000
2030*	16,075,000

* Maturity

The amounts accumulated for each sinking fund installment may be applied by the Bond Trustee prior to the 45th day preceding the due date of such sinking fund installment to the purchase of such Bonds at a price not exceeding the principal amount thereof, plus accrued interest to the date of purchase. To the

extent that the principal amount of the Bonds so purchased exceeds the sinking fund installment due on the next succeeding December 1, future sinking fund installments set forth above may be reduced by the amount of such excess in the years and amounts designated by the Corporation.

Bank Bonds. The Corporation may redeem Bank Bonds, at its option, at any time, upon one Business Day's notice of redemption to the Credit Facility Provider and the Bond Trustee, unless a longer notice period is required by the Credit Facility Provider Agreement then in effect, at a redemption price of 100% of the principal amount of the Bank Bonds to be redeemed plus accrued interest, if any, to the redemption date.

Bank Bonds shall be redeemed as set forth in the Reimbursement Agreement

Extraordinary Redemption: The Bonds are also subject to redemption prior to maturity in whole or in part on any date by the Agency, at the direction of the Hospital Representative, upon the occurrence of certain events set forth below. Any such redemption shall be made at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

The Corporation shall have the option to prepay the unpaid aggregate amount of the Loan in whole at such price or in part at such price on any date upon the occurrence of any damage to or destruction of all or any part of the Property and Equipment by fire or casualty, or loss of title to or use of all or any part of the Property and Equipment as a result of the failure of title or as a result of Eminent Domain proceedings or proceedings in lieu thereof if such damage, destruction, loss of title or loss of use cause such Property and Equipment to be impracticable to operate; provided, however, that any redemption in part shall be in the aggregate principal amount of not less than $100,000. The Corporation shall have the option to prepay the unpaid aggregate amount of the Loan in whole at such price on any date if there are changes to the Constitution of the United States of America or of the State or of legislation or administrative action, or failure of administrative action by the United States of America or the State or any agency or political subdivision of either thereof, or by reason of any judicial decision, to the extent that (i) the applicable Loan Agreement is impossible to perform without unreasonable delay or (ii) unreasonable burdens or excessive liabilities not being imposed on the date of the applicable Loan Agreement are imposed on the Corporation.

General Redemption Provisions

The Bonds may be redeemed only in authorized denominations. The Bond Trustee will select the Bonds to be redeemed in accordance with the terms and provisions of the applicable Trust Agreement. Bank Bonds shall be redeemed prior to any Series 2008A Bonds that are not Bank Bonds.

If less than all of the Series 2008A Bonds or the Series 2004B Bonds of any maturity are to be called for redemption, the Bond Trustee is to select by lot, in such manner as the Bond Trustee in its discretion may determine; provided that for so long as the only Holder is a Securities Depository Nominee, such selection will be made by the Securities Depository; provided, further that in all cases Series 2008A Bonds purchased by the Bank are to be redeemed first in the chronological order of the purchase of such Series 2008A Bonds by the Bank. If less than the principal amount of a Series 2008A Bond or Series 2004B Bond is called for redemption, the Agency is to execute and the Bond Trustee is to authenticate and deliver, upon surrender of such Series 2008A Bond or Series 2004B Bond, without charge to the Holder thereof in exchange for the unredeemed principal amount of such Series 2008A Bond or Series 2004B Bond at the option of such Holder, Series 2008A Bonds or Series 2004B Bonds in any of the Authorized Denominations or, if the Series 2004 Bonds or Series 2004B Bonds are held in the Book-Entry System, the Securities Depository shall, acting pursuant to its rules and procedures, reflect in the Book-Entry System the partial redemption and the Bond Trustee shall (i) either exchange the Series 2008A Bond or the Series 2004B Bond or the Series 2008A Bonds or Series 2004B Bonds held by the Securities Depository for a new Series 2008A Bond or Series 2004B Bond or Series 2008A Bonds or Series 2004B Bonds in the appropriate principal amount, if such Bond is presented to the Bond Trustee by the Securities Depository, or (ii) obtain from the Securities

Depository a written confirmation of the reduction in the principal amount of the Series 2008A Bonds or Series 2004B Bonds held by such Securities Depository.

Notice of Redemption

So long as DTC or its nominee is the registered owner of the Bonds, the Bond Trustee, the Agency and Chittenden Trust Company, as the Bond Registrar (the "Bond Registrar") will recognize DTC or its nominee as the registered owner of the Bonds for all purposes, including notices and voting. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time.

The Bond Trustee shall give notice of redemption to the Holders of Bonds to be redeemed by mail, first-class postage prepaid, not less than 30 days nor more than 60 days prior to the date fixed for redemption.

In the case of an optional or extraordinary redemption of the Bonds, the redemption notice may state that (a) it is conditioned upon the deposit of moneys, or Defeasance Obligations, or a combination of both, in an amount equal to the amount necessary to effect the redemption, with the Bond Trustee no later than the scheduled redemption date or (b) the Corporation retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption will be of no effect if such moneys are not so deposited or if the notice is rescinded. In the case of a Conditional Redemption subject to the deposit of moneys or Defeasance Obligations, the failure of the Corporation or any other Person to make such moneys or Defeasance Obligations available in part or in whole on or before the scheduled redemption date will not constitute an Event of Default under the applicable Trust Agreement and any Series 2008A Bonds or Series 2004B Bonds subject to such Conditional Redemption will remain Outstanding. Any Conditional Redemption subject to rescission may be rescinded in whole or in part at any time on or prior to the scheduled redemption date if a Hospital Representative instructs the Bond Trustee in writing to rescind the redemption notice. Any Series 2008A Bonds or Series 2004B Bonds subject to Conditional Redemption where redemption has been rescinded will remain Outstanding, and the rescission will not constitute an Event of Default under the applicable Trust Agreement.

So long as DTC or its nominee is the registered owner of the Bonds, any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner so affected, will not affect the validity of the redemption of such Bonds.

Payment of Redeemed Bonds

Notice having been given in the manner provided above, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the redemption price, plus interest accrued and unpaid to the redemption date. If Available Moneys, or Defeasance Obligations, or a combination of both, sufficient to pay the redemption price of the Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, are held by the Bond Trustee in trust for the Holders of Series 2008A and Series 2004B Bonds to be redeemed, interest on the Bonds called for redemption will cease to accrue, such Bonds will cease to be entitled to any benefit or security under the Trust Agreement or to be deemed Outstanding and the Holders of such Series Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest to the date fixed for redemption.

Book-Entry Only System

The information in this section has been provided by DTC and is not deemed to be a representation of the Agency, the Underwriter, the Bond Trustee or any Member of the Obligated Group.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Series 2008A Bonds will be issued and the Series 2004B Bonds were issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2008A Bond certificate will be issued for each maturity of the Series 2008A Bonds, and one fully-registered Series 2004B Bond certificate will be issued for each maturity of the Series 2004B Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Trustee and request that copies of notices be provided directly to them.

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

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

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

The Agency and the Bond Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Bonds registered in its name for the purposes of payment of the principal or redemption premium, if any, of, or interest on, the Bonds, giving any notice permitted or required to be given to registered owners under the Trust Agreements, registering the transfer of the Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. Neither the Agency, the Corporation nor the Bond Trustee shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the Agency (kept by the Bond Registrar) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Agency; or other action taken by DTC as a registered owner.

Discontinuance of DTC Services

DTC may discontinue providing its service as depository with respect to the Bonds at any time by giving reasonable notice to the Agency and the Bond Trustee and discharging its responsibilities with respect thereto under applicable law, or the Agency or the Bond Trustee may terminate its participation in the system of book-entry transfer through DTC at any time by giving notice to DTC. In either event, the Agency may retain another securities depository for the Bonds or may direct the Bond Trustee to deliver bond certificates

in accordance with instructions from DTC or its successor. If the Agency directs the Bond Trustee to deliver such bond certificates, such Bonds may thereafter be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same series and maturity as set forth in the applicable Trust Agreement, upon surrender thereof at the principal corporate trust office of the Bond Trustee, who will then be responsible for maintaining the registration books of the Agency.

Certain of the information contained in the preceding paragraphs of this subsection "Book-Entry Only System" has been extracted from information given by DTC. Neither the Agency, the Corporation, the Bond Trustee, the Underwriter nor the Remarketing Agent makes any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AGENCY BELIEVES TO BE RELIABLE, BUT THE AGENCY, THE CORPORATION, THE BOND TRUSTEE, THE UNDERWRITER AND THE REMARKETING AGENT TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NO REPRESENTATION IS MADE BY THE AGENCY, THE CORPORATION, THE BOND TRUSTEE, THE UNDERWRITER OR THE REMARKETING AGENT AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF. NO ATTEMPT HAS BEEN MADE BY THE AGENCY, THE CORPORATION, THE BOND TRUSTEE, THE UNDERWRITER OR THE REMARKETING AGENT TO DETERMINE WHETHER DTC IS OR WILL BE FINANCIALLY OR OTHERWISE CAPABLE OF FULFILLING ITS OBLIGATIONS. NEITHER THE AGENCY NOR THE BOND TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE AGENCY'S OBLIGATION UNDER THE ACT AND THE APPLICABLE TRUST AGREEMENT TO THE EXTENT OF SUCH PAYMENTS.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Master Trust Indenture and Security Therefor

Principal of and interest and any premium on the Series 2008A Bonds and Series 2004B Bonds will be payable from moneys paid by the Corporation pursuant to the applicable Loan Agreement and by the Obligated Group pursuant to Obligation Nos. 12 and 9, as appropriate. Payment of Obligation Nos. 12 and 9 will be the joint and several obligation of the Members of the Obligated Group under the Master Indenture. Pursuant to the applicable Trust Agreement, the Agency has, for the benefit of the owners of the Series 2008A Bonds and Series 2004B Bonds, assigned all of the Agency's right, title and interest in and to the applicable Loan Agreement (subject to the reservation of certain rights of the Agency, including its rights to notices, payment of certain expenses and indemnity), all of the Agency's right, title and interest in and to Obligation Nos. 12 and 9, as appropriate, all of the Agency's rights under the Master Indenture as the owner of Obligation Nos. 12 and 9 and all moneys and securities in the Bond Fund, the Construction Fund, the Redemption Fund and the Reserve Fund established under the applicable Trust Agreement, to the Bond Trustee in trust.

Pursuant to the Master Indenture, as security for the payment of the amounts due on the Obligations issued under the Master Indenture, the Corporation has (i) granted the Mortgage to the Master Trustee and (ii) pledged and granted, and any other future Members of the Obligated Group will pledge and grant, a security interest in Pledged Assets to the Master Trustee. The Pledged Assets consist of the Gross Receipts of the Members of the Obligated Group and all proceeds thereof. "Gross Receipts" means for any period all

Accounts and all revenues, income, receipts and other money (other than proceeds of borrowing) received in such period by or on behalf of any Member of the Obligated Group, including, but without limiting the generality thereof, (a) revenues derived from its operations, (b) gifts, grants, bequests, donations and contributions and the income therefrom, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Obligations, (c) proceeds derived from (i) insurance, except to the extent otherwise required by the provisions of the Master Indenture, (ii) Accounts, (iii) securities and other investments, (iv) inventory and other tangible and intangible property, (v) medical or hospital insurance, indemnity or reimbursement programs or agreements and (vi) contract rights and other rights and assets, whether now or hereafter owned, held or possessed by each Member of the Obligated Group, and (d) rentals received from the leasing of real or tangible personal property. The security interest in Pledged Assets has been perfected to the extent, and only to the extent, that such security interest may be perfected by filing financing statements under the Uniform Commercial Code of the State of Vermont (the "UCC"). Continuation statements with respect to such filings must be filed every five years to continue the perfection of such security interest. The security interest in Pledged Assets is subject to Permitted Liens that existed prior to or that may be created subsequent to the time the security interest in Pledged Assets attached and subject to the right of each Member of the Obligated Group to sell Accounts or incur Indebtedness secured by Accounts under certain circumstances, as described more fully in Appendix C. The security interest in Pledged Assets may not be enforceable against third parties unless Pledged Assets are transferred to the Master Trustee (which transfer Members of the Obligated Group are required to make only if requested by the Master Trustee after a default under the Master Indenture) and is subject to certain exceptions under the UCC. The enforcement of the security interest in Pledged Assets may be further limited by the following: (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal or State statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction, (v) federal bankruptcy laws, State of Vermont receivership or fraudulent conveyance laws or similar laws affecting creditors' rights that may affect the enforceability of the Master Indenture or the security interest in Pledged Assets and (vi) rights of third parties in Pledged Assets not in the possession of the Master Trustee. See "BONDHOLDERS' RISKS – Enforceability of Remedies" herein.

The actual realization of amounts to be derived upon the enforcement of any security interest securing the Bonds will depend upon the exercise of various remedies specified by the applicable Loan Agreement, the applicable Trust Agreement and the Master Indenture. These and other remedies may, in many respects, require judicial action of a nature that is often subject to discretion and delay. Under existing law, the remedies specified by the Loan Agreements, the Trust Agreements and the Master Indenture may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in those documents. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, fraudulent conveyance, reorganization and other laws affecting the enforcement of creditors' rights generally. See "BONDHOLDERS' RISKS – Enforceability of Remedies" herein.

Pursuant to the Master Indenture, the Members of the Obligated Group are subject to covenants under the Master Indenture relating to maintenance of a Long-Term Debt Service Coverage Ratio and concerning, among other things, incurrence of Indebtedness, existence of liens on Property, consolidation and merger, disposition of assets, addition of Members to the Obligated Group and withdrawal of Members from the Obligated Group. See "SUMMARY OF THE MASTER INDENTURE – Particular Covenants" in Appendix C hereto.

THE MASTER INDENTURE PERMITS MEMBERS OF THE OBLIGATED GROUP TO ISSUE OR INCUR ADDITIONAL INDEBTEDNESS EVIDENCED BY OBLIGATIONS THAT WILL SHARE THE SECURITY FOR THE PRIOR OBLIGATIONS AND OBLIGATION NOS. 12 AND 9 ON A PARITY WITH THE PRIOR OBLIGATIONS AND OBLIGATION NOS. 12 AND 9. SUCH

ADDITIONAL OBLIGATIONS WILL NOT BE SECURED BY THE MONEY OR INVESTMENTS IN ANY FUND OR ACCOUNT HELD BY THE BOND TRUSTEE FOR THE SECURITY OF THE BONDS.

The Mortgage

The Corporation has executed and delivered the Mortgage to the Master Trustee. The Mortgage secures the payments required to be made by the Corporation pursuant to the Obligations issued under the Master Indenture. The distribution of proceeds from the enforcement or foreclosure of the Mortgage will be pro rata based on the outstanding principal amount of the Indebtedness secured by the Mortgage, thereby placing such Indebtedness on a parity with respect to foreclosure proceeds regardless of the order of priority of the liens granted under the Mortgage. The Members of the Obligated Group may issue additional Obligations which will be secured on a parity by the Mortgage.

Debt Service Reserve Fund for the Series 2004B Bonds

The Series 2004B Trust Agreement creates a reserve fund for the payment of the principal of and interest on the Series 2004B Bonds in the event that other funds available under the Series 2004B Trust Agreement for payment thereof are insufficient. The reserve fund relating to the Series 2004B Bonds (the "Series 2004B Reserve Fund") was funded upon the issuance of the Series 2004B Bonds from bond proceeds. On May 21, 2008, the amount in the Series 2004B Reserve Fund will equal the Series 2004B Reserve Fund Requirement of $13,656,547. For a further discussion of the Series 2004B Reserve Fund see the definition of "Reserve Fund Requirement" and the caption, "SUMMARY OF THE SERIES 2004B TRUST AGREEMENT – Reserve Fund" in Appendix C hereto.

Limited Obligations

The Bonds are limited obligations of the Agency. The Agency is not obligated to pay the principal of, or the premium, if any, or the interest on, the Series 2008A Bonds and Series 2004B Bonds except from revenues and receipts derived in respect of Obligation Nos. 12 and 9, respectively, as described above, the applicable Loan Agreement and the money attributable to proceeds of the Series 2008A Bonds and Series 2004B Bonds and the income from the investment thereof and, under certain circumstances, proceeds of insurance, sale and condemnation awards and proceeds derived from the exercise of remedies. The Agency has no taxing power. **THE BONDS DO NOT CONSTITUTE OR CREATE ANY DEBT, LIABILITY OR OBLIGATION OF THE STATE OF VERMONT OR ANY POLITICAL SUBDIVISION OR INSTRUMENTALITY THEREOF (OTHER THAN THE AGENCY) OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OR ANY AGENCY THEREOF IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE PRINCIPAL OF, OR PREMIUM, OR THE INTEREST ON THE BONDS.**

The Letter of Credit for the Series 2008A Bonds

Under the terms of the Reimbursement Agreement, payment of the principal and purchase price of and interest on the Series 2008A Bonds is secured by an irrevocable direct pay Letter of Credit to be issued by the Bank to the Bond Trustee. The Bond Trustee will draw upon the Letter of Credit in accordance with its terms to pay the principal of and interest on the Series 2008A Bonds, whether upon redemption, at maturity or upon acceleration of maturity, and to pay, on any Purchase Date, the purchase price of Series 2008A Bonds tendered or deemed tendered for purchase and not remarketed.

The Letter of Credit will be issued in the amount of $55,334,483 (the "Available Amount"), of which (a) the amount of $54,705,000 will support the payment of principal or portion of the redemption and purchase price corresponding to principal of the Series 2008A Bonds, and (b) the amount of $629,483

will support the payment of interest or portion of the redemption and purchase price corresponding to the interest on the Series 2008A Bonds, computed as 35 days interest on the Series 2008A Bonds at an assumed rate of 12% per annum (computed on the basis of a 365 or 366 day year).

The Letter of Credit will expire on the earliest of the Bank's close of business on (i) April 30, 2013, (ii) the earlier of (A) the date which is fifteen (15) days after the Conversion Date (as defined in the Series 2008A Trust Agreement), or (B) the date on which the Bank honors a drawing under the Letter of Credit on or after the Conversion Date, (iii) the date which is fifteen (15) days following receipt by the Bond Trustee of a written notice from the Bank specifying the occurrence of an Event of Default under the Reimbursement Agreement, (iv) the date of receipt by the Bank of notice from the Bond Trustee to the effect that an Alternate Credit Facility, a Liquidity Facility or a Self Liquidity Arrangement (as each is defined in the Series 2008A Trust Agreement) in full and complete substitution for the Letter of Credit has been accepted in accordance with the provisions of the Series 2008A Trust Agreement and has been in effect for at least one (1) Business Day; or (v) the date that the principal balance of the Available Amount has been reduced to zero and is not subject to reinstatement.

For a more detailed description of the Bank, see "RIGHTS OF THE BANK" and "APPENDIX F – THE LETTER OF CREDIT BANK." For a more detailed description of the Reimbursement Agreement, see "APPENDIX G – SUMMARY OF CERTAIN PROVISIONS OF THE BANK DOCUMENTS."

Replacement Credit Facility; Alternate Liquidity Facility

In accordance with the provisions of the Series 2008A Loan Agreement, so long as the Series 2008A Bonds bear interest at the Weekly Interest Rate, a Liquidity Facility, a Credit Facility or a Self Liquidity Arrangement is to be in effect. The Corporation may replace the Letter of Credit with an Alternate Liquidity Facility, an Alternate Credit Facility or a Self Liquidity Arrangement meeting the requirements of the Series 2008A Trust Agreement. The Series 2008 Bonds are subject to mandatory tender upon the substitution or replacement of the Letter of Credit. See "- Description of the Series 2008A Bonds – Tender and Purchase of Series 2008A Bonds" herein.

The Bond Trustee may accept an Alternate Liquidity Facility, an Alternate Credit Facility or a Self Liquidity Arrangement upon the satisfaction of certain requirements set forth in the Series 2008A Trust Agreement.

RIGHTS OF THE BANK

Pursuant to the Series 2008A Trust Agreement, the Bank is granted certain rights in respect of the Series 2008A Bonds and amendments of and exercise of remedies under the Series 2008A Trust Agreement. Notwithstanding anything to the contrary contained in the Series 2008A Trust Agreement, prior to taking any action permitted by, or exercising any remedy following an Event of Default available under, the Series 2008A Trust Agreement with respect to the Series 2008A Bonds, the Bond Trustee shall first obtain the written consent of the Bank. Anything in the Series 2008A Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Bank shall be entitled to control and direct the enforcement of all rights and remedies granted to the Series 2008A Bondholders, for the benefit of the Series 2008A Bondholders under the Series 2008A Trust Agreement. For purposes of any action under the Series 2008A Trust Agreement with respect to the Series 2008A Bonds requiring the approval of Holders of a percentage of the principal amount of Outstanding Series 2008A Bonds the Bank shall be deemed to be the sole Holder of the Series 2008A Bonds. No waiver of an Event of Default under the Series 2008A Trust Agreement as it may relate to the Series 2008A Bonds shall be granted without obtaining the prior consent of the Bank. Neither the Series 2008A Bonds nor Obligation No. 12 shall be accelerated without the prior consent of the Bank. Upon an Event of Default, the Series 2008A Bonds may be accelerated if so directed by the Bank.

For purposes of the Master Indenture, including giving any consents to amendments thereto, for so long as the Letter of Credit is in full force and effect and no default has occurred or is continuing thereunder, the Bank shall be deemed to be the sole Holder of Obligation No. 12.

For a further summary of rights of the Bank under the Master Indenture, the Series 2008A Trust Agreement and the Series 2008A Loan Agreement, see Appendix C to this Official Statement.

SUBSTITUTION OF MASTER INDENTURE

The Master Indenture provides that each Holder of an Obligation evidencing and securing Indebtedness other than Related Bonds shall surrender such Obligation to the Master Trustee and each Related Bond Trustee for Related Bonds shall, with the prior written consent of the bond insurer or credit facility provider, if any, for such Related Bonds, and with the consent of a majority of the Series 2007A Holders (so long as the Series 2007A Bonds are Outstanding) surrender any Obligation issued to secure such Related Bonds to the Master Trustee upon presentation to the Holder or the Related Bond Trustee, as the case may be, of the following:

(a) an original replacement note or similar obligation (the "Substitute Obligation") duly executed, authenticated and issued under and pursuant to an existing or new master trust indenture, trust agreement, bond order, bond resolution or similar instrument (the "Replacement Master Indenture") by which the party or parties purported to be obligated thereby (the "New Group") have agreed to be bound; provided, however, that:

(i) the trustee serving as master trustee under such Replacement Master Indenture (the "New Trustee") will be an independent corporate trustee (which may be the Master Trustee or the Related Bond Trustee) meeting the eligibility requirements of the Master Trustee set forth in the Master Indenture; and

(ii) so long as any Related Bonds issued by the Agency are outstanding, the Replacement Master Indenture shall have been approved by the Agency, unless the Replacement Master Indenture is an existing master trust indenture, trust agreement, bond order, bond resolution or similar instrument to which any member of the New Group is already bound and such Replacement Master Indenture already secures bonds the issuance of which has been authorized or approved, as the case may be, by the Agency, in which case the consent of the Agency will not be required;

(b) an executed counterpart or certified copy of the Replacement Master Indenture pursuant to which each member of the New Group has agreed (i) to become a member of the New Group and thereby to become subject to compliance with all provisions of the Replacement Master Indenture and (ii) unconditionally and irrevocably (subject to the right of such Person to cease its status as a member of the New Group pursuant to the terms and conditions of the Replacement Master Indenture) to jointly and severally make payments upon each note and obligation, including the Substitute Obligation, issued under the Replacement Master Indenture at the times and in the amounts provided in each such note or obligation;

(c) an Opinion of Counsel addressed to the Holder of an Obligation evidencing and securing Indebtedness other than Related Bonds or the Related Bond Trustee, as the case may be, and the Obligated Group to the effect that: (i) the Replacement Master Indenture has been duly authorized, executed and delivered or has been duly adopted, as the case may be, by each member of the New Group; (ii) the Substitute Obligation has been duly authorized, executed and delivered by each member of the New Group; (iii) the Replacement Master Indenture and the Substitute Obligation are each a legal, valid and binding obligation of each member of the New Group, enforceable in accordance with their terms, subject in each case to the customary exceptions for bankruptcy, insolvency, fraudulent conveyance and

other laws generally affecting enforcement of creditors' rights and application of general principles of equity; (iv) all requirements and conditions to the issuance of the Substitute Obligation set forth in the Replacement Master Indenture have been complied with and satisfied; and (v) the registration of the Substitute Obligation under the Securities Act of 1933, as amended, and qualification of the Replacement Master Indenture under the Trust Indenture Act of 1939, as amended, is not required, or, if such registration or qualification is required, that all applicable registration and qualification provisions of said Acts have been complied with;

(d) an Officer's Certificate certifying to the effect that (i) the New Group could, after giving effect to the Substitute Obligation, meet the conditions of the Master Indenture for the incurrence of one dollar ($1.00) of additional Long-Term Indebtedness described in the Master Indenture, as demonstrated in such certificate, and (ii) the New Group would not be in default under the provisions of the Master Indenture relating to the limitation on the creation of Liens;

(e) an Opinion of Bond Counsel to the effect that the surrender of the Obligation and the acceptance by the Related Bond Trustee of the Substitute Obligation will not adversely affect the validity of the Related Bonds or any exemption for the purposes of federal or state income taxation to which interest on the Related Bonds would otherwise by entitled;

(f) evidence that (i) written notice of such substitution, together with a copy of such Replacement Master Indenture, has been given by the New Group to each rating agency then maintaining a rating on any Obligation or Related Bonds and (ii) the then current ratings category on each such Obligation or Related Bonds will not be withdrawn or reduced (without regard to any refinement or gradation, numerical modifier or otherwise) by any such rating agency as a result of such substitution; and

(g) such forecasts and other opinions and certificates as the Agency may require and such other opinions and certificates as the Holder of an Obligation evidencing and securing Indebtedness other than Related Bonds or the Related Bond Trustee, as the case may be, or the bond insurer or credit facility provider, if any, may reasonably require, together with such reasonable indemnities as the Holder of an Obligation evidencing and securing Indebtedness other than Related Bonds or the Related Bond Trustee, as the case may be, the Master Trustee, the Agency or the bond insurer or credit facility provider, if any, may request.

Notwithstanding such provisions, no Substitute Obligation may extend the stated maturity of, or time for paying interest on, any Obligations surrendered to the Master Trustee or reduce the principal amount of, or the redemption premium or rate of interest payable on, such Obligation or alter any redemption provisions concerning such Obligation without the consent of each Holder of such Obligation evidencing and securing Indebtedness other than Related Bonds affected thereby or the registered owners of all Related Bonds then outstanding affected thereby, as the case may be.

See "BONDHOLDERS RISKS" – Substitution of Security" herein and "SUMMARY OF THE MASTER INDENTURE – Replacement Master Indenture" in Appendix C hereto.

BOND INSURANCE

Bond Insurance Policy

The following information has been furnished by Financial Security for use in this Official Statement. Reference is made to Appendix E for a specimen of the Policy.

Concurrently with the issuance of the Series 2004B Bonds, Financial Security issued its Policy. The Policy guarantees the scheduled payment of principal of and interest on the Series 2004B Bonds when due as set forth in the form of the Policy included as Appendix E to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At December 31, 2007, Financial Security's consolidated policyholders' surplus and contingency reserves were approximately $2,703,119,716 and its total net unearned premium reserve was approximately $2,274,576,959 in accordance with statutory accounting principles. At December 31, 2007, Financial Security's consolidated shareholders' equity was approximately $2,962,301,379 and its total net unearned premium reserve was approximately $1,796,984,819 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2007 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the reoffering of the Series 2004B Bonds shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Series 2004B Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Series 2004B Bonds or the advisability of investing in the Series 2004B Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Agency the information presented under this caption for inclusion in the Official Statement.

RIGHTS OF FINANCIAL SECURITY

Pursuant to the Series 2004B Trust Agreement, Financial Security is granted certain rights in respect of the Series 2004B Bonds and amendments of and exercise of remedies under the Series 2004B Trust Agreement. Notwithstanding anything to the contrary contained in the Series 2004B Trust Agreement, prior to taking any action permitted by, or exercising any remedy following an Event of Default available under, the Series 2004B Trust Agreement with respect to the Series 2004B Bonds, the Bond Trustee shall first obtain the written consent of Financial Security. Anything in the Series 2004B Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, Financial Security shall be entitled to control and direct the enforcement of all rights and remedies granted to the Series 2004B Bondholders, for the benefit of the Series 2004B Bondholders under the Series 2004B Trust Agreement. For purposes of any action under the Series 2004B Trust Agreement with respect to the Series 2004B Bonds requiring the approval of Holders of a percentage of the principal amount of Outstanding Series 2004B Bonds Financial Security shall be deemed to be the sole Holder of the Series 2004B Bonds. No waiver of an Event of Default under the Series 2004B Trust Agreement as it may relate to the Series 2004B Bonds shall be granted without obtaining the prior consent of Financial Security. Neither the Series 2004B Bonds nor

Obligation No. 9 shall be accelerated without the prior consent of Financial Security. Upon an Event of Default, the Series 2004B Bonds may be accelerated if so directed by Financial Security.

Financial Security shall, to the extent it makes any payment of principal of or interest on the Series 2004B Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of its Policy.

For purposes of the Master Indenture, including giving any consents to amendments thereto, for so long as the Policy is in full force and effect and no default has occurred or is continuing thereunder, Financial Security shall be deemed to be the sole Holder of Obligation No. 9.

For a further summary of rights of Financial Security under the Master Indenture, the Series 2004B Trust Agreement and the Series 2004B Loan Agreement, see Appendix C to this Official Statement.

BONDHOLDERS' RISKS

The discussion herein of risks to the registered owners of the Bonds is not intended as dispositive, comprehensive or definitive, but rather is to summarize certain matters which could affect payment on the Bonds. Other sections of this Official Statement, as cited herein, should be referred to for a more detailed description of risks described in this section, which descriptions are qualified by reference to any documents discussed therein. Copies of all such documents are available for inspection at the principal corporate trust office of the Bond Trustee.

As set forth under "SECURITY OF PAYMENT FOR THE BONDS" herein, the Bonds are payable solely from payments made to the Bond Trustee by the Corporation under the applicable Loan Agreement and by the Obligated Group from Obligation Nos. 9 and 12, as appropriate.

There is no representation or assurance that the Corporation will generate sufficient revenues to meet its obligations under the Loan Agreements. The realization of future revenues and control of expenses is dependent upon, among other things, the capabilities of the management of the Corporation and the ability of its medical staffs to maximize financial incentives and minimize disincentives under applicable reimbursement systems.

IT SHOULD NOT BE ASSUMED THAT PATIENT UTILIZATION OR REVENUES WILL REMAIN STABLE OR INCREASE. The Corporation expects that it will experience increases in operating costs due to inflation and other factors. There is no assurance that cost increases will be matched by increased patient and other charges in amounts sufficient to generate an excess of revenues over expenses at the levels experienced by the Corporation.

Future amendments to or changes in regulations pertaining to the respective reimbursement systems, future state and Federal funding of health care reimbursement programs, regulation of health care and future economic and other conditions are also unpredictable.

Limited Obligation of the Agency

The Bonds are not a debt or liability of the State or any political subdivision thereof (other than the Agency to the limited extent set forth herein), or a pledge of the faith and credit of the State or any such political subdivision (other than the Agency to the limited extent set forth herein), but are limited obligations of the Agency, payable solely from the revenues received by the Agency from the Corporation in accordance with the applicable Loan Agreement and from the Obligated Group with Obligation Nos. 9 or 12, as appropriate, and the money attributable to proceeds of the Series 2008A Bonds and Series 2004B Bonds and the income from investment thereof, and under certain circumstances, proceeds of insurance, sale and condemnation awards and proceeds derived from the exercise of remedies. The Agency has no taxing power.

Additional Debt

The Master Indenture permits the issuance of additional Obligations on a parity with Obligation Nos. 9, 12, and 13 and the other outstanding Obligations and also permits incurrence of Additional Indebtedness directly by the Corporation, and other Members of the Obligated Group. The Master Indenture contains certain restrictions on the ability of the Corporation and the other Members of the Obligated Group to encumber property. See the information in APPENDIX C under the captions "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE — Limitation on Creation of Liens" and "—Limitations on Indebtedness."

Federal Government Reimbursement

Medicare and Medicaid are the commonly used names for reimbursement or payment programs governed by certain provisions of the federal Social Security Act. Medicare is an exclusively federal program administered by the Centers for Medicare & Medicaid Services ("CMS" (formerly, the Health Care Financing Administration)), an agency of the United States Department of Health and Human Services ("DHHS"), through contracts with fiscal intermediaries and carriers. Medicaid is a combined federal and state program. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older, disabled or qualify for the End Stage Renal Disease Program. Medicaid is designed to pay providers for care given to the medically indigent, funded by federal and state appropriations, and administered by the various states.

Health care providers have been and will be affected significantly by changes in federal health care laws and regulations, particularly those pertaining to Medicare and Medicaid. The purpose of much of the recent statutory and regulatory activity has been to reduce the rate of increase in health care costs, particularly costs paid under the Medicare and Medicaid programs. Diverse and complex mechanisms to limit the amount of money paid to health care providers under both the Medicare and Medicaid programs have been enacted, some of which have been implemented and some of which will be implemented in the future. The changes to federal government reimbursement programs, taken as a whole, may significantly reduce the amount of payment received by the Members of the Obligated Group.

Medicare Reimbursement of Hospitals. Under the prospective payment system ("PPS"), Medicare pays most hospitals a predetermined rate for each covered inpatient hospitalization. Each such hospitalization is classified into one of several hundred categories of possible treatments or conditions, known as "diagnosis related groups" ("DRGs"). Hospitals are paid a predetermined amount based on the DRG to which each patient is assigned. The DRG rate is not related to the actual cost to a specific hospital of treating a specific patient. It is a fixed sum, generally based on national cost data. DRG rates may be adjusted on an annual basis as part of the federal budget reconciliation process and are thus subject to deficit reduction activities aimed at the federal budget generally and/or the Medicare program specifically. In August 2006, CMS announced a new final rule for reforming hospital inpatient PPS. This rule affects discharges on or after October 1, 2006, although the changes will be phased in over a three-year period. The rule not only contains the most sweeping changes to the DRG system since its implementation in 1983 but could significantly affect the distribution of payments among hospital providers. It is expected that this new DRG method will lead to higher payments to hospitals that can demonstrate they serve more complex, sicker patients, but there is no guarantee that such Medicare reimbursement rates, as they change from time to time, will cover the Corporation's actual costs of providing services to Medicare patients.

Included as part of the hospital inpatient PPS is a transfer payment policy pursuant to which a hospital that transfers a Medicare beneficiary with a specifically designated DRG to a post-acute setting or home health agency would be paid a graduated per diem rate rather than the applicable DRG amount. However, such per diem amount would not exceed the full applicable DRG amount. The receiving facility would be reimbursed on the basis of its applicable PPS amount. Effective for cost reporting periods beginning on or after October 1, 2005, the list of designated DRGs expanded from 30 to 182. It is unclear

whether this policy change will adversely impact Medicare reimbursement received by the Corporation for inpatient services provided to Medicare beneficiaries. For a further discussion of risks relating to Medicare and Medicaid reimbursement, see "HISTORICAL FINANCIAL PERFORMANCE–Sources of Patient Revenue" in Appendix A hereto.

Capital Costs. Hospitals are reimbursed on a fully prospective basis for capital costs (including depreciation and interest) related to the provision of inpatient services to Medicare beneficiaries. Capital costs are reimbursed exclusively on the basis of a standard federal rate (based upon average national costs of capital), subject to certain adjustments (such as for disproportionate share, indirect medical education and outlier cases) specific to the hospital.

There can be no assurance that future capital-related PPS payments will be sufficient to cover the actual capital-related costs of the Corporation's facilities applicable to Medicare patient stays or to provide flexibility in meeting changing capital needs.

Outlier Payments. In September 2002, CMS began closely scrutinizing hospital billing practices, focusing in particular on excessive outlier payments, which are made to reimburse hospitals in complex cases where the cost of providing care greatly exceeds the payment rate under the PPS. Hospitals receiving a large proportion of their Medicare revenues as outlier payments will have an increased chance of triggering a review by CMS, not only of their outlier payments, but also of all their billing practices. To the extent that the Corporation receives a substantial proportion of its Medicare revenues as outlier payments, it may be subject to fiscal intermediary review, including a comprehensive field audit, a uniform charge review, a medical review and a review of inpatient claims by the appropriate quality improvement organization. It is difficult to predict the outcome of any investigation, but a negative outcome could be material. Effective August 8, 2003, CMS changed the methodology for determining outlier payments under the hospital inpatient PPS to ensure that hospitals cannot inappropriately manipulate outlier payments. There can be no guarantee that declines in reimbursement as a result of such changes will not be material.

Hospital Outpatient Services. Outpatient services are paid under the Outpatient Prospective Payment System ("OPPS") on the basis of predetermined rates based on the ambulatory payment classification ("APC") of such service. Services provided at the Corporation that fall outside OPPS are physical, occupational and speech therapies, laboratory, screening mammograms and ambulance. There is no guarantee that the APC outpatient service rates, as they may change from time to time, will be adequate to cover each Member of the Obligated Group's actual cost of providing services to Medicare patients.

Reimbursement to the Corporation has declined since the implementation of APC payment rates. There can be no guarantee that APC payment rates will not continue to decline in the future or that such declines in reimbursement will not be material.

Reimbursement for Rehabilitation and Psychiatric Services. PPS payments for inpatient services provided by rehabilitation hospitals or units transitioned to an adjusted federal PPS rate for the cost reporting period beginning on or after October 1, 2002. One requirement for classification as an Inpatient Rehabilitation Facility (IRF) is meeting the compliance percentage threshold, which CMS started reinforcing in 2004 after repealing a moratorium. The compliance percentage threshold requires that a specific percentage threshold of an IRF's total patient population must require intensive rehabilitation services for the treatment of one or more of 13 specified conditions. The compliance percentage threshold is currently set at 65%, and will increase to 75% beginning with the Corporation's fiscal year beginning October 1, 2007. There is no guarantee that revenue received by the Members of the Obligated Group for providing inpatient rehabilitation services to Medicare beneficiaries will be sufficient to cover the costs of providing that care.

Until 2005, psychiatry services were reimbursed on the TEFRA (Tax Equity and Fiscal Responsibility Act of 1982) cost-based method that uses a target amount per discharge and settles based on

actual cost per discharge vs. target amount per discharge. The Corporation made a decision in 2005 to convert to the DRG reimbursement methodology for these services.

Medicare Graduate Medical Education. Medicare pays for direct graduate medical education ("GME") costs for teaching hospitals with an approved medical residency-training program. GME reimbursement amount is determined by using the weighted average number of full-time equivalent ("FTE") residents in the program multiplied by a hospital-specific base year adjusted per resident amount and the number of Medicare inpatient bed days associated with each cost reporting period.

Medicare also reimburses prospective payment hospitals for indirect costs of providing medical education ("IME"). Medical education reimbursement is intended to offset the costs incurred by hospitals in delivering patient care that are attributable to their teaching missions. These costs include the overall complexity of cases treated at teaching hospitals and the associated costs attributable to the training and teaching of medical residents in teaching programs. There can be no assurance that payments to the Corporation for providing medical education will be adequate to cover the cost attributable to graduate medical education programs. See "HISTORICAL FINANCIAL PERFORMANCE – Sources of Patient Revenue" in Appendix A hereto.

Medicare Area Wage Index. Under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("DIMA"), the Corporation was reclassified for purposes of the Medicare Area Wage Index to the Boston Metropolitan Statistical Area (since reconfigured into Core-Based Statistical Area (CBSA) Boston-Quincy). The reclassification, which has had a favorable reimbursement impact, will expire on September 30, 2008, unless extended. Although the Corporation will seek federal legislative relief to extend or make permanent its area wage index reclassification before the current reclassification expires, there can be no assurance that any timely legislative relief will be available. On an annual basis, loss of the reclassification could significantly reduce reimbursement to the Corporation.

Medicaid Program. The State Medicaid program reimburses the Corporation for inpatient services based on per diem rates, which are updated annually. Outpatient services are reimbursed based on a prospectively determined rate and are settled based on the Medicare Cost Report.

Limitations on Contractual and Other Arrangements Imposed by Fraud and Abuse Statutes

There is an expanding and complex body of laws, regulations and policies relating to federal and state health programs that is not directly related to payment. These include reporting and other technical rules, as well as broadly stated prohibitions regarding inducements for referrals, all of which carry potentially significant penalties for noncompliance. The prohibitions on inducements for referrals are broadly drafted (and broadly interpreted by several applicable federal cases and in statements by officials of the Office of the Inspector General (the "OIG") of the U.S Department of Health and Human Services, which is charged with enforcement) and may create liability in connection with a wide variety of business transactions.

Limited "safe harbor" regulations provide defenses for a narrow scope of arrangements in case of prosecution or administrative enforcement action, although failure to satisfy the conditions of a safe harbor does not necessarily indicate a violation of the statute. Activities that fall outside of the safe harbor rules include a wide range of activities frequently engaged in between hospitals and physicians and other third parties. Violations may result in civil and criminal penalties. In certain instances, private individuals may also bring suit under the qui tam provisions of the False Claims Act and may be eligible for incentive payments for providing information that leads to recoveries or sanctions. Civil penalties range from monetary fines that may be levied on a per-violation basis to temporary or permanent exclusion from the federal health programs (which account for a significant portion of revenue and cash flow of most hospitals, including the Corporation). Criminal penalties may also be imposed. If determined adversely to a hospital, an enforcement or qui tam action could have a materially adverse effect on such hospital. These penalties may be applied to many cases in which hospitals and physicians conduct joint business activities; practice

purchases; physician recruiting and retention programs; various forms of hospital assistance to individual physicians and medical practices or the physician contracting entities; physician referral services; hospital-physician service or management contracts; and space or equipment rentals between hospitals and physicians.

The Corporation conducts activities of these general types or similar activities, which pose varying degrees of risk under the restrictions discussed above. Much of the risk cannot be assessed accurately due to the lack of case law or material guidance by the OIG, although the OIG has issued advisory opinions on the applicability of certain aspects of the anti-kickback laws to specific proposed transactions.

Billing Audits

The OIG and the United States Department of Justice are conducting a nationwide review of Medicare Part B billings by physician group practices and employed physicians at teaching hospitals. The review has focused on whether documentation in patient medical records shows that teaching physicians for whose services claims were submitted were sufficiently involved in the services rendered by or with the resident so as to be eligible for Medicare reimbursement under Medicare regulations as interpreted by Intermediary Letter – 372, an instruction from HCFA to local fiscal intermediaries issued in 1969. The review has also focused on whether documentation in patient medical records supports the level of care that was billed (so-called "up-coding").

Limitations on Certain Patient Referrals

The federal Ethics in Patient Referrals Act (the "Stark Law") generally prohibits a physician who has a financial relationship with an entity such as a hospital from making referrals to that entity for "designated health services" if payment may be made under the Medicare or Medicaid program. If such financial relationship exists, referrals are prohibited unless a statutory exception is met. Violations of the Stark Law can result in denial of payment, substantial civil money penalties and exclusion from the Medicare and Medicaid programs. "Designated health services" include inpatient and outpatient hospital services, physical and occupational therapy services, radiology or other diagnostic services, clinical laboratory services, radiation therapy services, durable medical equipment, parenteral and enteral nutrients, prosthetics, home health services and outpatient prescription drugs.

Exceptions exist for certain arrangements, including arrangements with hospitals in which the remuneration paid is unrelated to the provision of any of the listed services. However, the failure of arrangements between a hospital and a physician to fall within one or more of these exceptions could have a materially adverse effect on the Corporation.

Medicare and Medicaid fraud and abuse safe harbors for managed care activities, previously issued as an interim final rule, recently have been revised and reissued in a final rule. The managed care safe harbors, while affording protection to some managed care arrangements, draw attention to the fact that a variety of standard managed care practices which had not previously been considered unlawful may be at risk under the Medicare Anti-Fraud and Abuse provisions. That is because these provisions prohibit remuneration to influence referrals, whereas the essence of managed care arrangements is to provide participating providers access to patients while requiring or encouraging such providers to make referrals only to other participating providers. Therefore, no assurances can be given as to the effect these provisions or any future proposed restrictions, if enacted, would have on the financial condition of the Corporation.

Federal law also prohibits referrals by physicians of Medicare and Medicaid beneficiaries to facilities (including hospitals) in which the referring physician or an immediate family member has an ownership or financial interest.

Tax Audits

Taxing authorities have recently been conducting general tax audits of non-profit organizations to confirm that such organizations are in compliance with applicable tax rules and in some instances have collected significant payments as part of the settlement process. Although the Corporation is not the subject of any such audit at this time, other medical institutions throughout the country have been the subject of such audits and no assurance can be given that the Corporation will not, in the future, be subject to such an audit.

Provider-Specific Taxes

The Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991 established standards which govern how states can impose and use provider-specific taxes. In general, states are allowed to impose broad-based, provider-specific taxes that are redistributive and do not contain "hold harmless" provisions. The Balanced Budget Act of 1997 also imposed new requirements including setting a state-specific, upper limit to federal financial participation in any state disproportionate share program. Vermont has imposed a provider-specific tax since 1992 and also adopted a state-specific disproportionate share program. Vermont's disproportionate share program has historically distributed more funds to hospitals than is generated from the tax. See "HISTORICAL FINANCIAL PERFORMANCE - Sources of Patient Revenue – *Medicaid Program*" in Appendix A hereto.

Affiliation, Merger, Acquisition and Divestiture

The Corporation evaluates and pursues potential merger and affiliation candidates and joint venture arrangements on a periodic basis as part of its overall strategic planning and development process. As part of its ongoing planning and property management functions, the Corporation reviews the use, compatibility and financial viability of many of its operations, and from time to time, may pursue changes in the use of, or disposition of, its facilities. Likewise, the Corporation may receive offers from, or conduct discussions with, third parties about the potential acquisition of operations or properties that may become part of the Corporation in the future, or about the potential sale of some of the operations and properties of the Corporation. Discussions with respect to affiliation, merger, acquisition, disposition, or change of use, including those that may affect the Corporation, are held on an intermittent, and usually confidential, basis with other parties and may include the execution of non-binding letters of intent. As a result, it is possible that the assets currently owned by the Corporation may change from time to time, subject to the provisions of the financing documents that apply to merger, sale, or disposition or purchase of assets.

Legislative Activities Relating to Nonprofit Corporations

If enacted, certain legislative actions could have an adverse effect on the Corporation, including: (a) any change in the taxation of nonprofit corporations or in the scope of their exemption from income or property taxes; (b) limitations on the amount or availability of tax-exempt financing for organizations described in Section 501(c)(3) of the Code; (c) regulatory limitations affecting the ability of the Corporation to undertake capital projects or develop new services; and (d) a requirement that nonprofit health care institutions pay real estate property tax and sales and use tax on the same basis as for profit entities.

Managed Care/Commercial Insurers

The Corporation contracts with preferred provider and health maintenance organizations, commercial insurers, and other third-party payors. Generally, a preferred provider organization ("PPO") is a group of health care providers who have contractual arrangements with third party payors, including insurers, to provide specific or full-scope services at a negotiated price to a defined group of patients. A health maintenance organization ("HMO"), on the other hand, is responsible for and directly assumes the financial risk of providing health care services to its members in return for a set prepaid monthly premium. The Corporation contracts with commercial insurers to provide patient services to insureds. Contracts with these

payors are becoming increasingly similar to contracts with managed care plans, and frequently reflect negotiated discounted rates and impose utilization and quality controls.

Most PPOs, HMOs and insurers currently pay hospitals on a discounted fee-for-service basis or on a discounted fixed rate per day of care, or at a fixed rate based upon the number of members of the HMO (regardless of the number and types of admissions and care provided). The discounts offered to HMOs, PPOs and insurers may result in payment at less than actual cost, and the volume of patients and the types of required medical services directed to a hospital under an HMO, PPO and/or insurer contract may vary significantly from the expectations of the Corporation. Therefore, the future financial consequences of such contracts cannot be predicted with certainty and may be different from the current period or past periods.

Some managed care organizations are offering or mandating a "capitation" payment method under which the hospital is paid a predetermined periodic rate for each enrollee in the managed care program who is "assigned" to or otherwise directed to be cared for by the hospital. In a capitated payment system, the hospital assumes an insurance risk for the cost and scope of care given to such enrollees. If the capitation payment is insufficient to meet the hospital's costs of care, the financial condition of the hospital may erode. Further, some managed care contracts may require that the hospital care for enrollees for a certain period of time regardless of whether the HMO or PPO has funds to pay to the hospital. In cases where a managed care organization is a major purchaser of services from a particular hospital, a contract rate reduction, contract cancellation, inability to pay, business failure or bankruptcy of the managed care program may have a substantial negative effect on the Corporation's financial condition. See "HISTORICAL FINANCIAL PERFORMANCE – Sources of Patient Revenue – Capitated Contracts" in Appendix A hereto.

Failure to enter into and maintain PPO, HMO and/or insurer contracts could have the effect of reducing the patient base and/or revenue of the Corporation. On the other hand, participation may maintain or increase the patient base, but may result in reduced payments and lower net income. The Corporation may contract with a variety of these programs, but there is no assurance that the Corporation will maintain such contracts at rates providing a favorable return or obtain other similar contracts in the future.

Private Third-Party Payors

It is expected that Blue Cross and Blue Shield and other private third-party payors will continue their efforts to control their costs. Private third-party payors may also encourage the development and use of health maintenance organizations, which are designed to reduce the demand for acute-care hospital services by use of preventive medicine and outpatient treatment.

Competition in Service Area

The Corporation could face increased competition in the future from other hospitals and health care providers, as well as from HMOs, which may be better capitalized and could offer comparable health care services to the population now served by the Corporation. Such increased competition could include the institution of new health care services and the construction, renovation or merger of hospitals, HMOs, outpatient clinics and surgical centers, private laboratories and radiological services, and others which may offer comparable services at lower prices.

Alternative delivery systems are expected to continue to account for an increasing percentage of the admissions of the Corporation under contracts requiring discounts from charges or payment at negotiated rates. Moreover, other forms of competition may affect the ability of the Corporation to maintain or to improve its market share, including increasing competition: (i) between physicians, who generally use hospitals, and non-physician practitioners such as nurse-midwives, nurse practitioners, chiropractors, and physical and occupational therapists, who may not generally use hospitals; and (ii) from nursing homes, home health agencies, ambulatory care facilities, surgical centers, rehabilitation and therapy centers,

physician group practices, and other non-hospital providers of many services for which patients currently rely on hospitals.

Increased Enforcement Affecting Academic Research

In addition to regulations governing protection of human research subjects, CMS issued a National Coverage Decision permitting Medicare coverage for routine health costs of Medicare Beneficiaries in clinical research trials. This coverage decision not only covers the routine costs of clinical trials but also expanded the definition of such cost to include payment for services that were previously not covered under the Medicare program. Any health care system participating in clinical trials must possess a strong understanding of how clinical trials are conducted, which regulations control the clinical trial and what coding and billing rules apply to the applicable clinical trials and services.

HIPAA Administrative Simplification Regulations

HIPAA Administrative Simplification Regulations consist of three distinct components: Privacy Standards, which were effective April 14, 2003; Transaction and Code Set Standards, which were effective October 16, 2003; and Security Standards, which were effective April 21, 2005. The Corporation has incurred significant expenses in connection with complying with such regulations and could incur significant additional expenses if the regulations were to be revised in the future.

Emergency Medical Treatment and Active Labor Act

The Emergency Medical Treatment and Active Labor Act (EMTALA) was enacted to prohibit the turning away of indigent patients or their transfer to other hospitals for financial reasons. EMTALA requires that all patients presenting to a hospital must receive appropriate screening for emergency medical conditions and if an emergency medical condition exists, stabilize the condition or provide for the patient's "appropriate" transfer. Failure to comply with this law can result in exclusion from participation in federal health care programs, as well as civil monetary penalties, either of which could adversely affect a hospital's financial condition. EMTALA and its implementing regulations are complex, and a hospital's compliance is dependent, in part, upon the volition of independent medical staff members. On September 5, 2003, CMS issued rules clarifying hospital obligations under EMTALA. The rule expands the definition of hospital emergency department to include "any department or facility of the hospital, regardless of whether it is located on or off the main hospital campus, that (i) is licensed by the State in which it is located under applicable State law as an emergency room or emergency department, (ii) is held out to the public as a place that provides care on an emergency medical or urgent care basis or (iii) provides at least one third of all of its outpatient visits for the examination and treatment of emergency medical conditions.

The rule also clarifies the physician "on-call" requirements, now allowing hospitals the discretion to develop their on-call lists in a way that best meets the needs of their communities. Given the complexity of these rules, there is no assurance that no violation of EMTALA will be found or, if found, that any sanction imposed would not have a material adverse effect on the Corporation's operations or financial condition.

Physician Recruitment

The Internal Revenue Service ("IRS") and DHHS have issued various pronouncements that could limit physician recruiting and retention arrangements. In a General Counsel Memorandum, the IRS suggested that tax-exempt hospitals that provide recruiting and retention incentives to physicians risk loss of tax-exempt status unless the incentives are necessary to obtain an overriding public benefit; improvement of a charitable hospital's financial condition does not necessarily constitute such a purpose. The IRS also has issued guidelines for its agents to follow in conducting audits that emphasize these restrictions, and has established special audit teams and procedures to ensure compliance. The OIG has taken the position that any arrangement between a health care program-certified facility and a physician that is intended to

encourage the physician to refer patients may violate the Anti-Kickback Law unless a regulatory exception applies. While the OIG has finalized a practitioner recruitment safe harbor, the safe harbor is limited to practice recruitment in areas that are health professional shortage areas and to the recruitment of new physicians who are relocating their practices. Therefore, the safe harbor does not allow physician retention arrangements. The OIG also has issued an advisory opinion (Opinion No. 01-4) analyzing physician recruiting arrangements and providing further insight into the manner in which it would evaluate and apply the physician recruitment safe harbor.

The Stark Law also is implicated by physician recruiting and retention arrangements. An exception applies to payments from a hospital to a physician to induce the physician to relocate to the hospital's service area and join the hospital's medical staff. Management of the Obligated Group believes that its physician recruitment program is in material compliance with these policies and does not anticipate any adverse impact on the Obligated Group's future ability to recruit and retain physicians, but no assurance can be given that future regulations will not adversely affect these practices.

Technological Changes

Technological and scientific developments, including new or enhanced medical technologies and devices, advanced clinical information systems, and medical research and resulting discoveries have grown exponentially in the last few decades. These new developments and discoveries add greatly to the Obligated Group's cost of providing services with little or no offsetting increase in federal reimbursement. For example, the Corporation anticipates that it will need to make substantial investments in new technology and clinical information systems over the next several years. In addition, once new drugs secure market approval, they are often included on the list of drugs maintained by hospitals for patient care. These developments may result in increased operating expenses. For the most part, the costs of new technology, drugs and devices are not typically accounted for in the DRG payment received by hospitals for inpatient care. The new PPS system imposed on outpatient services does permit a direct pass-through of certain new technologies defined by the government.

A second potential effect of new technological developments and medical discoveries is that they could render obsolete the way that services are currently rendered thereby either increasing expenses or reducing revenues. However, any such effect cannot be predicted.

Vermont Laws Affecting the Health Care Institutions' Revenues and Expenditures

Vermont has a comprehensive regulatory framework for hospitals, including the Corporation, which requires, among other things, certificate of need approvals for certain capital expenditures and new services and approval of annual hospital operating budgets.

Certificate of Need. Under Vermont's Certificate of Need law, any "new health care project" proposed by the Corporation requires a certificate of need ("CON") issued by the Commissioner of the Vermont Department of Banking, Insurance, Securities and Health Care Administration (the "Commissioner"). The CON law defines the term "new health care project" to include: any capital expenditure by or on behalf of a hospital in excess of $3,000,000; purchase or lease of any single piece of diagnostic or therapeutic equipment with a value in excess of $1,000,000; any change (subject to minor exceptions) in the Corporation's licensed bed capacity; and the offering of any new service with an annual operating cost in excess of $500,000 in either of its first two fiscal years. Receipt of a certificate of need is subject to public review before the Public Oversight Commission, a publicly appointed body of 13 members that makes an advisory recommendation to the Commissioner. Applicants have the burden of satisfying certain statutory criteria relating to need and cost in order to receive a CON.

Vermont's CON law is rigorously enforced and requires careful planning by the Corporation to assure compliance. Virtually all major capital projects and equipment purchases by the Corporation require

careful analysis of the CON implications, and many require review by the Commissioner. The CON review process can result in significant delays in the introduction of new technology and services, including those that may improve the Corporation's net revenues. There can be no assurance that every CON application presented by the Corporation will receive approval, and the denial of a CON application, or the imposition of restrictive CON conditions, can adversely affect the Corporation's planning, competitive strategies and revenues. Violations of the CON law can result in significant penalties and delays in the completion of major initiatives by the Corporation.

Budget Review. Vermont's Budget Review law requires each hospital in Vermont, including the Corporation, to file a proposed annual budget for the forthcoming fiscal year with the Commissioner. The Commissioner then conducts a review of each hospital's proposed budget, and, after hearing input from the hospital and other interested parties, establishes a budget for the hospital. The hospital is required to operate within the budget established by the Commissioner, provided, that, the Commissioner may, upon application, adjust a budget upon a showing of need based upon exceptional or unforeseen circumstances. If a hospital is exceeding or will exceed its established budget, the Commissioner may maintain a court proceeding to enjoin, restrain or prevent such violation. The Commissioner approved the Corporation's budget for the current fiscal year with several modifications, and the Corporation is operating within the approved budget, as modified. However, there can be no assurance that future budgets of the Corporation will be approved as presented, or that the approved budgets will not constrain the Corporation from achieving its financial objectives.

Recent Changes to Vermont Law. The State of Vermont adopted a number of healthcare reforms during the 2006 legislative session. See "HISTORICAL FINANCIAL PERFORMANCE–Source of Patient Revenue–Recent Health Care Reform in Vermont" in Appendix A hereto. The overall financial impact of these reforms on the Corporation is unknown at this time.

Risks Related to the Obligations under the Master Indenture

The ability to enforce guaranties or obligations issued by a corporation in favor of the creditors of another, or the obligation of a Member of the Obligated Group to make debt service payments on behalf of another Member of the Obligated Group, may be affected by federal and state laws regarding insolvency, bankruptcy, and similar debtor-relief laws. Thus, the ability to enforce the Master Indenture or any Obligations, including Obligation Nos. 9, 12 or 13, against any Member of the Obligated Group could be subject to challenge. In particular, the obligations of such Member may be voidable under the United States Bankruptcy Code or applicable state fraudulent conveyance laws if the obligation is incurred without the applicable Member of the Obligated Group receiving "reasonably equivalent value" or "fair" or "fairly equivalent" consideration and if the incurrence of such obligation thereby renders such Member insolvent. The standards for determining reasonably equivalent value or the fairness of consideration and the manner of determining insolvency are not clear and may vary under the United State Bankruptcy Code, state fraudulent conveyance statutes and applicable judicial decisions. There is no clear test to determine whether a Member is "insolvent", received "reasonably equivalent value" or "fair consideration". Thus, it is possible that a court applying the United States Bankruptcy Code or federal and state fraudulent conveyance laws could determine that the Obligations of the Members of the Obligated Group (or payments thereon from such Member) may be voided as a fraudulent conveyance.

It is possible that the security interest granted by a Member of the Obligated Group and the joint and several obligation of a Member of the Obligated Group to make payments due under an Obligation, including Obligation Nos. 9, 12 and 13, relating to bonds issued for the benefit of another Member of the Obligated Group, may be declared void in an action brought by creditors pursuant to the Vermont fraudulent conveyance statutes or may be avoided by a Member of the Obligated Group, a trustee in bankruptcy or creditors in the event of the bankruptcy of the Member of the Obligated Group from which payment is requested. An obligation or transfer may be voided under the United States Bankruptcy Code or under the applicable state fraudulent conveyance statute. The Vermont fraudulent conveyance statute provides that a

creditor may avoid a fraudulent transfer or obligation to the extent necessary to satisfy the creditor's claim. A Member of the Obligated Group's joint and several obligation under the Master Indenture to grant a security interest in and to make all payments thereunder, including payments in respect of funds used for the benefit of the other Members of the Obligated Group, may be held to be a "transfer" or an "obligation" which makes such Member "insolvent" in the sense that the total amount due under the Master Indenture could be considered as causing its liabilities to exceed its assets. In addition, one of the Members of the Obligated Group may be deemed to have received less than "fair consideration" for such obligation because only a portion of the proceeds of the indebtedness are to be used to finance facilities occupied or used by such Member of the Obligated Group. While the Members of the Obligated Group may benefit generally from the facilities financed from the indebtedness incurred for the other Members of the Obligated Group, the actual cash value of this benefit may be less than the joint and several obligation.

Upon issuance of the Series 2008A Bonds and the remarketing and conversion of the Series 2004B Bonds, the Corporation will be the only Member of the Obligated Group. Although the Master Indenture permits other entities to become Members of the Obligated Group, the Corporation might remain the only Member of the Obligated Group throughout the term of the Bonds. Since it is not known which entities, if any, may become additional Members of the Obligated Group, it is unknown what risks the addition of such entities to the Obligated Group, in light of their financial condition and the nature of their businesses, may present to the Bondholders. See the caption "SUMMARY OF THE MASTER INDENTURE - Parties Becoming Members of the Obligated Group" in Appendix C to this Official Statement.

In addition, Members may withdraw from the Obligated Group, and be released from all obligations previously incurred by the Obligated Group, if certain conditions summarized under the caption "SUMMARY OF THE MASTER INDENTURE - Withdrawal From the Obligated Group" in Appendix C to this Official Statement are met. However, withdrawal of the Corporation from the Obligated Group requires both Agency and bond insurer consent.

In addition, the assets of any Member of the Obligated Group may be held by a court to be subject to a charitable trust which prohibits payments in respect of obligations incurred by or for the benefit of others if a Member of the Obligated Group has insufficient assets remaining to carry out its own charitable functions or, under certain circumstances, if the obligations paid by such Member of the Obligated Group were issued for purposes inconsistent with or beyond the scope of the charitable purposes for which such Member was organized. The enforceability of similar master trust indentures has been challenged in jurisdictions outside of Vermont. In the absence of clear legal precedent in this area, the extent to which the assets of any Member of the Obligated Group can be used to pay Obligations issued by other Members of the Obligated Group cannot be determined at this time.

Similarly, payments made by a bankrupt Member of the Obligated Group may be challenged (and, possibly recovered) as a voidable preference under the United States Bankruptcy Code if such payments were made during the 90-day period prior to the date of the commencement of such Member's bankruptcy case. In addition, a court could determine, if a Member of the Obligated Group granted a security interest in its property as security for payment of the Obligations and later became bankrupt, that such security interest could constitute a voidable preferential transfer to or for the benefit of an insider on account of antecedent debt, within the meaning of Section 547(b) of the United States Bankruptcy Code, if such transfer were made during the one year period prior to the commencement of such Member's bankruptcy case.

The obligations of the Corporation under each Loan Agreement and the obligations of the Members of the Obligated Group under the applicable Obligation Nos. 9, 12 and 13 are subject to bankruptcy, insolvency, fraudulent conveyance and other laws affecting creditors' rights generally and the application of general principles of creditors' rights and other debtor relief laws and as additionally described below.

The accounts of the Members of the Obligated Group will be combined for purposes of determining whether certain covenants and tests contained in the Master Indenture (including tests relating to the

incurrence of additional Indebtedness) are met, notwithstanding uncertainties as to the enforceability of certain obligations of the Members of the Obligated Group contained in the Master Indenture which bear on the availability of the assets and revenues of the Members of the Obligated Group for payment of debt service on Obligations, including Obligation Nos. 12 and 9, pledged under the applicable Trust Agreement as security for the Series 2008A Bonds and Series 2004B Bonds.

Enforceability of Remedies

The realization of any rights upon default by the Corporation will depend upon the exercise of various remedies specified in the Loan Agreements and the Master Indenture. These remedies, in certain respects, may require judicial action, which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Loan Agreements and the Master Indenture may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in such documents.

The effectiveness of the Loan Agreements and the Master Indenture may be limited by a number of factors, including: (i) the absence of an express provision permitting assignment of payments due the Corporation under the Medicare and Medicaid programs or under the contracts between the Corporation and Blue Cross and Blue Shield, and present or future prohibitions against assignment contained in any Federal statutes or regulations; (ii) statutory liens; (iii) rights arising in favor of the United States of America or any agency thereof; (iv) constructive trusts, equitable or other rights impressed or conferred by a Federal or state court in the exercise of its equitable jurisdiction; and (v) Federal bankruptcy laws that may affect enforceability of such agreements or certain Federal statutes.

Replacement Master Indenture; Substitution of Security

Under certain circumstances, the Master Indenture provides that the Bond Trustee is required to surrender Obligation Nos. 9 and 12 issued under and secured by the Master Indenture for a substitute note or obligation issued under and secured by a Replacement Master Indenture, subject to certain terms and conditions in the Master Indenture being met. The provisions of the Master Indenture relating to such substitution are set forth under "SUBSTITUTION OF MASTER INDENTURE" herein. The conditions required to be met under the Master Indenture to substitute a new note or obligation issued under a Replacement Master Indenture include, among others, (a) that any bond insurer or credit facility provider for the bonds and a majority of the Series 2007A Holders (so long as the Series 2007A Bonds are Outstanding) consent in writing to such substitution, (b) that an additional one dollar of Long-Term Indebtedness could be incurred under the conditions for the incurrence of additional Long-Term Indebtedness under the Master Indenture, (c) that the Agency approve the Replacement Master Indenture (except in certain cases where the Replacement Master Indenture has already been authorized or approved by the Agency), and (d) that the then current rating category on the Bonds will not be withdrawn or reduced (without regard to any rating refinement or gradation by numerical modifier or otherwise) by any rating agency then rating the Bonds as a result of such substitution.

Other than meeting the conditions specified in the Master Indenture, the Master Indenture, the Trust Agreements and the Loan Agreements place no restrictions upon when the substitution of the Master Indenture with a Replacement Master Indenture may occur. In addition, there are no requirements as to what provisions the Replacement Master Indenture must contain. In the event that a Replacement Master Indenture is substituted for the Master Indenture, there can be no assurance that the security provisions and covenants contained in the Master Indenture would be included in the Replacement Master Indenture. The Replacement Master Indenture could, among other things, eliminate or modify the provisions and covenants in the Master Indenture relating to the insurance requirements, the security, the rate covenant, the tests for incurrence of additional Indebtedness, the restrictions on Permitted Liens, sales of Accounts or disposition of cash and Property, the restrictions on joining or withdrawing from the Obligated Group and the rights and remedies of the Bond Trustee, as owner of the substitute note or obligation, upon a default under the

Replacement Master Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Environmental Laws and Regulations

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

The Corporation may be subject to liability for hazardous substances that may have migrated off its properties including remediation thereof. Typical hospital operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants and contaminants. As such, hospital operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may (i) result in damage to individuals, property or the environment, (ii) interrupt operations and increase their cost, (iii) result in legal liability, damages, injunctions or fines and (iv) result in investigations, administrative proceedings, penalties or other governmental agency actions. There is no assurance that the Corporation will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Corporation.

At present, management of the Corporation is not aware of any pending or threatened claim, investigation or enforcement action regarding such environmental issues which, if determined adversely, would have a material adverse affect on the operations, financial condition or results of operations of the Corporation.

Limitations Relating to Remedies Under the Mortgage

The Mortgaged Property contains facilities that are comprised of general purpose buildings and would not generally be suitable for industrial or commercial use. Consequently, it might be difficult to find a buyer or lessee for the Mortgaged Property at a foreclosure sale that would be willing to pay a sufficient purchase price or rent to avoid loss to the Bondholders. Thus, upon any default and foreclosure, it may not be possible to realize the amount of the outstanding Bonds from a sale or lease of the Mortgaged Property. Furthermore in order to operate the facilities as health care facilities, a purchaser of the facilities at a foreclosure sale would under the present law have to obtain, among other things, operating licenses from the applicable state regulatory agency and appropriate provider agreements from third-party payors.

Risks Related to Bond Insurance

There can be no assurance that Financial Security will be financially able to meet its contractual obligations under its respective Policy. So long as Financial Security performs its obligations under its Policy, the Series 2004B Bonds cannot be accelerated without the prior written consent of Financial Security, including, without limitation, if the tax-exempt status of the interest on such Series 2004B Bonds is not maintained. Furthermore, so long as Financial Security performs its obligations under its Policy, it may direct the Bond Trustee to pursue any remedies that the Bond Trustee has available under the Series 2004B Trust Agreement.

In the event that Financial Guaranty is required to pay principal of or interest on the Series 2004B Bonds, no representation or assurance is given or can be made that such event will not adversely affect the market price for or marketability of such series of Bonds.

Owners of the Series 2004B Bonds should note that, although the Policy will insure payment of the principal amount (but not any premium) that is paid to any Owner in connection with the optional or extraordinary redemption of any related Series 2004B Bond, and that is recovered from such Owner as a voidable preference under applicable bankruptcy laws, such amounts will be repaid by Financial Security to such Owner only at such times and in such amounts as would have applied in the absence of such redemption.

Risks Related to Letter of Credit

There can be no assurance that the Bank will be financially able to meet its contractual obligations under its Letter of Credit. So long as the Bank performs its obligations under its Letter of Credit, the Series 2008A Bonds cannot be accelerated without the prior written consent of the Bank, including, without limitation, if the tax-exempt status of the interest on such Series 2008A Bonds is not maintained. Furthermore, so long as the Bank performs its obligations under its Letter of Credit, it may direct the Bond Trustee to pursue any remedies that the Bond Trustee has available under the Series 2008A Trust Agreement.

Other Factors Affecting Revenues

The following factors, among others, may unfavorably affect the operations of health care facilities, including those of the Corporation, to an extent and in a manner that cannot be determined at this time. These factors are not intended to be all inclusive and there may be other factors, not listed below, that could impact adversely on the revenues of the Corporation:

(1) Adverse employee actions that could result in (i) a substantial reduction in revenues without corresponding decreases in costs or (ii) substantial increases in costs without increases in revenue.

(2) Reduced need for hospitalization or other services arising from future medical and scientific advances, changes in physician practice patterns and efforts by insurers, managed care organizations and governmental entities to control costs.

(3) Reduced demand for the services of the Corporation that might result from decreases in population of its service areas.

(4) Increased unemployment or other adverse economic conditions in the service areas of the Corporation which could increase the proportion of patients who are unable to pay fully for the cost of their care or which could result in a loss of Blue Cross or other health insurance benefits for a portion of the patients of the Corporation.

(5) Imposition of further wage and price controls for the health care industry.

(6) The Corporation could be required, by a change in the Internal Revenue Code or other Federal, State or local laws, to render substantially greater hospital service without charge or at a reduced charge, including care for indigent persons.

(7) The facilities of the Corporation are specifically constructed for hospital purposes. As a result, in the event of bankruptcy of the Corporation, the number of entities which might purchase or lease its facilities would be limited, and the sale price or rentals generated by these facilities might thus be affected.

(8) An increase in the rate of inflation and difficulties in increasing service charges and other fees, while at the same time maintaining the amount and quality of healthcare services offered by the Corporation.

(9) The effect of any future unionization of the Corporation's employees (or the increased costs arising from future collective bargaining agreements with any employees already unionized or the employees of any future Members of the Obligated Group).

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

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

(12) The ability of the Corporation to attract a sufficient number of qualified physicians, nurses and other health care professionals, particularly as the nation's hospitals are currently facing a shortage of nursing and other professional staff.

(13) Developments affecting the federal, state or local tax exempt status of nonprofit organizations, which could make unavailable tax exempt financing for future projects by the Corporation.

(14) Regulatory actions which might limit the ability of the Corporation to undertake capital improvements to its facilities or to develop new institutional health services.

(15) The Corporation is fully accredited by the Joint Commission on Accreditation of Healthcare Organizations, which accreditation, as is the case for all hospitals, is subject to renewal. While the Corporation presently anticipates no difficulty in renewing its accreditation, loss of accreditation could, in the future, result in the loss of utilization or revenues, the ability of the Corporation to operate all or a portion of its health facilities, and could adversely affect its ability to make payments under the Loan Agreement.

(16) The continued ability of VMC Indemnity Company, Ltd. to provide sufficient amounts of general and professional liability coverage to the Corporation.

(17) The ability of the Corporation to implement its electronic medical record project in accordance with the schedule and budget approved in its certificate of need. See "FACILITIES – Electronic Medical Record" in Appendix A hereto.

TAX EXEMPTION

Conversion of Series 2004B Bonds and Opinions of Bond Counsel with respect thereto

The Series 2004B Bonds were delivered on April 15, 2004. On that date, Sidley Austin LLP f/k/a Sidley Austin Brown & Wood LLP, as Bond Counsel, issued an opinion that under then existing law interest on the Series 2004B Bonds (a) would not be included in gross income for Federal income tax purposes, (b) would not be an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations, and (c) would be exempt from taxation by the State of Vermont, except transfer and estate taxes. Such interest may be included in the calculation of a corporation's alternative minimum income tax, and holder may be subject to other Federal income tax consequences. The form of opinion of Bond Counsel delivered on April 15, 2004, is attached as Appendix D-1.

On the Remarketing Date, the Corporation is required to deliver to the Bond Trustee an opinion of Bond Counsel. Sidley Austin LLP, is of the opinion that, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, conversion of the Series 2004B Bonds to bear interest a Long-Term Interest Rate, (i) is authorized and permitted by the laws of the State of Vermont and the Series 2004B Trust Agreement and has been properly effected in accordance with the procedure therefor set forth in the Series 2004B Trust Agreement and (ii) in and of itself, will not adversely affect the exclusion of interest on the Series 2004B Bonds from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 or the exemption of interest on the Series 2004B Bonds from taxation by the State of Vermont. In the further opinion of Sidley Austin LLP, New York, New York, Bond Counsel, based on existing law and except as provided in the following sentence, interest on the Series 2004B Bonds is not includable in the gross income of the owners of the Series 2004B Bonds for purposes of federal income taxation. Interest on the Series 2004B Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Series 2004B Bonds in the event of a failure by the Agency or the Corporation to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and covenants set forth in the Series 2004B Trust Agreement and the Series 2004B Loan Agreement regarding the use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the U.S. Treasury. The covenant of the Agency described above does not require the Agency to make any financial contribution for which it does not receive funds from the Corporation.

No opinion is rendered by Bond Counsel as to the exclusion from gross income of the interest on the Series 2004B Bonds for federal income tax purposes on or after the date on which any action within the scope of such covenants is taken by the Agency or the Corporation upon the approval of counsel other than Bond Counsel.

In rendering its opinion, Bond Counsel has relied upon, among other things, the representations made by the Corporation with respect to certain material facts within the knowledge of the Corporation which Bond Counsel has not independently verified, and upon the accompanying opinions of counsel to the Corporation that the Corporation is exempt from federal income taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code.

In the opinion of Bond Counsel, which is based on existing law, interest on the Series 2004B Bonds is exempt from taxation in the State of Vermont, except for transfer and estate taxes.

In the opinion of Bond Counsel, which is based on existing law, interest on the Series 2004B Bonds is not an item of tax preference for purposes of the federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, as to which Bond Counsel renders no opinion, as a result of ownership of such Series 2004B Bonds or the inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax) of interest that is excluded from gross income. Interest on the Series 2004B Bonds owned by a corporation will be included in the calculation of such corporation's federal alternative minimum tax liability.

The proposed form of opinion is set forth in Appendix D-2 attached hereto.

Opinions of Bond Counsel with respect to the Series 2008A Bonds

In the opinion of Sidley Austin LLP, New York, New York, Bond Counsel, based on existing law and except as provided in the following sentence, interest on the Series 2008A Bonds is not includable in the gross income of the owners of the Series 2008A Bonds for purposes of federal income taxation. Interest on the Series 2008A Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Series 2008A Bonds in the event of a failure by the Agency or the Corporation to comply with the applicable requirements of the Code, and covenants set forth in the Series 2008A Trust Agreement and the Series 2008A Loan Agreement regarding the use, expenditure and investment of bond proceeds and the

timely payment of certain investment earnings to the U.S. Treasury. The covenant of the Agency described above does not require the Agency to make any financial contribution for which it does not receive funds from the Corporation.

No opinion is rendered by Bond Counsel as to the exclusion from gross income of the interest on the Series 2008A Bonds for federal income tax purposes on or after the date on which any action within the scope of such covenants is taken by the Agency or the Corporation upon the approval of counsel other than Bond Counsel.

In rendering its opinion, Bond Counsel has relied upon, among other things, the representations made by the Corporation with respect to certain material facts within the knowledge of the Corporation which Bond Counsel has not independently verified, and upon the accompanying opinions of counsel to the Corporation that the Corporation is exempt from federal income taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code.

In the opinion of Bond Counsel, which is based on existing law, interest on the Series 2008A Bonds is exempt from taxation in the State of Vermont, except for transfer and estate taxes.

The form of the opinion to be delivered by Bond Counsel with regard to the Series 2008A Bonds is set forth in Appendix D-3 to this Official Statement.

In the opinion of Bond Counsel, which is based on existing law, interest on the Series 2008A Bonds is not an item of tax preference for purposes of the federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, as to which Bond Counsel renders no opinion, as a result of ownership of such Series 2008A Bonds or the inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax) of interest that is excluded from gross income. Interest on the Series 2008A Bonds owned by a corporation will be included in the calculation of such corporation's federal alternative minimum tax liability.

Premium Bonds

The excess, if any, of the tax basis of any maturity of the Bonds to a purchaser (other than a purchaser who holds such Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is "Bond Premium." Bond Premium is amortized over the term of a Bond with Bond Premium (a "Premium Bond") for federal income tax purposes (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). No deduction is allowed for such amortization of Bond Premium; however, Bond Premium is treated as an offset to qualified stated interest received on the Premium Bonds. An owner of a Premium Bond is required to decrease his adjusted basis in such Premium Bond by the amount of amortizable bond premium attributable to each taxable year such Premium Bond is held. An owner of a Premium Bond should consult his tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon sale, redemption or other disposition of such Premium Bond and with respect to state and local income tax consequences of owning and disposing of such Premium Bond.

Discount Bonds

The excess, if any, of the amount payable at maturity of any maturity of the Bonds over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Bonds with original issue discount (a "Discount Bond") will be excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. In general, the issue price of a maturity of the Bonds is the first price at which a substantial amount of Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons or organizations

acting in the capacity of underwriters, placement agents, or wholesalers) and the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. A purchaser's adjusted basis in a Discount Bond is to be increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bond for federal income tax purposes. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability. In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed herein. Consequently, an owner of a Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of a Discount Bond that is not purchased in the initial offering at the first price at which a substantial amount of Bonds is sold to the public may be determined according to rules that differ from those described above. An owner of a Discount Bond should consult his tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount with respect to such Discount Bond and with respect to state and local tax consequences of owning and disposing of such Discount Bond.

Backup Withholding

Interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of interest on the Bonds from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

Other Tax Consequences

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S Corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any such collateral consequence and other state and local tax consequences of owning the Bonds.

Future Developments

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject, directly or indirectly, to State or local income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the exclusion of such interest with respect to the Bonds from gross income for federal income tax purposes and with respect to the Bonds from income taxation by the State and its political

subdivisions. Legislative or regulatory actions and proposals may also affect the economic value or market price of the Bonds.

On November 5, 2007, the United States Supreme Court heard oral argument in the matter of Kentucky v. Davis, in which the Court of Appeals of Kentucky held that it was a violation of the Commerce Clause of the United States Constitution for the Commonwealth of Kentucky to grant a state income tax exemption to the interest on bonds issued by or on behalf of the Commonwealth of Kentucky and its political subdivisions while subjecting interest on bonds issued by or on behalf of other states and their political subdivisions to Kentucky state income tax. It is not possible to know at this time how the Supreme Court will decide Kentucky v. Davis. If the Kentucky decision is affirmed by the United States Supreme Court, states such as the State may be required to eliminate the disparity between the income tax treatment of out-of-state bonds and the income tax treatment of in-state bonds, such as the Bonds. The impact of this decision may also affect the market price for, or the marketability of, the Bonds.

Prospective purchasers of the Bonds should consult their tax advisors regarding pending or proposed federal or state tax legislation, regulations, rulings or litigation, as to which Bond Counsel expresses no opinion.

LEGALITY OF BONDS FOR INVESTMENT AND DEPOSIT

The Act provides that the bonds of the Agency are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees and other fiduciaries in the State may properly and legally invest funds in their control.

NEGOTIABLE INSTRUMENTS

Pursuant to the Act, the Bonds are negotiable instruments, subject only to the provisions for registration of the Bonds.

STATE OF VERMONT NOT LIABLE ON BONDS

The State is not liable for the payment of the principal of or interest on the Bonds, or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever which may be undertaken by the Agency, and none of the Bonds nor any of the Agency's agreements or obligations shall be construed to constitute an indebtedness of the State within the meaning of any constitutional or statutory provisions whatsoever, nor shall the Bonds directly or indirectly or contingently obligate the State or any municipality or political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment.

PLEDGE OF STATE NOT TO AFFECT RIGHTS OF BONDHOLDERS

Under the Act, the State does pledge to and agree with the holders of the Bonds that the State will not limit or alter the rights vested in the Agency until the Bonds, together with interest thereon, with interest on any unpaid installment of interest, and all costs and expenses incurred by the Agency in connection with the facilities or in connection with any action or proceedings by or on behalf of the bondholders, are fully met and discharged.

LEGAL MATTERS

Series 2004B Bonds

On the Remarketing Date, the Corporation is required to deliver to the Bond Trustee an opinion of Bond Counsel to the effect that the conversion is authorized under applicable law and will not adversely effect the validity of the Series 2004B Bonds or the exclusion from gross income of interest on the Series 2004B Bonds for federal income tax purposes. Sidley Austin LLP will render the required opinion premised on law in effect on the Remarketing Date. The proposed text of the legal opinion is set forth as Appendix D-2 hereto. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of conversion.

Series 2008A Bonds

The Series 2008A Bonds and the proceedings pursuant to which they are issued are subject to the approving opinion as to legality, validity and tax status of Sidley Austin LLP, New York, New York, Bond Counsel. The proposed form of the approving opinion of Bond Counsel relating to the Series 2008A Bonds is attached hereto as Appendix D-3. Certain legal matters pertaining to the Corporation will be passed upon by its counsel, Dinse, Knapp & McAndrew, P.C. Certain legal matters pertaining to the Bank will be passed upon by its counsel, Burak Anderson & Melloni, PLC, Burlington, Vermont. Certain legal matters pertaining to the Agency will be passed upon by its counsel, Deppman & Foley, P.C. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York.

FINANCIAL ADVISORS

The firm of Public Financial Management has been retained by the Agency as its financial advisor in connection with the issuance of the Series 2008A Bonds and the remarketing and conversion of the Series 2004B Bonds.

The firm of Kaufman Hall & Associates has been retained by the Corporation as its financial advisor in connection with the issuance of the Series 2008A Bonds and the remarketing and conversion of the Series 2004B Bonds.

LITIGATION

The Agency

There is not now pending any litigation against the Agency restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence of the Agency, nor the title of the present members or other officers of the Agency to their respective offices is being contested. There is no litigation pending which in any manner questions the right of the Agency to make the loan to the Corporation in accordance with the provisions of the Act, the Trust Agreements and the Loan Agreements.

The Obligated Group

There is not now pending any litigation contesting the plan of financing or the ability of the Corporation to enter into and perform its obligations under the Loan Agreements or the ability of the Corporation to enter into and perform its obligations under the Master Indenture, Obligation No. 9 or to issue Obligation No. 12 or Obligation No. 13. No litigation or proceedings are pending or, to the knowledge of the Corporation, threatened against the Corporation except (a) litigation and proceedings involving claims for hospital professional liability in which the probable recoveries and estimated costs and expenses of defense will be entirely within the applicable insurance policy limits (subject to applicable deductibles) for the

Corporation and (b) litigation and proceedings other than those described in (a) which if adversely determined would not materially adversely affect the financial condition or results of operations of the Corporation.

INDEPENDENT AUDITORS

The consolidated financial statements of Fletcher Allen Health Care, Inc. and Subsidiaries as of September 30, 2007 and 2006, and for the years then ended, included in Appendix B to this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing in Appendix B.

UNDERWRITING

Under a bond purchase contract to be entered into between the Agency and Citigroup Global Markets Inc. (the "Underwriter"), and approved by the Corporation, the Series 2008A Bonds will be purchased at an aggregate purchase price equal to $54,601,060.50 (representing the principal amount of the Series 2008A Bonds, less an Underwriter's discount of $103,939.50). The bond purchase contract will provide that the Underwriter will purchase all of the Series 2008A Bonds, if any are purchased. The obligation of the Underwriter to accept delivery of the Series 2008A Bonds will be subject to various conditions contained in the bond purchase contract.

The Underwriter intends to offer the Series 2008A Bonds to the public initially at the offering prices set forth on the inside cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2008A Bonds to the public. The Underwriter may offer and sell Series 2008A Bonds to certain dealers (including dealers depositing Series 2008A Bonds into investment trusts) at prices lower than the public offering price.

The Corporation has agreed to indemnify the Underwriter and the Agency and any person who controls any Underwriter or the Agency and any member, officer, official or employee, agent or attorney (including Bond Counsel) of any Underwriter or the Agency against certain liabilities arising out of certain incorrect information contained in or omitted from this Official Statement.

REOFFERING

Pursuant to the Remarketing Agreement, dated as of May 9, 2008, by and between the Corporation and Citigroup Global Markets Inc., Citigroup Global Markets Inc. has agreed, subject to certain conditions, to reoffer the Series 2004B Bonds at prices that are not in excess of the public offering prices or yield stated on the inside cover of this Official Statement. Citigroup Global Markets Inc. will be paid a fee of $762,493.75 to remarket the Series 2004B Bonds.

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") have assigned their municipal bond ratings of "AAA", "Aaa" and "AAA", respectively, to the Series 2004B Bonds, based upon the delivery by Financial Security of the Policy insuring the scheduled payment when due of the principal of and interest on the Bonds. S&P, Moody's and Fitch have also assigned their underlying ratings on the Series 2004B Bonds of "BBB", "Baa1" and "BBB+", respectively. S&P, Moody's and Fitch have assigned their municipal bond ratings of "AA-/A-1+", "Aaa/VMIG1" and "AA-/F1+", respectively, to the Series 2008A Bonds, based upon the long-term and short-term ratings assigned by such respective rating agency to the Bank. S&P, Moody's and Fitch have also assigned their underlying ratings on the Series 2008A Bonds of "BBB", "Baa1" and "BBB+", respectively.

Such ratings reflect only the view of such organizations and an explanation of the significance of such ratings may only be obtained from such rating agencies. There is no assurance such ratings, including the underlying ratings, will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency providing the same, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

The Securities and Exchange Commission (the "SEC"), pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Securities Exchange Act"), has adopted amendments to its Rule 15c2-12 ("Rule 15c2-12") effective July 3, 1995, which generally prohibit a broker, dealer, or municipal securities dealer ("Participating Underwriter") from purchasing or selling municipal securities, such as the Bonds, unless the Participating Underwriter has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and event notices to various information repositories.

Each Loan Agreement contains covenants for the benefit of the holders of the Series 2008A Bonds and the Series 2004B Bonds pursuant to which the Corporation will agree to comply on a continuing basis with the disclosure requirements of Rule 15c2-12. Specifically, each Loan Agreement requires the Corporation to provide to each nationally recognized municipal securities information repository and to any Vermont state information repository, certain financial, operating and statistical data relating to the Obligated Group not later than 180 days after the end of its fiscal year and to provide to each nationally recognized municipal securities information repository or with the Municipal Securities Rulemaking Board and with any Vermont state information repository, notices of the occurrence of certain enumerated events, if material. In addition, under the Series 2008A Loan Agreement, the Corporation is required to provide to each nationally recognized municipal securities information repository and to any Vermont State information repository its unaudited quarterly financial statements not later than 60 days after the end of each of the quarters of each of its fiscal years. Failure to comply with these covenants is not an event of default under the Loan Agreement and will not result in acceleration of the Series 2008A Bonds and Series 2004B Bonds. See "SUMMARY OF THE SERIES 2004B LOAN AGREEMENT — Secondary Market Disclosure" and "SUMMARY OF THE SERIES 2008A LOAN AGREEMENT — Secondary Market Disclosure" in Appendix C to this Official Statement.

In addition, the consolidated audited annual financial statements, the quarterly (unaudited) financial statements and certain other information concerning the Corporation are currently available at www.dacbond.com.

MISCELLANEOUS

Reference is hereby made to Appendix C to this Official Statement for information relating to the Trust Agreements, the Loan Agreements and the Master Indenture, which Appendix should be reviewed by prospective purchasers of the Bonds.

The Corporation has reviewed the information contained herein which describes it, its respective facilities and business, and the plan of refunding and has approved all such information for use within this Official Statement. The Agency has reviewed the information contained herein which relates to it and has approved such information for use in this Official Statement. Information herein regarding DTC has been provided by DTC and information herein regarding Financial Security and the Policy have been provided by Financial Security.

The references herein to the Act, the Trust Agreements, the Loan Agreements, Obligation Nos. 9, 12, and 13 and the Master Indenture are summaries of certain provisions thereof and do not purport to be complete. Reference is made to such Act and documents for full and complete statements of such and all other provisions thereof. Neither any advertisement for the Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Bonds. So far as any statements are made in this Official Statement involving projections, forecasts, estimates and other statements involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The Corporation has agreed to indemnify the Agency and any person who controls the Agency and any member, officer, official or employee of the Agency against certain liabilities.

This Official Statement is not to be construed as a contract or agreement between the Agency or any Member of the Obligated Group and purchasers or owners of, or owners of beneficial interests in, the Bonds.

The execution and delivery of this Official Statement by an Authorized Officer of the Agency has been duly authorized by the Agency, and the approval of this Official Statement by the Corporation has been duly authorized by the Corporation.

VERMONT EDUCATIONAL AND HEALTH BUILDINGS FINANCING AGENCY

By: /s/Robert Giroux
Executive Director

Approved:

By: **FLETCHER ALLEN HEALTH CARE, INC.**

By: /s/Roger Deshaies
Chief Financial Officer

APPENDIX A

Information Concerning

Fletcher Allen Health Care, Inc.

ORGANIZATION AND OPERATIONS

The information contained herein as Appendix A to this Official Statement has been obtained from Fletcher Allen Health Care, Inc. and other sources deemed to be reliable.

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INTRODUCTION

Fletcher Allen Health Care, Inc. ("Fletcher Allen"), based in Burlington, Vermont, is a non-profit, tax-exempt, academic medical center affiliated with the University of Vermont ("UVM") and its College of Medicine. Fletcher Allen provides integrated health care services as an acute care, teaching hospital with 620 licensed beds (including 58 bassinets) and a multi-specialty physician practice, employing approximately 450 physicians[1] who hold full-time faculty positions at the College of Medicine. In a survey conducted by Verispan and published in *Modern Healthcare* on February 4, 2008, Fletcher Allen was ranked among the top 100 integrated health care networks in the United States, ranking 74th, and was one of only nine hospital systems in the New York-New England region to make the list. Dedicated to health care delivery, education and research, the mission of Fletcher Allen is to improve the health of the communities it serves.

Organizational Structure

Fletcher Allen was created in 1995 by the consolidation of Medical Center Hospital of Vermont, Inc. ("MCHV"), a 515-bed non-profit, teaching, tertiary care hospital in Burlington; Fanny Allen Hospital, Hotel Dieu ("Fanny Allen"), a 100-bed Catholic hospital in Colchester; and University Health Center, Inc. ("UHC"), the clinical practice organization for faculty physicians at the College of Medicine. The member organizations of Fletcher Allen are Vermont Health Foundation (MCHV's parent organization), Fanny Allen, UHC, and UVM, each of which hold certain appointive and reserved powers. *See* "Organizational Structure and Affiliations" herein.

Health Care Services

Fletcher Allen is the sole community hospital serving the greater Burlington area, including Chittenden and southern Grand Isle Counties, with a population of over 150,000. It is also the primary or secondary referral center for a service area in Vermont and northern New York with a population of approximately 1 million. Fletcher Allen is the only academic medical center within approximately 100 miles of Burlington and provides a broad range of tertiary and quaternary health care services. *See* "Health Care Services" and "Market Overview" herein.

[1] These physicians are actually employed by Fletcher Allen Provider Corporation (*see* "Organizational Structure and Affiliations – Subsidiaries"), a wholly-owned subsidiary of Fletcher Allen. When physicians are referred to as "employed" by Fletcher Allen in this Appendix A, "Fletcher Allen" is intended to refer to Fletcher Allen Provider Corporation.

Facilities

Fletcher Allen has three main campuses in Chittenden County. Its primary Medical Center Campus, contiguous to UVM's College of Medicine campus, recently underwent a major $378 million construction and renovation program referred to as the Renaissance Project. The Renaissance Project included the construction of an Ambulatory Care Center, a new Emergency Department, a Birthing Center, a new central plant, an underground parking garage, new inpatient mental health units, and an Education Center constructed under a joint development agreement with the University of Vermont.

The UHC Campus, located several blocks away, provides some outpatient services, and the Fanny Allen Campus, located about four miles away in Colchester, provides outpatient surgery, inpatient and outpatient rehabilitation services and walk-in care. In addition to these facilities, Fletcher Allen has primary care clinics in nine different locations in Vermont, and 33 patient care sites and over 100 outreach clinics and programs in Vermont, New York and New Hampshire. *See* "Facilities" herein.

Education and Research

Education is a vital part of Fletcher Allen's mission. Under written affiliation agreements with UVM, Fletcher Allen serves as the primary clinical teaching facility for UVM's medical, nursing and allied health students. Over 430 medical students and over 750 students from the College of Nursing and Health Sciences currently receive training at Fletcher Allen. Fletcher Allen also offers 15 residency programs and 17 fellowship programs accredited by the Accreditation Council for Graduate Medical Education.

Fletcher Allen and the UVM College of Medicine together constitute Vermont's only academic medical center and serve as an important biomedical research center, including being one of only 14 academic medical centers in the country with National Institutes of Health-funded Centers in both Comprehensive Cancer and General Clinical Research.

As part of these research activities, Fletcher Allen physicians are active in a substantial number of clinical trials either as clinical employees of Fletcher Allen or as academic employees of UVM, with hundreds of active clinical trials conducted across all subspecialties by over 345 different physicians. In fiscal 2007, a total of approximately $71 million in research funds was paid to the UVM College of Medicine and Fletcher Allen, an increase of over 100% in the last decade. Of this amount, Fletcher Allen received approximately $5 million and the College of Medicine received approximately $66 million. *See* "Organizational Structure and Affiliations - Affiliations with the University of Vermont" herein.

ORGANIZATIONAL STRUCTURE AND AFFILIATIONS

Formation

Fletcher Allen was organized effective January 1, 1995 as a result of the following corporate transactions: (i) the physician faculty-practice corporations comprising UHC merged into MCHV; (ii) MCHV amended its corporate charter to change its name to "Fletcher Allen Health Care, Inc." among other changes; (iii) Fanny Allen and UHC transferred substantially all of their tangible and intangible assets and liabilities to MCHV; and (iv) Fletcher Allen agreed to employ the approximately 210 physicians then employed by the UHC physician practice corporations. At the same time, Fletcher Allen entered into a continuing Affiliation Agreement (the "Affiliation Agreement") with UVM, by which Fletcher Allen is designated as the primary teaching hospital for UVM's medical, nursing and allied health programs.

Upon the organization of Fletcher Allen, Fanny Allen, UVM, UHC and Vermont Health Foundation ("VHF"), the sole corporate member of MCHV, became the corporate members of Fletcher Allen. *See* "Governance and Management" herein for a discussion of the reserved powers of Fletcher Allen's members and Fletcher Allen's Board of Trustees and senior management team.

History

Fletcher Allen and its founding institutions share a rich history dating back to the 1800s.

Medical Center Hospital of Vermont, Inc. The Mary Fletcher Hospital opened in Burlington, Vermont, in 1879 and was the first hospital established in Vermont. Mary Fletcher Hospital was re-named MCHV in 1967 when it merged with the DeGoesbriand Hospital.

Fanny Allen Hospital, Hotel Dieu. The Religious Hospitallers of St. Joseph founded Fanny Allen in 1894. While Fanny Allen transferred substantially all of its tangible and intangible assets and liabilities to Fletcher Allen on December 30, 1994, it retained ownership of its real property, including the Fanny Allen Campus, discussed herein at "Facilities and Services."

University Health Center, Inc. UHC was formed in 1971 when the faculty physicians at UVM's College of Medicine recognized the need for a coordinated program to teach ambulatory care to medical students. This program brought ten physician practice corporations into UHC through exclusive provider agreements. Immediately prior to joining Fletcher Allen on December 30, 1994, the ten physician practice corporations transferred to UHC their fund balances for UHC to hold and invest for the benefit of Fletcher Allen, the College of Medicine and the various clinical departments. In addition to these fund balances, UHC retained its cash reserves for health insurance following the organization of Fletcher Allen.

The University of Vermont College of Medicine. The UVM College of Medicine was established in 1822 as the nation's seventh medical school. More than one-third of practicing Vermont physicians received their medical degrees from the College of

Medicine or did their training at Fletcher Allen or its predecessors. In the 2007 – 2008 academic year, the College of Medicine has an enrollment of 432 medical students, 94 graduate students and 100 post-doctoral fellows. The College received 6,124 applications for the 114 places in the first-year class that entered in the fall of 2007.

The Obligated Group

Fletcher Allen presently is the sole Member of the Obligated Group created by the Master Trust Indenture. The corporate members of Fletcher Allen discussed above and the other subsidiaries of Fletcher Allen discussed below are not directly or indirectly obligated with respect to the Bonds.

Subsidiaries

Fletcher Allen maintains several subsidiary organizations in order to achieve certain business objectives and further its charitable mission. Management considers the following subsidiaries to be material to the operations of Fletcher Allen:

Vermont Managed Care, Inc. ("VMC"). VMC, a wholly-owned subsidiary of Fletcher Allen Health Ventures, Inc. ("FAHV") formed in 1991, was established to serve as a contracting network and managed care organization for Fletcher Allen, its medical staff, and other area providers. As such, VMC's charter provides for significant board representation by community physicians, although Fletcher Allen, through its 100% ownership of FAHV, retains ultimate control of the organization. VMC is engaged primarily in partial-risk capitation arrangements, establishment of a provider fee schedule, and in the management of medical services provided.

VMC Indemnity Company, Ltd. ("VMCIC"). VMCIC, a wholly-owned subsidiary of Fletcher Allen formed in 1993, is a captive insurance company domiciled in Bermuda that administers the captive insurance programs for Fletcher Allen. This program provides general and professional liability coverage to Fletcher Allen that is designed to be less expensive than traditional commercial insurance. *See* "Insurance" herein.

Fletcher Allen, directly or indirectly, also holds a complete or partial ownership interest in the currently active subsidiaries listed below, none of which has a material impact on the financial condition or operations of Fletcher Allen:

100% Ownership or Control

Fletcher Allen Health Ventures, Inc.
Taxable for-profit; holding company for VMC.

Fletcher Allen Provider Corporation
Tax-exempt non-profit; employs Fletcher Allen's physicians who also have full- or part-time faculty appointments at UVM.

Fletcher Allen Skilled Nursing, LLC
Limited liability company; owns 50% general partnership interest in Starr Farm Nursing Home; the remaining 50% is owned by Kindred Nursing Centers East, LLC.

Fletcher Allen Coordinated Transport, LLC
Limited liability company; owns and operates critical care transport ambulances.

Fletcher Allen Medical Group, PLLC
A New York, professional limited liability company, 100% controlled by Fletcher Allen but nominally owned by two New York-licensed, Fletcher Allen-employed physicians; conducts physician services in New York state.

Fletcher Allen Health Care Foundation, Inc.
A tax exempt non-profit organized to carry out development and fund raising activities of Fletcher Allen; has no assets.

Partial Ownership

Copley Woodlands, Inc.
Tax-exempt non-profit; owns independent living facility for the elderly in Stowe, Vermont, in collaboration with Copley Health Systems, Inc.

Vermont Clinical Resources, Inc.
Taxable for-profit; owns 1% general partnership interest in a real estate limited partnership, Trillium Realty, L.P., that owns office space leased to Fletcher Allen at a fair market rental.

The Vermont Health Plan ("TVHP")
A limited liability company formed in 1996, is licensed by the State of Vermont as a health maintenance organization (HMO). Fletcher Allen owns a 28.52% interest in TVHP. Other participants include Comprehensive Health Resources, Inc. (operating as Rutland Regional Medical Center), the Hitchcock Partnership (a partnership of the Hitchcock Alliance and the Hitchcock Clinic), and Blue Cross and Blue Shield of Vermont.

OBNET Services, LLC
A limited liability company organized with Dartmouth Hitchcock Clinic to develop and operate a regional web-based obstetric database software system that allows each participating health care entity to enter and track its own obstetrics data. Fletcher Allen holds a 50% interest.

Medical Education Center Condominium Association, Inc.
Non-profit that manages the Education Center that is jointly owned with UVM.

Affiliation with the University of Vermont

Fletcher Allen has an Affiliation Agreement with UVM that became effective on the date of Fletcher Allen's formation, January 1, 1995 and was most recently renewed as of August 1, 2005 for a five-year term. Fletcher Allen also has related clinical affiliation agreements with UVM's College of Medicine and its College of Nursing and Health Sciences. Under these agreements, Fletcher Allen is designated as the primary teaching site for UVM's medical, nursing and allied health students and the exclusive clinical practice organization for faculty of the College of Medicine.

The Affiliation Agreement obligates Fletcher Allen to seek first to meet its needs for physician-employees from physicians holding appointments in the College of Medicine, and provides that the chairs of academic departments in the College of Medicine will be appointed by Fletcher Allen as the clinical leaders of the corresponding clinical services. The Affiliation Agreement expresses the joint commitment of Fletcher Allen and UVM to maintain a high-quality academic medical center. Under the Affiliation Agreement,

Fletcher Allen agrees to make annual payments to University Medical Education Associates, Inc. ("UMEA") for the benefit of the College of Medicine in three components: (1) a base payment, which was $3.6 million in fiscal 2006 and is increased by 5% each year during the term of the Agreement, for a total payment in fiscal 2008 of $3.97 million; (2) a supplemental payment beginning in fiscal 2008 equal to 10% of Net Operating Income, if any, in excess of 3.5% of net revenues provided that the supplemental payment shall not exceed $5 million in any Fletcher Allen fiscal year; and (3) a "Dean's Tax" equal to the following percentages of base physician compensation for the Fletcher Allen fiscal years indicated: fiscal 2006 – 0.50%; fiscal 2007 – 1.50%; fiscal 2008 – 2.50%; fiscal 2009 – 3.50%; fiscal 2010 and subsequent years – 4.30%. UMEA is a not-for-profit corporation established for purposes of administering these payments for the benefit of the College of Medicine, and is considered a "component unit" of UVM for accounting purposes.

The current term of the Affiliation Agreement ends August 1, 2010, and will be automatically renewed for subsequent five-year terms in the absence of written notice of non-renewal at least 12 months prior to the expiration of the term in progress.

In its role as a teaching hospital, Fletcher Allen helps to train over 430 medical students from the UVM College of Medicine each year during all four years of their undergraduate medical training. In the present fiscal year, Fletcher Allen also offers 15 training residencies and 22 fellowship programs accredited by the Accreditation Council for Graduate Medical Education or similar bodies, with slots for 280 residents and fellows.

UVM is the only comprehensive research university in the state of Vermont. Together, Fletcher Allen and the UVM College of Medicine constitute Vermont's only academic medical center and serve as an important biomedical research center, including being one of only 14 academic medical centers in the country with National Institutes of Health-funded Centers for General Clinical Research and Comprehensive Cancer. In fiscal 2007, Fletcher Allen and the UVM College of Medicine received approximately $71 million in research-related funds, an increase of over 100% in the last decade. Of this amount, Fletcher Allen received approximately $5 million and the College of Medicine received approximately $66 million. These research funds support substantial involvement by Fletcher Allen physicians in clinical research, with hundreds of active clinical trials conducted across a wide variety of subspecialties by approximately 345 different physicians.

There is also an affiliation agreement between Fletcher Allen and the UVM College of Nursing and Health Sciences, where over 750 students are enrolled in undergraduate and graduate programs. Fletcher Allen professional staff and physicians provide clinical training for students in programs including Nursing, Physical Therapy, Athletic Training, Exercise and Movement Science, Radiation Therapy, Nuclear Medicine Technology, and Medical Laboratory Science. In addition, Fletcher Allen sponsors several internship programs that prepare registered nurses to work in adult critical care, operating rooms, and pediatric intensive care units.

Reserved Powers of Members

Each of Fletcher Allen's four members – UHC, VHF, Fanny Allen and UVM – has the power under Fletcher Allen's by-laws to appoint four trustees to Fletcher Allen's 18-member Board of Trustees. VHF, Fanny Allen and UVM have each granted a revocable proxy to the Fletcher Allen Board of Trustees authorizing the Board to exercise these appointive powers. Each member also holds additional reserved powers, including the power to approve amendments to the by-laws or Articles of Incorporation of Fletcher Allen, changes to its mission statement, and any merger, consolidation or sale of all or substantially all of the assets of Fletcher Allen.

Board of Trustees

Fletcher Allen's 18-member Board of Trustees includes the four trustees appointed by each member (or by the Board, itself, in the case of the three members who have granted proxies to the Board) and, in addition, the President and CEO of Fletcher Allen as well as the Board Chair, who is appointed from among the existing trustees by a majority vote. Once a trustee is elected Chair, the member that appointed that trustee appoints a replacement trustee. Under the Affiliation Agreement with UVM, two of the Board appointees from UVM must be the Dean of the College of Medicine and the Dean of the College of Nursing and Health Sciences. In addition, the President of the Medical Staff is invited to attend all Board meetings and to participate in discussions as a non-voting member of the Board.

Each trustee holds office for a term of four years and may serve any number of additional terms so long as no more than two full terms are served consecutively. The trustees do not receive compensation for their service other than expense reimbursements. The trustees' terms are staggered to allow one-fourth to expire each year, with the exception of the President/CEO and Chair.

The individuals currently serving on the Board are:

Name	Occupation	Term expires
Christopher L. Dutton Chair of the Board	President and CEO, Green Mountain Power Corp.	2010
Jan Carney, M.D., M.P.H. Vice-Chair of the Board	Research Professor of Medicine and Associate Dean for Public Health, UVM College of Medicine	2011
Marc H. Monheimer Secretary of the Board	Adjunct professor, University of Vermont School of Business Administration	2011
Melinda L. Estes, M.D. Voting *ex officio* member of all committees (except Audit Committee)	President and CEO, Fletcher Allen	N/A
Sarah Carpenter	Executive Director, VT Housing Finance Agency	2011

Alan J. Charron	Former epidemiology programs administrator, Vermont Department of Health	2008
Elizabeth Davis, R.N., M.P.H., L.L.D.	Immediate past CEO of the Visiting Nurse Alliance of Vermont and New Hampshire, Inc.	2011
A. Donald Gilbert, Jr.	President and CEO, Vermont Gas Systems, Inc.	2009
Joseph Haddock, M.D.	Primary care physician, Thomas Chittenden Health Center	2009
Rita Markley	Executive Director, Committee on Temporary Shelter (Burlington, Vermont)	2010
Stephen P. Marsh	President, Community National Bank, Derby Line, Vermont	2010
Philip Mead, M.D.	Retired; former leader of Fletcher Allen's Women's Health Care Service and chair of OB/GYN at the University of Vermont College of Medicine	2010
Frederick C. Morin III, M.D.	Dean, UVM College of Medicine	2009
Rodney Parsons, Ph.D.	Chair, Department of Anatomy and Neurobiology, UVM College of Medicine	2008
John Powell	Director of Housing Development, Lake Champlain Housing Development Corp.	2008
Brian Reed, Ph.D.	Interim Dean, UVM College of Nursing and Health Sciences	2010
Roger Stone	President, Stone Investment Advisory, Inc.	2008
Dennis Vane, M.D.	Chief of Pediatric Surgery, Fletcher Allen	2009

All Board members receive orientation and continuing education on their duties and the business, finances and operations of Fletcher Allen. The Board also implemented a number of changes in 2003 to its governance policies to conform to what it believes are the current best practices for the governance of non-profit health care organizations.

Senior Management

The senior management of Fletcher Allen is comprised of the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the President of the Faculty Practice, the Chief Nursing Officer, the Chief Quality Officer, the Senior Vice President and Chief Human Resources Officer, the General Counsel, and the Senior Vice President for Marketing and External Relations. Summary resumes of Fletcher Allen's executive management are shown below:

- **Melinda L. Estes**, **M.D.,** 55, President and CEO, joined Fletcher Allen in October 2003, following a national search. Prior to joining Fletcher Allen, Dr. Estes served as CEO and Chair of the Board of Governors of Cleveland Clinic Florida from 2001

to 2003, and served as the executive director of business development at The Cleveland Clinic Foundation in Cleveland, Ohio, and Chief Medical Officer at the Cleveland Clinic Florida, from 2000 to 2001. Dr. Estes served as executive vice president and chief of staff for the MetroHealth System in Cleveland from 1997-2000, and was the associate chief of staff of The Cleveland Clinic Foundation from 1990-1997. Dr. Estes earned a Bachelor of Science degree from Sam Houston State University in Huntsville, Texas. She received her medical degree from the University of Texas Medical Branch, Galveston, Texas, in 1978, and completed a neurology residency there in 1982. She also was a neuropathology fellow at The Cleveland Clinic Foundation from 1982-1984 and completed special training in pediatric neuropathology at the Children's Hospital of Philadelphia in 1984. Dr. Estes earned an M.B.A. from Case Western Reserve University's Weatherhead School of Management in 1995.

- **Theresa Alberghini DiPalma**, 46, became Senior Vice President for Marketing and External Relations and Senior Advisor to the CEO of Fletcher Allen in 2003. She has worked in health care policy at the federal and state levels for over 20 years. She served as Assistant Dean for Government and External Relations at the UVM College of Medicine from 2000 through 2003. In 1994, then-Governor Howard Dean appointed her Chair of the Vermont Health Care Authority, now the Health Care Administration, a division of the Vermont Department of Banking, Insurance, Securities and Health Care Administration, and she served as a member of his Cabinet until 1999. Ms. Alberghini DiPalma worked for U.S. Senator Patrick Leahy in Washington from 1985 to 1994, serving as his Senior Legislative Assistant for Health and then Legislative Director from 1992 to 1994. She is a graduate of Vassar College.

- **John R. Brumsted, M.D.,** 55, Chief Quality Officer, joined Fletcher Allen in 1995 after practicing medicine for UHC beginning in 1985. Dr. Brumsted has held numerous administrative positions during his tenure at Fletcher Allen, including Interim Chief Executive Officer from January through June of 1998 and Chief Medical Officer from September 1997 through October 2005. Dr. Brumsted earned his medical degree at Dartmouth Medical School in 1978, conducted his internship at Hartford Hospital in Connecticut, and his residency and fellowship at the Medical Center Hospital of Vermont. He is a board-certified obstetrician gynecologist with a sub-specialty in reproductive endocrinology and infertility.

- **Sandi Dalton, R.N., M.S.**, 58, joined Fletcher Allen as Senior Vice President and Chief Nursing Officer in 2007. Ms. Dalton has over 30 years of management experience at teaching hospitals and health systems, including serving in both the chief nursing and chief operating officer role. Prior to joining Fletcher Allen Health Care, Ms. Dalton served as the Principal for Computer Sciences Corporation's health care consulting division where she was a leader in the Clinical Transformation practice. She managed large-scale performance improvement projects, specializing in patient safety and quality engagements, operations and process redesign and clinical information system assessments, planning and implementation. Ms. Dalton received her undergraduate degree in professional nursing at Ball State University in Muncie, Indiana, and her graduate degree in nursing administration from the University of Colorado.

- **Roger Deshaies**, 58, joined Fletcher Allen as its Chief Financial Officer on April 14, 2008, after having served as Chief Financial Officer at Brigham and Women's Hospital in Boston, Massachusetts, since 1998. In that role, the scope of his responsibilities included Brigham and Women's Hospital, Faulkner Hospital and the Brigham and Women's Physician Organization. Brigham and Women's Hospital is a member of the Partners HealthCare System and is a teaching affiliate of the Harvard Medical School. Mr. Deshaies has a thirty-year background in health care finance. He is a graduate of The University of Connecticut where he received a bachelor's degree in Political Science and master's degrees in both Business Administration and in Political Science.

- **Spencer Knapp**, 58, initially appointed Interim General Counsel in October 2002, was appointed General Counsel in December 2003. He is engaged on a full-time basis through the Burlington law firm, Dinse, Knapp & McAndrew, P.C., in which he remains a senior partner. Mr. Knapp has almost 30 years of experience in health care law and served as outside General Counsel of Medical Center Hospital of Vermont at the time of its restructuring to create Fletcher Allen. He is a member of the American Healthcare Lawyers Association. Mr. Knapp is graduate of Cornell Law School and Trinity College.

- **Paul Macuga**, 51, has been Senior Vice President and Chief Human Resources Officer for Fletcher Allen since May 2004. Prior to joining Fletcher Allen, Mr. Macuga worked in health care human resources for twenty years (14 in a senior executive capacity), primarily in the Chicago area. His experience includes working in community hospitals, teaching hospitals and large health care systems. Mr. Macuga holds a Master of Science degree in Industrial Relations and a Bachelor of Science degree in Business Administration from Loyola University of Chicago.

- **Angeline M. Marano**, 51, became Senior Vice President and Chief Operating Officer in June 2004. Ms. Marano has over 23 years of experience in health system administration in for-profit, not-for-profit, and academic medical center environments. Prior to joining Fletcher Allen, Ms. Marano served as the Senior Vice President and Senior Operating Officer at the University Hospitals of Cleveland. University Hospitals of Cleveland (UHC), part of University Hospitals Health System. UHC is the primary affiliate hospital of the Case Western Reserve University School of Medicine. Ms. Marano served as the Chief Operating Officer of the Columbia Ohio Division from 1996 – 1997. Ms. Marano served as President and CEO of Methodist Women's and Children's Hospital, part of the Methodist Healthcare System in San Antonio from 1993 – 1996. She began her health care career in Florida, where she held senior executive positions for Humana Inc. Ms. Marano earned her Masters in Healthcare Administration from the University of South Carolina.

- **Paul Taheri, M.D., M.B.A.**, 45, has served as President of the Faculty Practice at Fletcher Allen and Senior Associate Dean for Clinical Affairs at the University of Vermont College of Medicine since March 1, 2007. Dr. Taheri was formerly the Director of Trauma Surgery at the University of Michigan Health System, the Vice Chair of Surgery for Hospital Affairs at the University of Michigan School of Medicine, and the Associate Dean for Academic Business Development at the

School of Medicine. A native of Buffalo, New York, Dr. Taheri earned his Bachelor of Science degree from St. Lawrence University in Canton, NY in 1984, and graduated from New York University School of Medicine in 1988. He completed his residency training at Tulane University Medical Center in New Orleans in 1994.

FACILITIES

Fletcher Allen has three major campuses and 33 satellite clinic locations. The major campus sites are the Medical Center Campus, the Fanny Allen Campus, and the UHC Campus.

Medical Center Campus

The Medical Center Campus is located at 111 Colchester Avenue, Burlington, Vermont. The grounds consist of a number of interconnected hospital buildings with an aggregate of approximately 1,470,000 gross square feet. Fletcher Allen owns each of these facilities. The original building, the Mary Fletcher Hospital, was constructed in 1879, and now houses administrative offices. Most of the other buildings were constructed during the 1950s and 1960s. In 1985, a major construction project was completed that added to the Campus a new seven-story building (McClure) with 249,000 square feet, renovated another 81,900 square feet and added a 300-space parking garage. The Medical Center Campus also recently underwent a major $378 million construction and renovation program referred to as the Renaissance Project, which was completed in October 2005 and included: the construction of a new ambulatory care center; eight new operating rooms; a new emergency department, birthing center, inpatient mental health unit, patient access center, laboratory, and central plant; a four-story underground parking garage with 1,284 parking spaces; and an educational center complex built in collaboration with the UVM College of Medicine.

The Medical Center Campus includes facilities for acute admissions, ambulatory care services, emergency services, laboratory, pharmacy, and inpatient psychiatric unit, and short-stay/recovery beds. The Emergency Department is the only Level 1 Trauma Care center in the region. Other facilities include a Level III neonatal intensive care unit, a National Cancer Institute-designated Comprehensive Cancer Center, a medical intensive care unit, a surgical intensive care unit, a renal dialysis unit, two linear accelerators in a radiation oncology unit, and diagnostic radiology facilities that include two 1.5-Tesla MRI scanners, a 3.0-Tesla MRI scanner and one 1.0-Tesla open MRI scanner.

Fanny Allen Campus

The Fanny Allen Campus is located at 101 College Parkway, Colchester, Vermont, and consists of an 111,189 gross-square-foot ("GSF") hospital facility. The current facility, formerly a Catholic hospital, was constructed in 1972. Fanny Allen leases the land and building to Fletcher Allen through a lease that is renewable through 2014. The lease prohibits Fletcher Allen from conducting activities at the Campus that conflict with the teachings, traditions and canon or other law of the Roman Catholic Church. The Fanny

Allen Campus is currently the site of Fletcher Allen's 35-bed inpatient rehabilitation unit, a walk-in care center, and five outpatient surgical suites predominantly used for orthopedic and ophthalmology services.

The Fanny Allen Campus also includes a three-story, 37,732 GSF medical office building with 24 condominium units. Fletcher Allen owns twelve of the condominium units and leases five others from Fanny Allen. Community physicians not employed by Fletcher Allen own the remaining seven units in this building. The condominium units in the medical office building are subject to a ground lease between the unit owners and Fanny Allen. A 4,583 GSF former nursing school building is currently vacant.

University Health Center Campus

The UHC Campus is located at One South Prospect Street, Burlington, Vermont, where Fletcher Allen currently leases 188,229 square feet in the DeGoesbriand building, which is owned by UVM.

The Campus currently houses children's and adult primary care outpatient physician offices and outpatient psychiatry services that are linked with substance abuse and other psychiatric research programs. The University has a significant presence in the building, which houses several University-affiliated research programs and their Student Health Center. Several Fletcher Allen administrative departments are also located at UHC.

Satellites and Outreach Clinics

Presently, Fletcher Allen operates 33 satellite locations, including six dialysis centers and clinical offices for Fletcher Allen-employed primary and specialty care physicians located in Vermont and northeastern New York.

Fletcher Allen operates dialysis facilities at the Central Vermont Medical Center in Berlin, the Rutland Regional Medical Center in Rutland, the Northwestern Vermont Medical Center in St. Albans, in Bennington, Vermont, under a contractual relationship with the Southwestern Vermont Medical Center, and in Newport, Vermont, under a contractual relationship with North Country Hospital. Fletcher Allen also operates a dialysis unit in South Burlington.

The satellite locations include several full-time medical practice sites on hospital campuses, including otolaryngology and family practices at the Central Vermont Medical Center in Berlin, Vermont, cardiology and urology practices at the Northwestern Vermont Medical Center in St. Albans, Vermont, and a neurosurgery practice at the Champlain Valley Physicians Hospital in Plattsburgh, New York.

Fletcher Allen operates more than 100 outreach clinics to support the specialty care needs of communities located throughout Vermont and northeastern New York. Fletcher Allen provides the services of specialty care physicians and leases small office practice sites at community hospitals throughout the region. These offices enable Fletcher Allen to provide on-site outreach clinics staffed on a part-time rotational basis by a variety of specialty-care physicians.

Fletcher Allen leases office space in and around Burlington, Vermont, for some administrative, financial and information services personnel. These leases enable Fletcher Allen to maximize the patient care operations on the primary campuses that were constructed to support medical operations. Fletcher Allen intends to continue consolidating patient care operations on the main campuses and leasing cost-effective space in and around Burlington for certain administrative functions.

Facilities Planning

Following completion of the Renaissance Project in October 2005, Fletcher Allen began the process of updating its master facilities plan with particular focus on improving the older inpatient facilities on its Medical Center Campus. No specific plan has yet been developed, but management expects to do so over the next several years. Presently, the only major facilities initiative in process is an approximately $20 million project to construct a new radiation oncology department that would replace Fletcher Allen's two existing linear accelerators with three new ones. That project is subject to approval of a certificate of need application, which is pending. No additional borrowing is anticipated in connection with the project, which is expected to be completed in late 2009, assuming issuance of a certificate of need.

Electronic Medical Record

Fletcher Allen has initiated the implementation of an enterprise-wide Electronic Medical Record ("EMR"), following issuance of a certificate of need, dated April 10, 2008 (the "CON"), by the Vermont Department of Banking, Insurance, Securities and Health Care Administration ("BISHCA"), approving the EMR project. The CON authorizes Fletcher Allen to expend $57.2 million in capital costs, plus $31.9 million in operating expenses for the purchase and implementation of the EMR over the estimated 3-year implementation period of the project and the first two years of operation. Fletcher Allen intends to pay for these costs from operating capital, without additional borrowing. The goals of the EMR project are: to improve the quality and safety of patient care by improving access to clinical information and by reducing the risk of medical errors; and to reduce operating costs associated with paper-based medical records by increasing clinical and administrative efficiencies.

HEALTH CARE SERVICES

Fletcher Allen provides integrated hospital and physician services as an acute-care teaching hospital with 620 licensed beds (including 58 bassinets) and a multi-specialty physician practice, employing approximately 530 physicians who hold faculty positions at the College of Medicine. In February 2008, Fletcher Allen was named as one of the top 100 integrated health networks in the country in a survey conducted by Verispan and published in *Modern Healthcare*. Fletcher Allen ranked 74th in the survey, and was one of only nine hospital systems in the New York-New England region to make the list.

Fletcher Allen provides a broad range of specialized tertiary and quaternary care services. It is the only Level I Trauma Center in its region. Its Vermont Cancer Center is one of

only 39 National Cancer Institute-designated comprehensive cancer centers in the nation. The Vermont Children's Hospital is a full-service pediatric "hospital within a hospital." Fletcher Allen offers the only open-heart surgery and interventional cardiology services in Vermont (although Champlain Valley Physicians Hospital in Plattsburgh, New York, recently began offering similar services), and is also the exclusive provider in the state of neonatal intensive care services, renal dialysis services, kidney and pancreas transplants, pediatric surgery, and high-risk obstetrics, among other services.

Fletcher Allen's services also include the full range of services offered in community hospitals as well the following services, by way of example: the Breast Care Center, elder care services, echocardiography and electrophysiology, a multiple sclerosis center, a sleep center, hand microsurgery, the Spine Center, sports medicine, a cytogenetics and a molecular diagnostic laboratory, and nuclear medicine.

MARKET OVERVIEW

Market Areas and Market Share

Fletcher Allen is located in Chittenden County, Vermont, and serves patients from all 14 counties of Vermont as well as six counties in upstate New York. Woods & Poole Econometrics, Inc. (an independent firm specializing in long-term economic and demographic projections) estimated in their 2006 dataset that these 20 counties would have a combined population of 1,051,500 in 2007. Of the other 13 acute-care hospitals in Vermont, eight are designated as Critical Access Hospitals for federal reimbursement purposes; the remaining five hospitals range in size from 61 to 188 licensed beds. By comparison, Fletcher Allen is licensed for 620 beds (including 58 bassinets).

Since 1996, Fletcher Allen has maintained a 19 – 20% market share for the region it serves. As a provider of tertiary care in the region, Fletcher Allen has maintained a 65 – 67% market share for all inpatients within the region that are discharged from tertiary care hospitals.

In order to more closely monitor activity, Fletcher Allen has divided this region into five markets: Local, Close New York Counties, Contiguous Vermont Counties, Close Vermont Counties, and the Southern Tier, which are described in more detail below.

Local. The local market consists of Chittenden County (where Fletcher Allen is located) and Grand Isle County (which has no local hospital). The combined population of these two counties was estimated at 161,260 for 2007. In this area, Fetcher Allen serves as the primary, secondary and tertiary care facility and enjoys a 93 – 95% inpatient market share, including 99% of the tertiary care.

Close New York Counties. This market consists of Clinton, Essex, Franklin and St. Lawrence counties in upstate New York. The combined 2007 population estimate for these counties was 285,740. These counties are served by ten hospitals. Fletcher Allen has a 9% inpatient market share and treats 68% of the patients referred to tertiary hospitals.

Contiguous Vermont Counties. Vermont counties contiguous to Chittenden include Franklin, Lamoille, Washington and Addison. The 2007 population estimate for this market was 172,630. Each of these counties has one hospital. In this market area, Fletcher Allen has a 32 – 35% inpatient market share and serves 85-87% of the patients referred to tertiary hospitals. Fletcher Allen also serves more than 90% of the tertiary patients from Franklin, Lamoille and Addison counties, and Fletcher Allen continues to serve 63 – 67% of the tertiary cases from Washington County, where Central Vermont Hospital (a member of the Dartmouth-Hitchcock Alliance) is located.

Close Vermont Counties. This market includes Orleans, Essex, Caledonia, Orange and Rutland counties and has a combined estimated population of 160,040. With the possible exception of Rutland, travel is easier to Hanover, New Hampshire (where Dartmouth-Hitchcock Medical Center is located) than to Burlington from these counties. Until recently, three of the four hospitals in this region were members of the Dartmouth-Hitchcock Alliance; two of those hospitals have recently withdrawn. Fletcher Allen has an inpatient market share in this area of 6 – 8% and a 28 – 31% market share of the tertiary cases.

Southern Tier. This market includes Bennington, Windham and Windsor counties in Vermont and Washington and Warren counties in New York. The combined 2007 population was estimated at 271,850. Fletcher Allen sees approximately 4 – 6% of tertiary cases from this area, which is generally much closer to academic health centers in Albany, New York or Lebanon, New Hampshire, than to Burlington.

Inpatient Discharges in Fletcher Allen Service Area

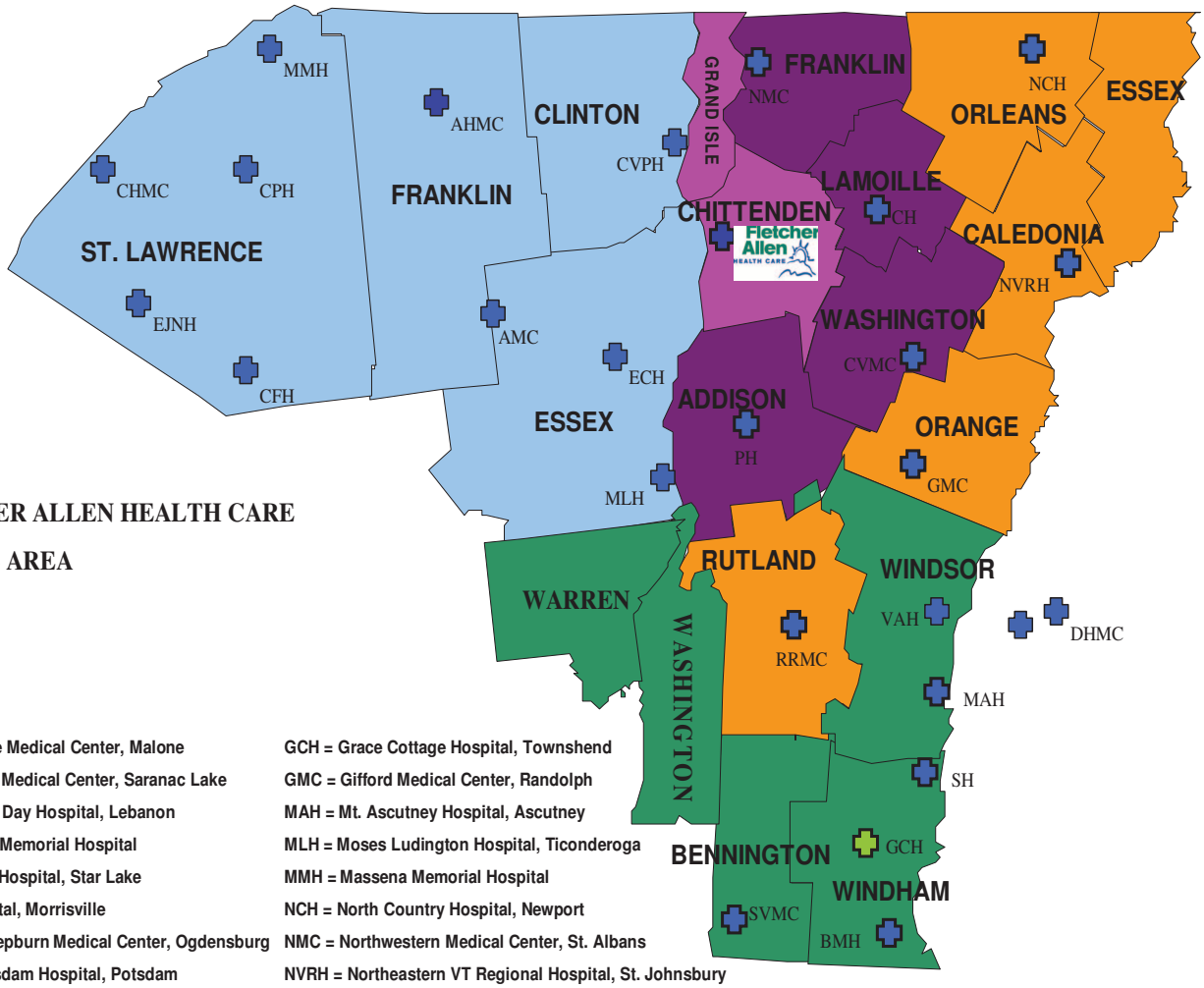
Market	Hospital or Share	2000	2001	2002	2003	2004	2005	2006
Total	Fletcher Allen	22,060	22,694	21,743	22,726	22,773	22,435	22,195
Total	Comp Tertiary	10,791	10,427	10,271	10,942	11,111	11,130	11,274
Total	Other	78,020	78,620	77,721	77,551	78,409	79,565	79,115
Total	*Fletcher Allen % of Total*	*19.9%*	*20.3%*	*19.8%*	*20.4%*	*20.3%*	*19.8%*	*19.7%*
Total	*Fletcher Allen % of Tertiary*	*67.2%*	*68.5%*	*67.9%*	*67.5%*	*67.2%*	*66.8%*	*66.3%*
Local	Fletcher Allen	12,794	12,867	12,422	13,005	12,851	12,496	12,208
Local	Comp Tertiary	93	76	65	103	105	88	106
Local	Other	593	717	822	864	749	692	617
Local	Total	13,480	13,660	13,309	13,972	13,705	13,276	12,931
Local	*Fletcher Allen % of Total*	*94.9%*	*94.2%*	*93.3%*	*93.1%*	*93.8%*	*94.1%*	*94.4%*
Local	*Fletcher Allen % of Tertiary*	*99.3%*	*99.4%*	*99.5%*	*99.2%*	*99.2%*	*99.3%*	*99.1%*
NY	Fletcher Allen	3,306	3,593	3,273	3,491	3,551	3,402	3,503
NY	Comp Tertiary	1,534	1,590	1,739	1,708	1,809	1,746	1,586
NY	Other	31,039	30,675	30,757	31,572	32,920	33,300	33,128
NY	Total	35,879	35,858	35,769	36,771	38,280	38,448	38,217
NY	*Fletcher Allen % of Total*	*9.2%*	*10.0%*	*9.2%*	*9.5%*	*9.3%*	*8.8%*	*9.2%*
NY	*Fletcher Allen % of Tertiary*	*68.3%*	*69.3%*	*65.3%*	*67.1%*	*66.3%*	*66.1%*	*68.8%*
VT-A	Fletcher Allen	4,569	4,814	4,615	4,666	4,813	4,833	4,818
VT-A	Comp Tertiary	708	736	636	795	770	742	794
VT-A	Other	9,175	9,475	9,250	8,766	8,596	8,475	8,194
VT-A	Total	14,452	15,025	14,501	14,227	14,179	14,050	13,806
VT-A	*Fletcher Allen % of Total*	*31.6%*	*32.0%*	*31.8%*	*32.8%*	*33.9%*	*34.4%*	*34.9%*
VT-A	*Fletcher Allen % of Tertiary*	*86.6%*	*86.7%*	*87.9%*	*85.4%*	*86.2%*	*86.7%*	*85.9%*
VT-B	Fletcher Allen	1,164	1,199	1,169	1,266	1,244	1,354	1,320
VT-B	Comp Tertiary	2,969	2,751	2,744	2,913	2,944	2,952	3,158
VT-B	Other	13,183	13,408	12,634	12,863	12,573	12,797	12,084
VT-B	Total	17,316	17,358	16,547	17,042	16,761	17,103	16,562
VT-B	*Fletcher Allen % of Total*	*6.7%*	*6.9%*	*7.1%*	*7.4%*	*7.4%*	*7.9%*	*8.0%*
VT-B	*Fletcher Allen % of Tertiary*	*28.2%*	*30.4%*	*29.9%*	*30.3%*	*29.7%*	*31.4%*	*29.5%*
So Tier	Fletcher Allen	227	221	264	298	314	350	346
So Tier	Comp Tertiary	5,487	5,274	5,087	5,423	5,483	5,602	5,630
So Tier	Other	24,030	24,345	24,258	23,486	23,571	24,301	25,092
So Tier	Total	29,744	29,840	29,609	29,207	29,368	30,253	31,068
So Tier	*Fletcher Allen % of Total*	*0.8%*	*0.7%*	*0.9%*	*1.0%*	*1.1%*	*1.2%*	*1.1%*
So Tier	*Fletcher Allen % of Tertiary*	*4.0%*	*4.0%*	*4.9%*	*5.2%*	*5.4%*	*5.9%*	*5.8%*

Source: Vermont Association of Hospitals and Health Systems

Key to abbreviations:

NY	=	Close New York Counties
VT-A	=	Contiguous Vermont Counties
VT-B	=	Close Vermont Counties
So Tier	=	Southern Tier

Patients from outside Fletcher Allen's standard service areas are excluded from this table. The table reflects slight changes from previous versions due to two changes in the way data are characterized; we believe these changes are immaterial. Previous versions categorized counties by town name, while this version uses standard zip code assignments, meaning that patients living near county borders may have been reassigned. This version also focuses not on total discharges from all tertiary hospitals, but on tertiary hospitals with whom Fletcher Allen may compete (those in New Hampshire and upstate New York).



FLETCHER ALLEN HEALTH CARE

SERVICE AREA

HOSPITAL KEY

AHMC = Alice Hyde Medical Center, Malone
AMC = Adirondack Medical Center, Saranac Lake
APDH = Alice Peck Day Hospital, Lebanon
BMH = Brattleboro Memorial Hospital
CFH = Clifton Fine Hospital, Star Lake
CH = Copley Hospital, Morrisville
CHMC = Claxton Hepburn Medical Center, Ogdensburg
CPH = Canton-Potsdam Hospital, Potsdam
CVMC = Central Vermont Medical Center, Berlin
CVPH = CVPH Medical Center, Plattsburgh
DHMC = Dartmouth Hitchcock Medical Center, Lebanon
ECH = Elizabethtown Community Hospital
EJNH = EJ Noble Hospital, Gouverneur
GCH = Grace Cottage Hospital, Townshend
GMC = Gifford Medical Center, Randolph
MAH = Mt. Ascutney Hospital, Ascutney
MLH = Moses Ludington Hospital, Ticonderoga
MMH = Massena Memorial Hospital
NCH = North Country Hospital, Newport
NMC = Northwestern Medical Center, St. Albans
NVRH = Northeastern VT Regional Hospital, St. Johnsbury
PH = Porter Hospital, Middlebury
RRMC = Rutland Regional Medical Center
SH = Springfield Hospital
SVMC = Southwestern VT Medical Center, Bennington
VAH = VA Hospital, White River Junction

Local
Chittenden
Grand Isle

Contiguous Vermont
Franklin
Lamoille
Washington
Addison

Southern Tier
Bennington, VT
Windham, VT
Windsor, VT
Washington, NY
Warren, NY

Close New York
Clinton
Essex
Franklin
St. Lawrence

Close Vermont
Rutland
Caledonia
Essex
Orange
Orleans

Other Tertiary Hospitals Serving the Fletcher Allen Service Area

Several other tertiary care hospitals serve portions of the Fletcher Allen service area:

- Dartmouth-Hitchcock Medical Center (Hanover, New Hampshire) (DHMC) – serves portions of Vermont
- Albany Medical Center and St. Peter's Hospital (Albany, New York) – serve the Southern Tier and New York
- Crouse Hospital, University Hospital and St. Joseph's Hospital (Syracuse, New York) – serve St. Lawrence County, New York

Dartmouth-Hitchcock Medical Center has formal affiliation agreements with four Vermont hospitals (Mt. Ascutney Hospital, Northeastern Vermont Regional Hospital, Brattleboro Memorial Hospital and Central Vermont Medical Center). St. Peter's has an affiliation agreement with one hospital in Clinton County, New York. Fletcher Allen has affiliation agreements with two hospitals in upstate New York: Canton Potsdam Hospital (Canton, New York) and Alice Hyde Medical Center (Malone, New York).

Comparative Hospital Statistics (FY 2006)

	VT	NH	Albany		Syracuse		
	FAHC	DHMC	AMC	St. Peters	Crouse	University	St. Joseph's
Discharges	20,971	17,451	24,122	17,716	17,804	14,738	23,068
Patient Days	114,401	103,296	181,719	132,800	105,469	109,993	127,166
Calc ADC	313	283	498	364	289	301	348
Total Medicare CMI	1.8474	2.0414	1.7992	1.7027	1.4666	1.7327	1.8311
Staffed Beds	424	350	591	435	431	366	418
Residents/Interns	234	244	279	22	51	259	51
COTH Major Teaching?	Yes	Yes	Yes	No	No	Yes	No

Source: American Hospital Directory. This public source is used for convenience and standardization among hospitals with the intent of showing relative sizes. Individual data elements may not precisely agree with Fletcher Allen internal documentation or with that of the other hospitals listed.

Outpatient Services

Comparative data are not available for hospital outpatient services, but Fletcher Allen has used an outpatient estimator developed by The Advisory Board, a Washington, D.C.-based organization that includes approximately 2,500 members (most of them large health systems and medical centers). Excluding laboratory services, Fletcher Allen had 19% of the hospital outpatient services that the Advisory Board estimated for service area in 2005. This is virtually the same as the inpatient market share. Due to its extensive laboratory outreach efforts, Fletcher Allen has approximately twice the outpatient laboratory volume that The Advisory Board estimates for hospitals in this region.

Physician Market Share

Complete comparative data are not available for professional services to accurately determine professional market share. However, 532 of 762 physicians who have privileges at Fletcher Allen are employed by the organization (70%), including the majority of specialty physicians. Although there is local competition in areas such as general orthopedics, ophthalmology, general obstetrics and psychiatry, Fletcher Allen physicians typically provide the dominant share of the complex or tertiary care. For example, although there is competition in general obstetrics, Fletcher Allen physicians are the dominant providers for high-risk pregnancies and are the only providers of in vitro fertilization, maternal-fetal medicine and reproductive endocrinology services in the region. Fletcher Allen's professional visit volumes have grown in each of Fletcher Allen's markets.

Physician volume information is found in the "Physician Activities" section, below, while the "Medical Staff" section (also below) provides a picture of the Fletcher Allen and non-Fletcher Allen physicians in the local market.

Demographic and Socioeconomic Information

According to the "Pulse of Vermont Quality of Life Study 2005," a study prepared for the Vermont Business Roundtable, Vermont ranks 46th in the nation in violent crimes, 46th in homicide rates, 4th in unemployment, 5th in "owner occupied" housing, 9th in proportion of residents with bachelor's degrees and 8th in percent with advanced degrees. Vermont has the 7th lowest poverty rate, and among states in which 50% of students took the SATs, Vermont students ranked 5th in verbal scores and 6th in math scores.

Chittenden County stands out from other Vermont and upstate New York counties in many respects. The entire area is highly homogeneous (Vermont is nearly 97% white), but Chittenden County is somewhat more racially diverse. Chittenden County has a significantly higher proportion of people with college degrees, higher median household income and a lower unemployment rate. The population in the local market is expected to grow 5.88% in the 2005 – 2010 timeframe, and 5.57% between 2010 and 2015, while the overall population in the larger service area was estimated to grow at 3.5 – 3.7% in each of these 5-year spans.

Socioeconomic Indicators

Indicator	Last Year Reported	VT	Chittenden County
Population	2005	623,050	149,613
Persons >65	2005	13.2%	10.2%
White	2005	96.9%	95.1%
Black	2005	0.6%	1.0%
American Indian	2005	0.4%	0.3%
Asian	2005	1.0%	2.3%
College Degree	2000	29.4%	41.2%
Below Poverty	2003	56,069	11,017
Median Household Income	2003	42,649	51,858
Unemployment	2006	3.6%	3.2%

Data source: US Census Bureau

MEDICAL STAFF

Medical Staff Profile

As of September 30, 2007, the Fletcher Allen medical staff consisted of 762 physicians, dentists and consulting providers. The following table presents the composite medical staff categorized by specialty, employment status, board certification and average age:

Specialty	Total Attending & Consultant Staff	Employed by Fletcher Allen	Board-Certified		Average Age
			Number	Percentage	
Anesthesia	42	40	38	91	48.1
Dental/Oral Surgery	18	1	15	83	51.4
Emergency Medicine	21	21	20	95	44.1
Family Medicine	85	44	84	99	47.4
General Surgery	10	10	10	100	46.3
Medicine	123	92	122	99	49.7
Neurology	23	19	23	100	50.8
Neurosurgery	6	5	4	67	47.7
Oncology Surgery	7	5	7	100	47.6
Ophthalmology	17	9	16	94	50.2
Orthopedics and Rehabilitation	33	23	33	100	51.8
Otolaryngology	8	7	8	100	52.6
Pathology	34	34	32	94	50.8
Pediatrics	74	46	71	96	49.6
Pediatric Surgery	2	2	2	100	53.0
Plastic Surgery	4	4	4	100	46.8
Primary Care/Internal Medicine	63	41	62	98	45.8
Psychiatry	MD 47 PhD 28	29 16	46 N/A	98 N/A	53.1 49.4
Radiology	34	33	34	100	50.9
Radiation Oncology	6	0	6	100	54.2
Thoracic Surgery	4	4	4	100	50.8
Transplant Surgery	4	2	4	100	42.3
Trauma Surgery	3	3	3	100	46.7
Urology	12	7	12	100	46.8
Vascular Surgery	6	6	6	100	45.8
Women's Health	48	29	43	90	46.1
Total	**MD 762** **PhD 28**	**MD 532** **PhD 16**	**709** **N/A**	**96.3** **N/A**	**48.9** **49.4**

Statistics

The following table demonstrates the net change in the medical staff for the fiscal years ended September 30, 2005 through September 30, 2007.

Net Additions to the Medical Staff

	Fiscal Year Ended September 30		
	2005	**2006**	**2007**
New Appointments to Staff	54	59	56
Resignations from Staff	40	49	36
Net Additions to Staff	14	10	20

Medical Staff Age Distribution

Age Group	Number of Physicians	Percentage of Total Physicians
Under 40	152	19.9
40 to 49	246	32.3
50 to 59	250	32.8
60 and Over	114	15.0
Total	**762**	**100.0%**

Hospital Activities

The tables below present a summary of Fletcher Allen's hospital utilization for the year ended September 30, 2005, through the year ended September 30, 2007, as well as for the first four months of fiscal year 2007 and fiscal year 2008.

	Years Ended September 30,			Four Months Ending	
Inpatient Activity	**2005**	**2006**	**2007**	**1-31-07**	**1-31-08**
All patient types (Adult & Pediatric)					
Beds (staffed excluding nursery)	456	458	452	452	437
Admissions	23,045	22,921	22,249	7,469	7,427
Patient Days	117,136	120,715	121,214	41,762	41,646
ALOS (1) (days)	5.1	5.2	5.5	5.7	5.6
Occupancy %	70%	72%	73%	75%	77%
Outpatient admissions (2)	21,128	22,906	23,775	7,824	7,972
Outpatient days (2)	21,750	23,528	24,504	8,070	8,315
Nursery					
Bassinets	38	38	38	38	38
Admissions (3)	1,981	1,977	1,983	625	643
Nursery Days (3)	4,251	4,327	4,535	1,422	1,564
ALOS (days)	2.2	2.3	2.4	2.3	2.8
Births	2,196	2,200	2,218	699	731
Inpatient Operating Room Procedures (4)	7,106	7,117	7,049	2,420	2,310

(1) ALOS = average length of stay.
(2) Beginning in fiscal 2005, outpatient admissions were redefined for statistical purposes to include outpatients placed in hospital beds at any time during the care encounter (*e.g.*, a surgical patient moved from a post-surgical recovery setting to a hospital bed, even for a short time).
(3) Included in Adult/Pediatric.
(4) Includes major/minor surgical procedure rooms beginning in fiscal 2005.

Ancillary and Specialized Tertiary Services	Years Ended September 30,			Four Months Ending	
	2005	2006	2007	1-31-07	1-31-08
Outpatient/Ambulatory Surgical Procedures	14,467	14,569	14,650	4,833	5,076
Laboratory Tests					
Inpatient	1,076,458	1,032,471	1,073,605	365,074	334,017
Outpatient	1,333,634	1,298,646	1,346,881	442,148	430,207
Total	2,410,092	2,331,117	2,420,486	807,222	764,224
Emergency Room & Walk-In Center Visits	64,192	67,352	70,377	22,406	23,484
CT Scan					
Inpatient	11,961	12,681	14,012	4,618	4,859
Outpatient	25,174	27,165	30,492	9,890	10,623
Total	37,135	39,846	44,504	14,508	15,482
MRI					
Inpatient	2,175	2,345	2,480	833	909
Outpatient	11,806	12,409	12,555	4,194	4,755
Total	13,981	14,754	15,035	5,027	5,664
Nuclear Medicine					
Inpatient	1,640	1,741	1,453	492	443
Outpatient	6,925	6,818	7,640	2,478	2,398
Total	8,565	8,559	9,093	2,970	2,841
CABG & Heart Valve Procedures – New Inpatient	510	462	475	182	127
Radiation Therapy Visits					
Inpatient	1,812	1,429	1,739	494	381
Outpatient	31,039	31,051	42,806	15,514	13,307
Total	32,851	32,480	44,545	16,008	13,688
Ultrasound					
Inpatient	3,070	3,338	3,541	1,158	1,215
Outpatient	15,369	15,797	16,280	5,593	5,261
Total	18,439	19,135	19,821	6,751	6,476
Diagnostic Radiology					
Inpatient	37,982	37,802	38,738	13,455	12,350
Outpatient	96,168	99,866	98,930	31,180	27,993
Total	134,150	137,668	137,668	44,635	40,343
Angiography/Special Procedures					
Inpatient	5,319	5,337	5,091	1,616	2,074
Outpatient	4,529	4,433	4,568	1,495	1,492
Total	9,848	9,770	9,659	3,111	3,566
Renal Dialysis					
Inpatient	2,079	2,355	2,331	818	689
Outpatient	2,178	2,209	1,979	538	909
Satellite (Outpatient)	43,268	41,616	48,218	16,188	15,800
Total	47,525	46,180	52,528	17,544	17,398

Physician Activities

The table below presents physician volumes for Fletcher Allen employed physicians for the year ended September 30, 2005, through the year ended September 30, 2007, as well as for the first four months of fiscal year 2008. This data is derived from Fletcher Allen's professional services billing system.

Inpatient encounters represent the number of patient care visits and inpatient procedures by Fletcher Allen physicians for patients who have been admitted to the hospital. Clinic visits represent a patient care encounter at the physician's regular clinical office practice site, or doctor's office. Outpatient encounters represent both outpatient hospital procedures at Fletcher Allen and patient visits that occur at Fletcher Allen outreach clinics located in community hospitals throughout the primary referral market. The shift between clinic visits and outpatient encounters beginning in 2006 is due to the implementation of provider-based billing that year.

	Years Ended September 30			Four Months Ending
	2005	**2006**	**2007**	**1-31-08**
Inpatient Encounters	179,541	187,538	187,766	63,024
Outpatient Encounters	282,375	331,727	412,430	138,779
Clinic Visits	506,000	476,700	420,418	144,456
Total	**967,916**	**995,965**	**1,020,614**	**346,259**

Data Source: Routine Internal Report from Fletcher Allen Billing System (BVIS Historical File Database)

HISTORICAL FINANCIAL PERFORMANCE

Financial Summary

The following summary balance sheets of Fletcher Allen (Obligated Group Only) as of September 30, 2007, 2006 and 2005 and the related summary statements of operations for the years then ended were derived from the supplemental schedules included with the consolidated financial statements of Fletcher Allen Health Care, Inc. and subsidiaries. Appendix B to this Official Statement sets forth the consolidated balance sheets of Fletcher Allen Health Care, Inc. and subsidiaries as of September 30, 2007 and 2006 and related consolidated statements of operations, changes in net assets and cash flows for the years then ended, together with supplemental schedules and the report of Deloitte & Touche LLP, independent auditors. The summary balance sheets and statements of operations of Fletcher Allen (Obligated Group Only), should be read in conjunction with the consolidated financial statements of Fletcher Allen Health Care, Inc. and subsidiaries for the years ended September 30, 2007 and 2006, together with the related notes included in Appendix B of the Official Statement.

The following summary balance sheet of Fletcher Allen (Obligated Group Only) as of January 31, 2008, and the related summary statements of operations for the four month periods ended January 31, 2008 and 2007, were derived from the unaudited financial statements of Fletcher Allen prepared by management. In the opinion of management such unaudited summary financial statements include all the adjustments (consisting only

of normal recurring adjustments) necessary for a fair presentation of the information shown therein.

For the year ended September 30, 2007, total unrestricted revenue and other support of Fletcher Allen amounted to approximately 96% of the consolidated unrestricted revenue and other support of Fletcher Allen Health Care, Inc. and subsidiaries. The consolidated financial statements of Fletcher Allen Health Care, Inc. and subsidiaries included in Appendix B contain information for entities that are not part of the Obligated Group.

Operating results for the four month periods ended January 31, 2008 are not necessarily indicative of the results that may be expected for the full fiscal year 2008. Reasons for this include, but are not limited to: overall revenue and cost trends, particularly trends in patient accounts receivable collectibility and associated provisions for bad debts; the timing and magnitude of price changes; fluctuations in contractual allowances and cost report settlements; managed care contract negotiations or terminations and payer consolidation; changes in Medicare regulations; Medicaid funding levels set by the States of Vermont and New York; levels of malpractice expense and settlement trends; litigation and investigation costs; and changes in occupancy levels and patient volumes. Factors that affect patient volumes and, thereby, our results of operations include, but are not limited to: the business environment and demographics of local communities; the number of uninsured and underinsured individuals in local communities treated at our hospitals; seasonal cycles of illness; climate and weather conditions; physician recruitment, retention and attrition; advances in technology and treatments that reduce length of stay; local health care competitors; managed care contract negotiations or terminations; unfavorable publicity about us, which impacts our relationships with physicians and patients; and the timing of elective procedures. These considerations apply to year-to-year comparisons as well.

See Note 10 of the notes to the consolidated financial statements of Fletcher Allen and subsidiaries, included in Appendix B attached hereto, for a discussion of contingencies. See also the “Litigation” section included in this Appendix A.

FLETCHER ALLEN (OBLIGATED GROUP)
SUMMARY STATEMENTS OF OPERATIONS (in thousands)

	Year ended September 30,			Four Months Ended January 31,	
	2005	2006	2007	2007	2008
Unrestricted revenue and other support:					
Net patient service revenue	$ 610,499	$ 661,305	$ 717,716	$ 242,498	$ 249,310
Premium revenue	3,959	4,283	4,200	1,340	1,466
Other revenue	6,523	20,762	22,145	7,929	7,708
Total unrestricted revenue and other support	620,981	686,350	744,061	251,767	258,484
Expenses:					
Salaries, payroll taxes and fringe benefits	371,777	408,018	435,451	145,877	156,840
Supplies and other	157,432	171,722	188,081	63,033	66,081
Purchased services	22,164	23,502	26,810	8,289	7,777
Depreciation and amortization	30,429	34,894	33,434	10,948	11,156
Interest expense	6,614	16,883	18,404	5,457	6,441
Loss(gain) on disposal of property and equipment		512	1,841	(2)	(2)
Provision for bad debts	12,699	14,784	20,366	5,469	9,259
Total operating expenses	601,115	670,315	724,387	239,071	257,552
Income from operations	19,866	16,035	19,674	12,696	932
Nonoperating revenue (expense):					
Investment income and losses	6,451	11,717	10,252	5,084	28,783
Unrealized gain (loss) on interest rate swap contracts	(1,183)	3,963	1,440	1,950	(8,465)
Other	5,314	3,368	1,985	(1,230)	4,556
Total nonoperating revenue	10,582	19,048	13,677	5,804	24,874
Excess of revenues over expenses	30,448	35,083	33,351	18,500	25,806
Net unrealized gains (losses) on investments	4,867	954	11,320	1,726	(38,457)
Assets released from restrictions for capital purchases	2,573	3,106	1,164	(146)	330
Additional minimum pension liability adjustment	(17,175)	18,240	5,298	-	-
Adjustment to initially apply the recognition provisions of SFAS No. 158			(1,634)	-	-
Transfer of net assets	3,212	4,843		-	-
Cumulative effect of change in accounting principle	-	(861)	-	-	-
Increase (decrease) in unrestricted net assets	$ 23,925	$ 61,365	$ 49,499	$ 20,080	$ (12,321)

FLETCHER ALLEN (Obligated Group Only)
SUMMARY BALANCE SHEETS (in thousands)

	September 30,			January 31,
	2005	2006	2007	2008
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 19,529	$ 32,801	$ 25,309	$ 13,371
Patient and other trade accounts receivable - net	88,518	104,466	106,949	110,757
Short-term investments	3,515	177	881	898
Inventories	7,152	10,338	10,782	10,878
Prepaid and other current assets	8,457	9,795	12,486	14,705
Total current assets	127,171	157,577	156,407	150,609
ASSETS WHOSE USE IS LIMITED OR RESTRICTED:				
Board-designated assets	123,620	122,742	190,691	184,300
Assets held by trustee under bond indenture agreements	30,710	31,301	38,472	38,748
Donor restricted assets for specific purposes	10,067	9,169	11,915	11,004
Donor restricted assets for permanent endowment	24,900	23,593	24,909	27,591
Total assets whose use is limited or restricted	189,297	186,805	265,987	261,643
PROPERTY AND EQUIPMENT-NET	445,397	437,168	426,180	423,201
OTHER ASSETS:				
Deferred financing costs-net	20,253	19,102	19,213	19,059
Notes receivable and other assets	1,296	1,580	3,536	1,021
Investment in and advances to affiliated companies	30,640	33,906	34,946	35,447
Pledges receivable	2,645	1,626	1,490	1,397
Total other assets	54,834	56,214	59,185	56,924
Total	$ 816,699	$ 837,764	$ 907,759	$ 892,377

(Continued)

FLETCHER ALLEN (Obligated Group Only)
SUMMARY BALANCE SHEETS (in thousands)

	September 30,			January 31,
	2005	2006	2007	2008
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Current installments of long-term debt	$ 6,528	$ 7,418	$ 7,529	$ 8,119
Accounts payable	20,130	31,178	16,821	16,646
Accrued expenses and other liabilities	54,927	38,157	28,672	26,689
Accrued payroll and related benefits	29,537	35,543	38,272	39,020
Estimated third-party payor settlements	13,798	9,069	8,591	5,292
Due to related parties	12,313	13,526	6,795	8,796
Estimated amounts for incurred but unreported claims	5,145	6,154	6,571	5,265
Total current liabilities	142,378	141,045	113,251	109,827
LONG-TERM LIABILITIES:				
Long-term debt-excluding current installments	380,065	372,612	423,857	418,445
Pension and other postretirement benefit obligations	36,485	10,478	2,213	2,469
Other long-term liabilities	3,865	1,741	1,689	7,815
Total long-term liabilities	420,415	384,831	427,759	428,729
Total liabilities	562,793	525,876	541,010	538,556
COMMITMENTS AND CONTINGENT LIABILITIES				
NET ASSETS:				
Unrestricted	214,281	275,646	325,145	312,824
Temporarily restricted	14,725	12,649	16,695	13,919
Permanently restricted	24,900	23,593	24,909	27,078
Total net assets	253,906	311,888	366,749	353,821
TOTAL	$ 816,699	$ 837,764	$ 907,759	$ 892,377

(Concluded)

Sources of Patient Revenue

The principal source of Fletcher Allen's revenue is payments from third-party payers that pay for services provided to patients covered by those third-parties. Those payers include the federal Medicare program, Vermont and New York's Medicaid programs, and commercial insurance and managed care plans.

A summary of the reimbursement policies for Fletcher Allen's major payers is outlined below. For additional information concerning third-party payer programs, *see* "Bondholders Risks" in the forepart of this Official Statement.

Medicare Reimbursement – General

"Medicare" is the commonly-used name for reimbursement or payment programs established under the federal Social Security Act, and provides specified health care benefits to beneficiaries who are 65 years of age or older, blind, disabled, or who qualify for the End Stage Renal Disease Program. The program is administered by the Centers for Medicare and Medicaid Services ("CMS"), an agency of the United States Department of Health and Human Services. To participate in the Medicare program, health care providers must meet CMS's "Conditions of Participation" on an ongoing basis, as determined by the state in which the provider is located or by the Joint Commission on the Accreditation of Healthcare Organizations, an independent accreditation organization. Requirements for Medicare certification are subject to change, which in turn may require Fletcher Allen to make changes from time to time in its facilities, equipment, personnel, billing, policies or services.

Because Medicare is a major source of revenue for Fletcher Allen, changes in the program may have a material impact on revenue. For example, Medicare program changes resulting from the Balanced Budget Act of 1997 ("BBA") limited increases in Medicare payments that were otherwise provided by law and reduced Medicare payment or reimbursement for certain health care services provided to program beneficiaries. The BBA has had and will continue to have an effect on acute-care hospitals and other Medicare providers. Similarly, the Deficit Reduction Act of 2006 ("DRA") contains legislatively-mandated reductions in Medicare payments for hospitals, physician services, and other health services. In recent years, some planned reimbursement reductions driven by these and other legislative actions have been delayed or reduced through subsequent focused legislation, but such relief cannot be ensured going forward. Future reductions in Medicare reimbursements or increases in Medicare reimbursement in amounts less than increases in the cost of providing care to the program's beneficiaries may have a material adverse financial impact on Fletcher Allen.

A substantial portion of Fletcher Allen's Medicare revenue comes from payments made for services rendered to Medicare beneficiaries under a payment system known as the Prospective Payment System ("PPS"). Under PPS, the amount paid to a provider for an episode of care is established by federal regulation and is not related to the provider's charges or to the actual costs of providing that care. Presently, both inpatient and outpatient services are paid on the basis of PPS, as follows:

- Inpatient hospital services are reimbursed using a system based upon prospectively-determined rates paid for specific diagnosis related groups ("DRGs"). The DRG relative weights and payment rates are updated annually. The payment rate includes the following components: (1) the standard DRG prospective payment rate; (2) a capital rate; (3) an indirect medical education rate; and (4) a disproportionate share rate. There is no guarantee that DRG rates, as they change from time to time, will cover the actual costs of providing services to Medicare patients.

- Medicare outpatient services are reimbursed under the Outpatient Prospective Payment System ("OPPS"). OPPS is based on groups of services called the Ambulatory Payment Classification System ("APCs"). Each APC has a predetermined payment amount adjusted for case intensity and a hospital-specific wage index. Services provided at Fletcher Allen that fall outside OPPS are physical, occupational and speech therapies, laboratory, screening mammograms, and ambulance. These services are paid under a traditional fee schedule arrangement. CMS conducts an annual review to update APC groups, intensity weights and wage adjustments. There is no guarantee that APC rates, as they change from time to time, will cover the actual costs of providing services to Medicare patients.

In August 2006, CMS announced a new final rule for reforming hospital inpatient PPS. This rule affected discharges on or after October 1, 2006, although the changes will be phased in over a three-year period. This rule not only contains the most sweeping changes to the DRG system since its implementation in 1983, but could significantly affect the distribution of payment among hospital providers. One of the rule's changes, for example, is a shift from a charge-based method of calculating the DRG weighting factor to a cost-based method that will use newly-created hospital-specific relative value cost centers. Another major change is the October 1, 2007 implementation of a severity-adjusted DRG-based payment system, known as MS-DRGs, which is designed to lead to higher payments to hospitals that can demonstrate they serve more complex, sicker patients, and away from hospitals that serve patients with less severe illnesses.

The overall financial impact of these changes on Fletcher Allen's revenue is unknown at this time.

Medicare – Inpatient Rehabilitation

Reimbursement for inpatient rehabilitation services is based on a prospective payment system that replaces the earlier cost-based system. Fletcher Allen is positioned well under the new payment methodology largely due to the fact that Fletcher Allen's rehabilitation costs per case are below the national cost averages that are the basis for setting the prospective rates.

Medicare – Inpatient Psychiatry

Until 2005, psychiatry services were reimbursed based on the TEFRA (Tax Equity and Fiscal Responsibility Act of 1982) cost-based method that uses a target amount per discharge and settles based on actual cost per discharge vs. target amount per discharge. The organization made a decision in 2005 to convert to the DRG reimbursement methodology for these services.

Medicare – Medical Education Payments.

Medicare currently pays for a portion of the costs of medical education at hospitals like Fletcher Allen that have teaching programs. These payments are vulnerable to reduction or elimination.

Medicare – Area Wage Index

Beginning in 1999, Fletcher Allen was reclassified for purposes of the Medicare Area Wage Index to the Boston Metropolitan Statistical Area (since reconfigured into Core-Based Statistical Area (CBSA) Boston-Quincy). That reclassification, which has had a favorable reimbursement impact, will expire on September 30, 2008, unless extended. Although Fletcher Allen will seek federal legislative relief to extend or make permanent its area wage index reclassification before the current reclassification expires, there can be no assurance that any timely legislative relief will be available. Loss of the reclassification could significantly reduce reimbursement to Fletcher Allen.

Medicaid Program

Until recently, the state Medicaid program reimbursed Fletcher Allen for inpatient services based on per diem rates, and outpatient services were reimbursed based on a prospectively determined rate and settled based on the Medicare Cost Report.

The state Medicaid office (the Office of Vermont Health Access) changed its reimbursement methodology in fiscal 2008. Beginning on January 1, 2008, inpatient services are being reimbursed using a DRG-based prospective payment system modeled on the Medicare system. Outpatient services are scheduled to begin payment through a prospective payment system beginning on May 1, 2008. Although the Office of Vermont Health Access has projected that the payment changes will have no material impact on Fletcher Allen's Medicaid revenues, the actual effect will not be known for some time.

The proposed state budget for state fiscal year (SFY) 2009 (which begins on July 1, 2008) includes provider taxes on hospitals that are approximately $16 million higher than in previous years. The Vermont Association of Hospitals and Health Systems has projected that Fletcher Allen's share of that excess tax payment will be approximately $8.9 million, which would be reflected as additional expense. The proposed budget also includes an increase in Medicaid reimbursements to hospitals of $16 million for the entire hospital system, which could partially offset the increased provider tax expense depending on Medicaid utilization in SFY 2009.

Commercial and Managed Care Contracts

Fletcher Allen has negotiated "commercial and/or managed care" contracts with several different private insurers and managed care organizations. These contracts cover subscribers enrolled in HMO, PPO, or POS plans either as individuals or as part of group contracts purchased from insurers and managed care organizations to provide medical coverage for the group's members.

Pursuant to these contracts Fletcher Allen agrees to be reimbursed by specific methods at specific rates for services provided to covered members. The reimbursement comes in the form of payments of claims submitted by Fletcher Allen to the insurer or managed care organization, plus any direct financial responsibility to Fletcher Allen from the covered individual. Any remaining balance between charges and payments received per the contract are "contractual allowance" and are not further collectable. Claims reimbursement is predominately based on a DRG payment system for inpatient services and a percentage of Fletcher Allen charges for outpatient services. .

Commercial Insurance

Commercial payers, generally offering traditional indemnity coverage, reimburse Fletcher Allen at negotiated discounts from Fletcher Allen's charges, which can be applied though a variety of reimbursement methods. Reimbursement is predominately based on a DRG (diagnosis-related group) payment system for inpatient services and a percent of Fletcher Allen's charges for outpatient services. Professional (physician) charges are generally reimbursed based on the payers' fee schedule, which may be based on the Fletcher Allen standard fee structure.

Managed Care Organizations and Plans

Managed care organizations typically contract for discounts with a network of health care providers and offer access to the network, or insured medical plans, for the employer group health coverage market. Generally, contracts for managed care organizations follow similar reimbursement methods as with commercial insurance, but these plans are usually subjected to higher utilization review standards than traditional indemnity coverage. Managed care organizations and plans can be divisions or subsidiaries of providers of traditional commercial insurance.

Capitated Contracts

For several contracts, Fletcher Allen or its indirect subsidiary, VMC, receives a fixed amount of reimbursement based on the number of contracted lives, rather than the services provided. Fletcher Allen has accepted primary care provider capitation and outpatient laboratory capitation directly; while VMC holds full risk global capitation agreements (*see* separate discussion of VMC).

Self-Pay and Other

Uninsured individuals who are not eligible for Medicaid or other government health care programs, or whose insurance requires Fletcher Allen to bill the patient, are classified by Fletcher Allen as self-pay. Other payers include workers' compensation, CHAMPUS (Civilian Health and Medical Program of the Uniformed Services), various state agencies or state-sponsored special programs, and research**,** as well as outpatient services performed for other health care providers by Fletcher Allen and billed directly to those providers.

Recent Health Care Reform in Vermont

The State of Vermont has adopted a number of health care reform initiatives beginning in the 2006 legislative session. Initiatives have included the adoption of better chronic care management by state programs (including Medicaid and insurance plans offered to state employees); the development of a new health care insurance product targeted at Vermont's uninsured population (known as "Catamount Health"); quality and administrative improvements to the health care system, such as the adoption of a uniform credentialing application form for use by all hospitals and insurance companies; increased support for nursing and medical students as well as other health care professionals; and some additional funding to increase Medicaid reimbursements to both hospitals and physicians. Additional reform initiatives, including those focused on better controlling health care costs in Vermont, particularly in Vermont hospitals, are under consideration by the current legislature.

The overall financial impact of these enacted and proposed health care reforms on Fletcher Allen is unknown at this time.

Percentages of Revenue by Payer

The percentages of net patient revenue, by payer, for fiscal years ended September 30, 2005, through September 30, 2007, are summarized below.

	Year Ended September 30		
	2005	**2006**	**2007**
Medicare	34%	32%	37%
Managed Care	34%	37%	34%
Commercial Insurance	9%	9%	8%
Capitated Contracts	8%	8%	9%
Medicaid	9%	8%	8%
Self Pay/Other	6%	6%	4%
Total	**100%**	**100%**	**100%**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RECENT FINANCIAL PERFORMANCE

The following Management's Discussion and Analysis of Recent Financial Performance relates to Fletcher Allen (Obligated Group only).

Comparison of Results for Fiscal Years Ended September 30, 2006 and 2005

For the fiscal year ended September 30, 2006, Fletcher Allen's total unrestricted revenue and other support increased 10.5% compared to fiscal year September 30, 2005. Physician encounters and clinic visits increased 2.9%. Outpatient increases included surgical procedures (0.7%), outpatient imaging (including MRI) (5.1%), outpatient CT scans (7.9%), outpatient diagnostic radiology (3.8%), and total emergency room and walk-in center visits (4.9%). Inpatient surgical volume showed a slight increase (11 cases), even though coronary artery bypass grafts (CABGs) and heart valve procedures decreased by 48 cases. Management believes that the volume drop in heart valve procedures is related principally to changes in medical procedures (for example, the introduction of drug-eluting stents) and to the recent introduction by Champlain Valley Physicians Hospital Medical Center in Plattsburgh, New York, of invasive cardiology services. Changes in prior year estimates of third-party settlements increased net patient service revenue by approximately $5.8 million in fiscal 2006.

The year-to-year increase in operating expenses was 11.5%. While personnel cost increased 9.7%, depreciation and interest expense increased by 39.8%. Wage increases for the year included market adjustments for RNs and selected other key staff. These increases were needed to keep up with market conditions. Depreciation and interest expense increased as most of the Renaissance Project was placed into service in August of 2005. During the construction of the Project, certain interest costs had been capitalized. Medical and pharmaceutical supplies and other expenses increased by 9.1% primarily due to price increases.

For the fiscal year ended September 30, 2006, Fletcher Allen reported income from operations of $16.0 million, a decrease of $3.8 million from the prior year. The decrease in income from operations in fiscal 2006 was due to an increase in depreciation and interest expenses related to the Renaissance Project. Operating earnings before interest, depreciation and amortization were $67.8 million in 2006, an increase of $10.9 million over the prior year. The excess of revenue over expenses for fiscal 2006 was $35.1 million, an increase of $4.6 million from the prior year.

Comparison of Results for Fiscal Years Ended September 30, 2007 and 2006

For the fiscal year ended September 30, 2007, Fletcher Allen's total unrestricted revenue and other support increased 8.4% compared to fiscal year September 30, 2006. Continued increases in outpatient volumes have more than offset the 2.9% decline in inpatient admissions. The most significant outpatient volume increases occurred in surgical procedures (0.6%), radiation therapy visits (37.8%), CT scans (12%), nuclear medicine (12%) and outpatient renal dialysis (14.5%). Emergency room and walk-in center visits also increased by 4.5%. While inpatient surgical volume decreased by 68 cases (less than 1%), CABGs and heart valve procedures increased by 13 cases, reversing the prior year's trend. Changes in prior year estimates of third-party settlements increased net patient service revenue by approximately $5.5 million in fiscal 2007.

The year-to-year increase in Fletcher Allen's operating expenses was 8.1%. Personnel cost increased 6.7%. An increase of 4.6% was budgeted for the year. Additional unbudgeted physicians and residents, an adjustment to bring certain physicians' salaries closer to market levels and an increase in paid and overtime staff FTEs accounts for the variance. Depreciation expense decreased 4.2%. Interest expense increased by 9.0% as a result of the January, 2007 bond issue. Medical and pharmaceutical supplies and other expenses increased by 9.5%, maintaining a generally consistent relationship to net patient service revenue as in 2006.

For the fiscal year ended September 30, 2007, Fletcher Allen reported income from operations of $19.7 million, an increase of $3.6 million from the prior year, due to the increases in net patient service revenue and other revenue exceeding the increases in operating expenses. The excess of revenue over expenses for fiscal 2007 was $33.4 million, a decrease of $1.7 million from the prior year, due to lower investment income and lower net unrealized gains on interest rate swap contracts. Operating earnings before interest, depreciation and amortization were $71.5 million in fiscal 2007, an increase of $3.7 million over the prior year.

Results for First Four Months of Fiscal 2008 and First Four Months of Fiscal 2007

For the four months ended January 31, 2008, Fletcher Allen's total unrestricted revenue and other support increased 2.7% compared to the four months ended January 31, 2007. An increase of 243 outpatient surgical procedures (5%), increases in outpatient MRIs (13.4%) and CT scans (7.4%) and increases in emergency room and walk-in center visits (4.8%) account for the increase over 2007. Inpatient surgical volume decreased by 110 cases (4.5%), with CABGs and heart valve procedures decreasing by 55 cases. Changes in prior year estimates of third-party settlements increased net patient service revenue by

approximately $1.0 million and $1.4 million for the four months ended January 31, 2008 and 2007, respectively.

The increase in operating expenses for the four months ended January 31, 2008, compared to the first four months ended January 31, 2007, was 7.7%. Personnel cost increased 7.5%. A budgeted increase of 213 paid FTEs and an unbudgeted increase in overtime and physician incentives accounts for the increase. Medical and pharmaceutical supplies and other expenses increased by 4.8%, maintaining a generally consistent relationship to net patient service revenue as in 2007. The bad debt provision increased 69.3% due to management's decision to increase the allowance for doubtful accounts on self-pay accounts over 150 days old. Interest expense increased approximately $1 million (18%) reflecting the interest on the bonds issued in January, 2007. Depreciation expense in 2008 remained consistent with 2007.

For the four months ended January 31, 2008, Fletcher Allen reported income from operations of $900,000, a decrease of $11.8 million from the four months ended January 31, 2007. This decrease is due to the increase in operating expenses exceeding the increase in total unrestricted revenue and other support. Excess of revenue over expenses for the four months ended January 31, 2008, are $25.8 million, an increase of $7.3 million from the four months ended January 31, 2007. The increase is the result of management's decision to liquidate and reinvest a substantial portion of the investment portfolio in October 2007. This decision resulted in realized gains of approximately $21 million in October 2007. These gains were offset by a charge to unrestricted net assets in the same amount representing the decrease in previously unrealized gains. In addition, as a result of the declines in the markets values of Fletcher Allen's investments during the four months ended January 31, 2008, the total charge to unrestricted net assets was $38.5 million for the period. Operating earnings before interest, depreciation and amortization were $18.5 million for the four months ended January 31, 2008, a decrease of $10.6 million from the four months ended January 31, 2007.

LIQUIDITY

Fletcher Allen's unrestricted cash and investments (including board designated assets and assets held in trust under bond indenture agreements) decreased from $255.4 million at September 30, 2007 to $237.3 million at January 31, 2008, a decrease of $18.0 million. The decrease in unrestricted cash and investments during the first four months of fiscal 2008, is primarily the result of principal payments on long-term debt, capital expenditures and declines in investment market values as a result of changes in the capital markets.

Fletcher Allen's unrestricted days of cash on hand as of September 30, 2007 and January 31, 2008 were 114.1 days and 98.6 days, respectively.

Current assets totaled $150.6 million at January 31, 2008 as compared to current liabilities of $109.8 million; a ratio of 1.37:1. This is consistent with the ratio of current assets to current liabilities of 1.38:1 at September 30, 2007

INVESTMENTS

Fletcher Allen's Finance Committee is responsible for establishing the organization's investment policy and providing oversight to the management of these funds in consultation with the Chief Financial Officer and Fletcher Allen's investment advisor, State Street Global Advisors of Boston, Massachusetts.

The investment policy outlines performance objectives, asset allocations, targets by portfolio and asset class, as well as reporting requirements. At January 31, 2008, Fletcher Allen's portfolio includes common collective trust funds invested in United States large cap equity funds, United States small cap equity funds, developed market equity funds, emerging market equity funds, real estate investment trusts funds, fixed income funds and cash. As of September 30, 2005, 2006 and 2007, and January 31, 2008, Fletcher Allen's investment portfolio balances (excluding assets held by trustees under bond indenture agreements and short-term investments) were as follows (in thousands):

Funds (in 000s)	2005	2006	2007	At 1-31-08
Board-designated assets	$ 123,620	$ 122,742	$ 190,691	$184,300
Donor-restricted assets:				
Permanent endowment	24,900	23,593	24,909	27,591
Specific purposes	10,067	9,169	11,915	11,004
Total	**$ 158,587**	**$ 155,504**	**$ 227,515**	**$222,895**

The following table shows the gross unrealized losses and fair value of Fletcher Allen's common collective trust fund unrestricted investments with unrealized losses that are not deemed to be other-than-temporarily impaired at January 31, 2008 (in thousands):

Description of Investment	Fair Value	Unrealized Losses
Equity funds	100,706	11,408
Fixed income funds	17,777	206
Other funds	17,956	2,574
Total	$ 136,439	$ 14,188

The unrealized losses on Fletcher Allen's investments have occurred since October 2007 when the investment advisor was changed and substantially all unrealized gains were then realized. Unrealized losses related to fixed income funds were due to sector allocation, duration and interest rate changes. Unrealized losses related to equity and other funds were primarily the result of recent market volatility.

Management believes that the fixed income, equity and other funds held by Fletcher Allen are high quality funds. Despite the recent market environment, the funds have not exhibited extraordinary market volatility. The funds are broadly diversified in their holdings. Fletcher Allen has a long-term investment horizon and has evaluated the near-term prospects of the funds in relation to the severity and duration of the current impairment. Based on that evaluation and Fletcher Allen's ability and intent to hold those investments for a period of time reasonably sufficient for an anticipated recovery of their fair value, Fletcher Allen does not consider these investments to be other-than-temporarily impaired at January 31, 2008. Although Fletcher Allen believes that any declines in the fair values of its investments were temporary as of January 31, 2008, there may be further or prolonged declines in the value of these investments, which Fletcher Allen may determine to be other-than-temporary.

OUTSTANDING INDEBTEDNESS AND INTEREST RATE SWAP AGREEMENTS

The following table provides a brief description of Fletcher Allen and its subsidiaries' consolidated indebtedness. *See* Note 7 to the financial statements for September 30, 2007, for a further discussion of these obligations:

Obligations	**Outstanding as of September 30, 2007**
Series 2007A Bonds, fixed interest rate from 4.0% to 4.75%, net of unamortized bond premium of $113,000 payable through 2037	$ 56,373,000
Series 2004B Bonds, Auction Rate Securities, variable rate (3.95% to 3.60% at September 30, 2007), payable through 2035 (To be converted to the Long-Term Interest Rate.)	$ 165,400,000
Series 2000A Bonds, fixed interest rate ranging from 4.3% to 6.25%, payable through 2028, net of unamortized bond discount of $664,000.	$ 96,206,000
Series 2000B Bonds, Auction Rate Securities, variable rate (3.95% to 3.55% at September 30, 2007), payable through 2031 (To be refunded by the Series 2008A Bonds.)	$ 50,000,000
Series 2004A Bonds, 2.0% to 5.0%, payable through 2025, net of unamortized bond premium of $1,586,000	$ 44,975,000
Select Auction Variable Rate Securities (SAVRS) 1994 Bonds, variable rate (4.10% to 4.93% at September 30, 2007), payable through 2013, net of unamortized discount of $203,000	$ 15,447,000
Capital leases and other notes payable	$ 2,985,000
Standby Letters of Credit of up to $1,200,000 on which no amounts have been drawn	$ -0-
Total Debt	**$ 431,386,000**

Auction Rate Securities. The interest rates on the auction rate securities are reset through an auction process at intervals of 7 or 35 days. In mid-February 2008, as a result

of conditions in the auction rate market, the interest rates on the Series 2000B Bonds and the Series 2004B Bonds increased to a range of 5.5% to 10.5%, depending on the auction interval, for the five weeks ended March 26, 2008.

Interest Rate Swap Agreements. Fletcher Allen entered into interest rate exchange agreements in 1993 and again in 2004. The 1993 and 2004 agreements had aggregate notional amounts of approximately $15 million and $135 million as of September 30, 2007. Pursuant to each agreement, Fletcher Allen is obligated to pay the applicable swap counterparty amounts based on a fixed interest rate and is to receive payment from such swap counterparty based on variable interest rates. Under certain circumstances Fletcher Allen may be required to post collateral to secure its obligations under the 1993 interest rate exchange agreements. In addition, each agreement may be terminated following the occurrence of certain events, at which time Fletcher Allen may be required to make a termination payment to the applicable swap counterparty. The counterparty for the 2004 interest rate exchange agreements is related to Citigroup Global Markets Inc.

The 2004 swap agreement will be terminated as to the Series 2004B Bonds, following their conversion, and will relate only to the Series 2008A Bonds, following their issuance. Fletcher Allen will pay a fixed rate on a notional amount equal to the outstanding amount of the Series 2008A Bonds for the term of the Series 2008A Bonds and receive an alternative floating rate derived from a LIBOR based formula, which may or may not equal the rate on the Series 2008A Bonds. *See* "PLAN OF REFUNDING" in the forepart of this Official Statement.

Also see Note 7 of the notes to the consolidated financial statements of Fletcher Allen Health Care, Inc. and subsidiaries, included as Appendix B hereto for further information.

INSURANCE

VMC Indemnity Company, Ltd. ("VMCIC") is a single-parent captive insurance company licensed and incorporated under the laws of Bermuda that writes coverage only for Fletcher Allen.

VMCIC had statutory capital and surplus of $17,650,000 as of September 30, 2007, meeting all Bermuda requirements.

VMCIC provides professional and general liability coverage to Fletcher Allen, its employed physicians and staff. VMCIC's funding is based on actuarial projections at the 80% confidence level. For the 2007-2008 policy year, the limits of coverage provided for professional and general liability claims are $5 million per occurrence/$20 million in the aggregate. Reinsurance in the amount of $50 million in excess of the $20 million limits provided by VMCIC is provided by reinsurance carriers in the United Kingdom, Switzerland, and the United States.

VMCIC also provides workers compensation coverage to Fletcher Allen. VMCIC is liable for $500,000 per injury. Midwest Insurance provides the excess coverage in the amount of $25 million.

Fletcher Allen also maintains property insurance, directors and officers liability insurance, automobile, fiduciary and other insurance coverage in types and amounts consistent with similarly situated health care systems.

PENSION PLANS

Fletcher Allen has a defined benefit pension plan for eligible employees that were members of the Fletcher Allen Pension Plan prior to January 1, 1995. No new employees are eligible to participate in the plan after January 1, 1995. The annual expense recorded for this plan was $3.2 million and $1.3 million in fiscal 2006 and 2007, respectively.

On September 30, 2007, Fletcher Allen adopted the recognition and disclosure provisions of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* ("SFAS No. 158"). SFAS No. 158 required Fletcher Allen to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its postretirement benefit plans in the September 30, 2007 balance sheet, with a corresponding adjustment to unrestricted net assets.

The adoption of SFAS No. 158 had no effect on excess of revenue over expenses for the year ended September 30, 2007 but has reduced unrestricted net assets by $1.6 million at September 30, 2007.

Fletcher Allen made contributions to the plan of $4.4 million in fiscal 2006 and $9.0 million in fiscal 2007. Fletcher Allen does not expect to make any contributions to its pension plan in 2008.

In addition to its defined benefit pension plan, Fletcher Allen has defined contribution pension plans covering many of its employees. Total pension expense, including the defined benefit plan and other postretirement benefit plans, amounted to $20.6 million and $20.3 million for the years ended September 30, 2006 and 2007, respectively.

See Note 12 of the notes to the consolidated financial statements of Fletcher Allen Health Care, Inc. and subsidiaries, included as Appendix B hereto for further information.

LABOR RELATIONS

The staff-level nurses (RNs and LPNs) at Fletcher Allen are represented by the Vermont Federation of Nurses and Health Professionals, UPV/AFT, AFL-CIO Local 5221 ("VFNHP"). The initial nursing contract went into effect in July of 2003. There was an

agreed-upon re-opener mid-contract term to look at wages, the terms of which were successfully negotiated in October 2005. A renegotiation of the entire contract was completed in 2006, resulting in a contract through July 2009. Included in the nursing contract, in addition to a no-strike/no-lockout clause and provisions for wage increases that are consistent with Fletcher Allen's budget, is a provision that replaces the previous language related to nursing ratios. This provision calls for joint staffing discussions with each unit, management, and union leadership, over the next few years. Dubbed "model unit discussions" by the patient care areas that have started the process, the intent is to give the staff doing the work a voice in how care should be delivered. The model unit discussions have resulted in one signed unit agreement. Two additional unit agreements are in their final stages of discussion, while eight other unit discussions are in process.

The turnover rate for regularly-scheduled employees (excluding physicians) decreased from 16.5% in fiscal 2006 to 13% in fiscal 2007. RN turnover decreased from 8.9% to 8.2%.

Retention and recruitment of nurses remain strong. Fletcher Allen has instituted a number of initiatives designed to help attract and retain staff, including a critical care internship program, core education programs in pediatric intensive care, a 34-week OR curriculum, clinical site for nurse refresher programs, and competitive salaries.

LITIGATION

Professional and general liability claims have been asserted against Fletcher Allen by various claimants. The claims are in various stages. Other professional and general liability claims may be asserted against Fletcher Allen. It is the opinion of Fletcher Allen management, based on prior experience, that adequate insurance is maintained (including through VMCIC, *see* "Insurance" herein) to provide for all professional and general liability losses that have arisen or may in the future arise.

Fletcher Allen also is a defendant in various employment termination and discrimination actions and commercial actions arising out of the normal course of its operations. Although the outcome of any such claims or actions cannot be currently determined, Fletcher Allen's management is of the opinion that the eventual liability therefrom, if any, will not have a material effect on the financial position of Fletcher Allen or on its ability to make required debt service payments.

STRATEGIC PLANNING PROCESS – "VISION 2010"

In late 2006, building on the many strides the organization had made over the previous several years, Fletcher Allen initiated a new strategic planning process working towards a vision articulated by Melinda L. Estes, M.D, President and Chief Executive Officer: to become a national model for the delivery of high-quality academic health care for a rural region. The process included input from all levels of Fletcher Allen's leadership, as well

as the focused attention of the senior executive team and the organization's Board of Trustees. Key to achieving the vision is a clear strategy, and Dr. Estes chose the Balanced Scorecard framework and strategy map to focus the organization's efforts.

Fletcher Allen's strategy map serves to inform all staff and employees of the organization's strategic objectives, and has supported the development of key initiatives that cross all parts of the organization, allowing them to align resources and activities to collectively achieve those objectives. The strategy management system itself allows the organization to measure and track the progress of all efforts related to achieving strategic objectives. The strategy management system and the progress of key initiatives are reviewed on a monthly basis by the organization's administrative and clinical leadership to ensure continued focus on achieving its objectives.

APPENDIX B

CONSOLIDATED FINANCIAL STATEMENTS
OF FLETCHER ALLEN HEALTH CARE, INC. AND SUBSIDIARIES

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Fletcher Allen Health Care, Inc. and Subsidiaries

Consolidated Financial Statements and
Additional Information as of and for the
Years Ended September 30, 2007 and 2006, and
Independent Auditors' Reports

FLETCHER ALLEN HEALTH CARE, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

Deloitte.

Deloitte & Touche LLP
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Fletcher Allen Health Care, Inc.:

We have audited the accompanying consolidated balance sheets of Fletcher Allen Health Care, Inc. and subsidiaries (the "Company") as of September 30, 2007 and 2006, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. The supplemental schedules are the responsibility of the management of the Company. Such information has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

Deloitte & Touche LLP

December 4, 2007

FLETCHER ALLEN HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2007 AND 2006
(In thousands)

ASSETS	2007	2006
CURRENT ASSETS:		
Cash and cash equivalents	$ 44,614	$ 44,519
Patient and other trade accounts receivable, net of allowance for doubtful accounts of $15,525 in 2007 and $14,223 in 2006	110,813	107,852
Short-term investments	881	177
Inventories	10,782	10,338
Current portion of restricted assets	8,000	7,000
Prepaid and other current assets	19,252	16,080
Total current assets	194,342	185,966
ASSETS WHOSE USE IS LIMITED OR RESTRICTED:		
Board-designated assets	190,691	122,742
Assets held by trustee under bond indenture agreements	38,472	31,301
Restricted assets	22,793	22,192
Donor-restricted assets for specific purposes	11,915	9,169
Donor-restricted assets for permanent endowment	24,909	23,593
Total assets whose use is limited or restricted	288,780	208,997
PROPERTY AND EQUIPMENT — Net	426,369	437,313
OTHER ASSETS:		
Deferred financing costs — net	19,213	19,102
Notes receivable and other assets	3,786	1,803
Investment in affiliated companies	11,522	13,131
Pledges receivable	1,490	1,626
Total other assets	36,011	35,662
TOTAL	$945,502	$867,938

LIABILITIES AND NET ASSETS	2007	2006
CURRENT LIABILITIES:		
Current installments of long-term debt	$ 7,529	$ 7,450
Accounts payable	16,938	31,828
Accrued expenses and other liabilities	33,284	46,699
Accrued payroll and related benefits	38,439	35,566
Estimated third-party payor settlements	8,591	9,069
Estimated amounts for incurred but unreported claims	21,090	19,611
Total current liabilities	125,871	150,223
LONG-TERM LIABILITIES:		
Long-term debt — excluding current installments	423,857	372,612
Reserve for outstanding losses on malpractice and workers' compensation claims	24,094	19,816
Pension and other postretirement benefit obligations	2,213	10,478
Other long-term liabilities	1,939	1,991
Total long-term liabilities	452,103	404,897
Total liabilities	577,974	555,120
COMMITMENTS AND CONTINGENT LIABILITIES		
NET ASSETS:		
Unrestricted	325,924	276,576
Temporarily restricted	16,695	12,649
Permanently restricted	24,909	23,593
Total net assets	367,528	312,818
TOTAL	$945,502	$867,938

See notes to consolidated financial statements.

FLETCHER ALLEN HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006
(In thousands)

	2007	2006
UNRESTRICTED REVENUE AND OTHER SUPPORT:		
Net patient service revenue	$ 692,651	$ 634,697
Premium revenue	59,401	56,210
Other revenue	20,175	20,684
Total unrestricted revenue and other support	772,227	711,591
EXPENSES:		
Salaries, payroll taxes, and fringe benefits	437,396	409,660
Supplies and other	176,921	166,201
Purchased services	30,738	26,857
Depreciation and amortization	33,496	35,060
Interest expense	18,407	16,890
Loss on disposal of property and equipment	1,841	512
Provision for bad debts	20,506	14,872
Underwriting expenses	7,427	3,415
Medical claims	25,088	21,283
Total expenses	751,820	694,750
INCOME FROM OPERATIONS	20,407	16,841
NONOPERATING REVENUE (EXPENSE):		
Investment income and losses	12,842	14,933
Unrealized gain on interest rate swap contracts	1,440	3,963
Other	(1,489)	(394)
Total nonoperating revenue	12,793	18,502
EXCESS OF REVENUE OVER EXPENSES	33,200	35,343
NET UNREALIZED GAINS (LOSSES) ON INVESTMENTS	11,320	(2,524)
ASSETS RELEASED FROM RESTRICTIONS FOR CAPITAL PURCHASES	1,164	3,106
ADDITIONAL MINIMUM PENSION LIABILITY ADJUSTMENT	5,298	18,240
ADJUSTMENT TO INITIALLY APPLY THE RECOGNITION PROVISIONS OF SFAS No. 158	(1,634)	
TRANSFER OF NET ASSETS		4,843
INCREASE IN UNRESTRICTED NET ASSETS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	49,348	59,008
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE		(861)
INCREASE IN UNRESTRICTED NET ASSETS	$ 49,348	$ 58,147

See notes to consolidated financial statements.

FLETCHER ALLEN HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006
(In thousands)

	2007	2006
UNRESTRICTED NET ASSETS:		
Excess of revenue over expenses	$ 33,200	$ 35,343
Net unrealized gains (losses) on investments	11,320	(2,524)
Assets released from restrictions for capital purchases	1,164	3,106
Additional minimum pension liability adjustment	5,298	18,240
Adjustment to initially apply the recognition provisions of SFAS No. 158	(1,634)	
Transfer of net assets		4,843
Cumulative effect of change in accounting principle		(861)
Increase in unrestricted net assets	49,348	58,147
TEMPORARILY RESTRICTED NET ASSETS:		
Gifts, grants, and bequests	3,430	2,581
Investment income	290	1,794
Net unrealized gains (losses) on investments	910	(901)
Net realized gains on investments	2,407	1,486
Net assets released from restrictions used in operations	(1,584)	(759)
Net assets released from restrictions used for nonoperating purposes	(243)	(232)
Net assets released from restrictions used for capital purchases	(1,164)	(3,106)
Transfer of net assets		(2,939)
Increase (decrease) in temporarily restricted net assets	4,046	(2,076)
PERMANENTLY RESTRICTED NET ASSETS:		
Gifts, grants, and bequests	285	104
Change in beneficial interest in perpetual trusts	1,031	493
Transfer of net assets		(1,904)
Increase (decrease) in permanently restricted net assets	1,316	(1,307)
INCREASE IN NET ASSETS	54,710	54,764
NET ASSETS — Beginning of year	312,818	258,054
NET ASSETS — End of year	$ 367,528	$ 312,818

See notes to consolidated financial statements.

FLETCHER ALLEN HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006
(In thousands)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES AND GAINS:		
Increase in net assets	$ 54,710	$ 54,764
Adjustments to reconcile increase in net assets to net cash provided by operating activities and gains:		
Depreciation and amortization	33,496	35,060
Provision for bad debts	20,506	14,872
Restricted contributions and investment income received	(4,005)	(4,479)
Additional minimum pension liability adjustment	(5,298)	(18,240)
Adjustment to initially apply the recognition provisions of SFAS No. 158	1,634	
Loss on disposal of property and equipment	1,841	512
Unrealized (gain) loss on interest rate swap contracts	(1,440)	(3,963)
Realized and unrealized losses (gains) on investments	(14,424)	1,939
Undistributed losses (earnings) of affiliated companies	359	(640)
Cumulative effect of change in accounting principle		861
Change in beneficial interest in perpetual trusts	(1,031)	(493)
Change in operating assets and liabilities:		
Increase in patient and other accounts receivable	(23,467)	(29,955)
Decrease in pledges receivable	136	1,019
Increase in other current and noncurrent assets	(4,211)	(4,217)
Decrease in accounts payable and accrued expenses	(25,836)	(3,265)
Increase in accrued payroll and related expenses	2,873	6,006
Increase (decrease) in current and other liabilities	5,279	(5,908)
Decrease in pension and other postretirement benefit obligations	(4,601)	(7,767)
Net cash provided by operating activities and gains	36,521	36,106
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of property and equipment	(23,220)	(26,304)
Purchase of investments	(195,800)	(65,788)
Proceeds from sale of investments	129,768	69,837
Proceeds from distribution of equity investees	1,250	500
Net cash used in investing activities	(88,002)	(21,755)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from restricted contributions and restricted investment income	4,005	4,479
Repayment of long-term debt	(7,875)	(6,657)
Change in long-term liabilities		250
Deferred financing costs	(929)	
Proceeds from issuance of long-term debt	56,375	
Net cash provided by (used in) financing activities	51,576	(1,928)
NET INCREASE IN CASH AND CASH EQUIVALENTS	95	12,423
CASH AND CASH EQUIVALENTS — Beginning of year	44,519	32,096
CASH AND CASH EQUIVALENTS — End of year	$ 44,614	$ 44,519
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 18,158	$ 17,035
Assets acquired under capital lease	$ 2,824	$

See notes to consolidated financial statements.

1. ORGANIZATION

Fletcher Allen Health Care, Inc. (FAHC) is an academic and teaching health care resource and regional referral center providing a full range of primary, secondary, and tertiary-level inpatient and outpatient health care services. FAHC is closely integrated with the University of Vermont College of Medicine ("UVM") under an affiliation agreement for teaching and research.

FAHC has the following wholly owned subsidiaries: Fletcher Allen Health Ventures, Inc. (FAHV), Fletcher Allen Medical Group, PLLC (FAMG), Fletcher Allen Provider Corporation (FAPC), Fletcher Allen Coordinated Transport, LLC (FACT), Fletcher Allen Skilled Nursing Care, LLC (FASNF), Fletcher Allen Health Care Foundation, Inc. (FAHCF), and VMC Indemnity Company Ltd. (VMCIC). Vermont Managed Care, Inc. (VMC) is a wholly owned subsidiary of FAHV.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation — The consolidated financial statements include the accounts of FAHC and its wholly owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation. The assets of members of the consolidated group may not be available to meet the obligations of another member of the group.

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 financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents — Cash and cash equivalents include all highly liquid investments with remaining maturities of three months or less when purchased, excluding amounts classified as assets whose use is limited or restricted.

Contributions — Unconditional promises to give that are expected to be collected within one year are recorded at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Investments and Investment Income — Investments in equity securities with readily determinable fair market values and all investments in debt securities are recorded at fair value. Fair value is based on quoted market prices. Investments in limited partnerships and limited liability corporations for which FAHC's ownership is less than 5% are recorded at cost. The limited partnership investments generally have restrictions on withdrawals. Investment income or loss (including realized gains and losses on investments, interest and dividends), to the extent not capitalized, is included in nonoperating revenue (expense) unless the income or gain (loss) is restricted by donor or law. Realized gains or losses on the sale of investments are determined by use of average costs. Unrealized gains and losses on investments

carried at fair value are excluded from the excess of revenue over expenses and reported as an increase or decrease in net assets, except that declines in fair value that are judged to be other-than-temporary are reported as realized losses.

Investments, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the balance sheets and statements of operations and changes in net assets. The accounting for pension plan assets is discussed in Note 12.

Investment in Affiliates — Investments in 20%- to 50%-owned affiliates are accounted for using the equity method of accounting. These include Vermont Clinical Resources, Inc., Copley Woodlands, Inc., The Vermont Health Plan, Starr Farm Partnership, and OB Net Services, LLC.

Assets Whose Use Is Limited or Restricted — Assets whose use is limited or restricted primarily include board designated assets, assets held by trustees under indenture agreements, donor-restricted assets, and restricted assets which are held for insurance-related liabilities. Board-designated assets may be used at the Board's discretion.

Property and Equipment — Property and equipment acquisitions are recorded at cost or, in the case of gifts, at fair market value at the date of the gift. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from the excess of revenue over expenses, 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 these long-lived assets must be maintained, expiration of donor restrictions is reported when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets — Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less cost to sell.

Costs of Borrowing — Interest cost incurred on borrowed funds during the period of construction of capital assets, net of investment income on borrowed assets held by trustees, is capitalized as a component of the cost of acquiring those assets. Approximately $193,500 and $627,000 of interest was capitalized during 2007 and 2006, respectively. Net deferred financing costs totaled $19,213,000 and $19,102,000 as of September 30, 2007 and 2006, respectively. Such amounts are reported with other assets and are being amortized over the period the related obligations are outstanding. Accumulated amortization of deferred financing costs totaled $3,179,000 and $3,069,000 at September 30, 2007 and 2006, respectively.

Temporarily and Permanently Restricted Net Assets — Temporarily restricted net assets are those whose use by FAHC has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by FAHC in perpetuity.

During 2006, FAHC completed a study of restricted net assets. As a result of that study, FAHC determined that temporarily and permanently restricted net assets of approximately $4,843,000 should be reported as unrestricted net assets. This amount has been recorded as a transfer of net assets in the accompanying consolidated statements of operations and changes in net assets.

Consolidated Statements of Operations — For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses. Peripheral or incidental transactions are reported as nonoperating revenue and expense.

Excess of Revenue Over Expenses — The consolidated statements of operations include excess of revenue over expenses. Changes in unrestricted net assets which are excluded from the excess of revenue over expenses, consistent with industry practice, primarily include unrealized gains and losses on investments (other than those on which other-than-temporary losses are recognized), permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions restricted by donors for acquiring such assets), the adjustment to record the cumulative effect of the change in accounting for asset retirement obligations, the adjustment to initially apply Statement of Financial Accounting Standards (SFAS) No. 158, and the minimum pension liability adjustment.

Net Patient Service Revenue — Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Under the terms of various agreements, regulations and statutes, certain elements of third-party reimbursement are subject to negotiation, audit, and/or final determination by the third-party payors. In addition, laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Differences between amounts previously estimated for retroactive adjustments and amounts subsequently determined to be recoverable or payable are included in net patient service revenue in the year that such amounts become known. Changes in prior year estimates increased net patient service revenue by approximately $5,520,000 in 2007 and $5,800,000 in 2006.

FAHC has agreements with third-party payors that provide for payments to FAHC at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare — Inpatient acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient rehabilitation services are paid based on a prospective per discharge methodology. These rates vary according to a patient classification system based upon service provided, the patient's level of functionality and other factors. Outpatient services are based upon a prospective standard rate for procedures performed or services rendered. FAHC is reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by FAHC and audits thereof by the Medicare fiscal intermediary. Medicare reimbursement for professional billings is determined by a standard fee schedule that is determined by the Centers for Medicare and Medicaid Services of the U.S. Department of Health and

Human Services. The percentage of net patient service revenue and premium revenue derived from the Medicare program was approximately 37% in fiscal year 2007 and 36% in 2006, respectively.

Medicaid — Inpatient services rendered to Medicaid program beneficiaries are reimbursed under prospectively determined per diem rates. The prospectively determined per diem rates are not subject to retroactive adjustment. Outpatient services rendered to Medicaid beneficiaries are reimbursed under a prospectively determined rate per service for laboratory and some radiology services and under a cost-reimbursement methodology for all other outpatient services. FAHC is reimbursed for outpatient services at a tentative rate, with final settlement determined after submission of annual cost reports by FAHC and audits thereof by the fiscal intermediary. Medicaid reimbursement for professional billings is determined by a standard fee schedule that is determined by the state of Vermont. Approximately 13% of FAHC's net revenue in 2007 and 2006 was derived from the Medicaid program.

Commercial Insurers — Services rendered to patients with commercial insurance are generally reimbursed at standard charges less a negotiated discount or according to DRG or negotiated fee schedules. Approximately 29% of FAHC's net revenues in 2007 and 28% in 2006 was derived from Blue Cross subscribers.

VMC negotiates contracts with insurers and other payors for the provision of health care services through participating providers which are primarily its member organizations. As a result, VMC is currently managing and/or has entered into contracts with managed care plans primarily on behalf of FAHC. Under the terms of these agreements, VMC provides managed care services to subscribers of the managed care plans (the "Plans") who select VMC as their primary health plan provider. Payments to FAHC from VMC for services on behalf of respective Plan subscribers are based on a discounted fee for service or a predetermined fee schedule.

Premium Revenue — FAHC and VMC have agreements with various Health Maintenance Organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, FAHC or VMC receive monthly capitation payments based on the number of each HMO's participants regardless of services actually performed. In addition, the HMOs make fee-for-service payments to FAHC for certain covered services based upon discounted fee schedules.

Other Revenue — Other revenue consists primarily of research revenue, sales of pharmaceuticals and related products, net assets released from restrictions used for operations, and rental income.

Research Grants and Contracts — Revenue related to research grants and contracts is recognized as the related costs are incurred. Indirect costs relating to certain government grants and contracts are reimbursed at fixed rates negotiated with the government agencies. Research grants and contracts are accounted for as exchange transactions. Amounts received in advance of incurring the related expenditures are recorded as unexpended research grants and are included with accrued expenses.

Goodwill — At September 30, 2007 and 2006, the carrying value of goodwill totaled $156,000 and $260,000, respectively. Goodwill is stated at cost and is amortized using the straight-line method over its estimated useful life.

Reserves for Outstanding Losses and Loss-Related Expenses for Malpractice Claims — The liabilities for outstanding losses and loss-related expenses and the related provision for losses and loss-related expenses include estimates for malpractice losses incurred but not reported as well as losses pending settlement. Such liabilities are necessarily based on estimates and, while management believes the amounts provided are adequate, the ultimate liability may be in excess of or less than the amounts provided. As a result, there is at least a reasonable possibility that recorded estimates will change by a

material amount in the near term. The methods for making such estimates and the resulting liability are actuarially reviewed on an annual basis, and any adjustments required are reflected in operations currently.

Income Taxes — FAHC, FAPC and FAMG are incorporated and recognized by the Internal Revenue Service (IRS) as tax-exempt under Section 501(c)(3) of the Internal Revenue Code (the "Code"). Accordingly, the IRS has determined that FAHC, FAPC and FAMG are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. FACT and FASNF are single member limited liability corporations. As such, for tax purposes, FACT and FASNF are treated as divisions of FAHC. No provision for federal income taxes has been recorded in the accompanying consolidated financial statements for these organizations.

FAHV and VMC are for-profit subsidiaries subject to federal and state taxation. A 50% interest in OB Net Services, LLC is maintained by FAHC. This LLC files federal partnership tax returns and FAHC recognizes its proportionate share of the income/loss as related function income. For this entity, FAHC applies the provisions of SFAS No. 109, *Accounting for Income Taxes*. The tax provisions, and related tax assets and liabilities, for this entity are not material.

VMCIC is currently not a taxable entity under the provisions of the territory of Bermuda and, accordingly, no provision for taxes has been recorded by VMCIC. In the event that such taxes are levied, VMCIC has received an undertaking from the Bermuda Government exempting it from all such taxes until 2016.

Other-Than-Temporary Impairment of Investments — FAHC reviews its investments to identify those for which market value is below cost. FAHC then makes a determination as to whether the investment should be considered other-than-temporarily impaired based on guidelines established in the FASB Staff Position Nos. FAS 115-1 and FAS 124-1: *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*. FAHC recognized $436,000 in losses related to declines in value that were other than temporary in nature in 2007. No losses related to declines in value that were other than temporary in nature were recognized in 2006.

Accounting for Asset Retirement Obligations — Effective September 30, 2006, FAHC adopted the provisions of SFAS No. 143, *Accounting for Asset Retirement Obligations*, as clarified by FASB Interpretation (FIN) No. 47, *Accounting for Conditional Asset Retirement Obligations,* issued in March 2005. FIN No. 47 clarified that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. SFAS No. 143 requires that the fair value of a liability for the legal obligation associated with an asset retirement be recorded in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement is capitalized.

Upon adopting FIN No. 47, FAHC recorded a liability of approximately $861,000, which was recognized as the cumulative effect of a change in accounting principle. The estimated future undiscounted value of the asset retirement obligation is approximately $1,337,000. Because SFAS No. 143 requires retrospective application to the inception of the liability, the initial asset retirement obligation was calculated using a discount rate of 4.5%. The cumulative effect of the adoption of FIN No. 47 reflects the accretion of the liability and depreciation of the related asset component from the liability inception date through September 30, 2006.

Substantially all of the impact of adopting FIN No. 47 relates to estimated costs to remove asbestos that is contained within FAHC's facilities. If FAHC had adopted FIN No. 47 effective October 1, 2005, the liability would not have been materially different from the liability recorded at September 30, 2006, and

the impact on operating results in 2006 would have been immaterial. The adjustment to the obligation in 2007 was not significant.

Adoption of New Accounting Pronouncement — In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)*. SFAS No. 158 requires plan sponsors of defined benefit pension and other postretirement benefit plans (collectively, "postretirement benefit plans") to recognize the overfunded or underfunded status of their postretirement benefit plans in the balance sheet, measure the fair value of plan assets and benefit obligations as of the date of the fiscal year end, and provide additional disclosures. The Statement also requires FAHC to recognize changes in the funded status of the plans in the year in which the changes occur as a change in unrestricted net assets presented below the excess of revenue over expenses in its statements of operations and changes in net assets. On September 30, 2007, FAHC adopted the recognition and disclosure provisions of SFAS No. 158. The effect of adopting SFAS No. 158 was a decrease in unrestricted net assets of $1,634,000 (a $2,433,000 decrease in net assets relates to defined benefit plans and a $799,000 increase relates to other postretirement benefit plans). This amount has been recognized as an adjustment to unrestricted net assets in the accompanying consolidated statements of operations and changes in net assets. SFAS No. 158 did not have an effect on FAHC's consolidated financial position at September 30, 2006. SFAS No. 158's provision regarding the change in measurement date of postretirement plans will be adopted by FAHC effective September 30, 2009. See Note 12 for further discussion of the effect of adopting SFAS No. 158 on FAHC's accompanying consolidated financial statements.

Recently Issued Accounting Pronouncements — In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements.* SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The pronouncement is applicable in cases when assets or liabilities are to be measured at fair value. The provisions of this standard will be effective for FAHC in 2009. FAHC is evaluating the potential impact that the adoption of SFAS No. 157 will have on its financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities, Including an amendment of SFAS No. 115.* Under this statement, FAHC may elect to report financial instruments and certain other items at fair value on a contract-by-contract basis with changes in value reported in the excess of revenue over expenses. This election is irrevocable. SFAS No. 159 is effective for FAHC commencing in 2009. FAHC is evaluating the potential impact that the adoption of SFAS No. 159 will have on its financial statements.

3. CHARITY CARE AND COMMUNITY SERVICE

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

The amount of charges foregone for services and supplies furnished under FAHC's charity care policy aggregated approximately $17,700,000 and $15,300,000 in 2007 and 2006, respectively.

4. ASSETS WHOSE USE IS LIMITED OR RESTRICTED

Assets whose use is limited or restricted are stated at fair value except as indicated, and at September 30, 2007 and 2006, consisted of the following (in thousands):

	2007	2006
Cash and cash equivalents	$ 8,417	$ 4,794
Money market funds	1,947	2,833
Bonds and notes	38,472	31,804
Mutual funds	222,475	145,342
Limited partnerships (at cost)	12,862	19,640
Beneficial interest in perpetual trusts	11,448	10,417
Other	1,159	1,167
	$ 296,780	$ 215,997

Assets held by trustee under bond indenture agreements included approximately $38,385,000 and $31,170,000 held in debt service reserve funds at September 30, 2007 and 2006, respectively, none of which are reported as current assets.

Investment income and gains for the years ended September 30, 2007 and 2006, consisted of the following (in thousands):

	2007	2006
Nonoperating revenue and expenses:		
Investment income	$ 13,055	$ 10,300
Net realized gains (losses) on sales of securities	(213)	4,633
	12,842	14,933
Other changes in unrestricted net assets — net unrealized gain (loss) on investments	11,320	(2,524)
Changes in temporarily restricted net assets:		
Investment income	290	1,794
Net unrealized gains (losses) on investments	910	(901)
Net realized gains on investments	2,407	1,486
	3,607	2,379
Changes in permanently restricted net assets — change in beneficial interest in perpetual trusts	1,031	493
Total	$ 28,800	$ 15,281

At September 30, 2007 and 2006, FAHC held investments that had a fair market value of approximately $298,000 and $1,351,000, respectively, less than their cost as adjusted for other than temporary impairment. The cost of these investments has exceeded the market value for in excess of one year.

The amortized cost and estimated fair value of securities classified as available for sale by FAHC's for-profit subsidiaries at September 30, 2007 and 2006, were as follows (in thousands):

2007	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Mutual funds	$25,603	$4,355	$ (298)	$29,660

2006	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities	$ 501	$ 2	$ -	$ 503
Mutual funds	25,131	2,749	(329)	27,551
	$25,632	$2,751	$ (329)	$28,054

Proceeds from sales of available-for-sale securities were $1,945,000 and $7,300,000 for the years ended September 30, 2007 and 2006, respectively.

The U.S. Treasury securities classified as available for sale at September 30, 2006, were due in 2007.

5. PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, 2007 and 2006, is as follows (in thousands):

	2007	2006
Land	$ 7,796	$ 7,796
Land improvements	14,180	13,941
Leasehold improvements	38,331	37,105
Buildings	478,629	465,565
Equipment, furniture, and fixtures	235,321	226,528
	774,257	750,935
Less accumulated depreciation and amortization	(352,430)	(324,050)
	421,827	426,885
Construction-in-progress	4,542	10,428
	$ 426,369	$ 437,313

Accounts payable and accrued expenses include approximately $531,000 and $3,000,000 at September 30, 2007 and 2006, respectively, related to a construction project. In addition, FAHC is committed to contracts approximating $343,000 at September 30, 2007, for the completion of the project.

6. INVESTMENT IN AFFILIATED COMPANIES

Investment in affiliated companies at September 30, 2007 and 2006, consisted of the following (in thousands):

	2007	2006
Starr Farm Partnership	$ 3,349	$ 3,788
The Vermont Health Plan	8,027	9,139
Other	146	204
	$ 11,522	$ 13,131

Distributions from these affiliated organizations totaled $1,250,000 and $500,000 for the years ended September 30, 2007 and 2006, respectively. FAHC's share of the (losses) earnings of these affiliates is reported as nonoperating revenue (expense) and totaled approximately $(359,000) and $640,000 for the years ended September 30, 2007 and 2006, respectively. Summarized financial information from the unaudited financial statements of these organizations at September 30, 2007 and 2006, and for the years then ended is as follows (in thousands of dollars):

2007	Ownership Percentage	Total Assets	Net Assets	Change in Net Assets
Starr Farm Partnership	50 %	$ 8,995	$ 6,698	$ (878)
The Vermont Health Plan	29	53,265	21,665	(4,726)
2006				
Starr Farm Partnership	50 %	$ 10,066	$ 7,576	$ 202
The Vermont Health Plan	29	49,794	26,391	(369)

7. LONG-TERM DEBT

Long-term debt at September 30, 2007 and 2006, consisted of the following (in thousands):

	2007	2006
Vermont Educational and Health Buildings Financing Agency Hospital Revenue Bonds:		
Series 2007A Bonds, fixed rate (4.0% to 4.75% at September 30, 2007), net of unamortized bond premium of $113 payable through 2037	$ 56,373	$ -
Series 2004B Bonds, variable rate (3.95% to 3.60% at September 30, 2007), payable through 2035	165,400	168,025
Series 2000A Bonds, 4.3% to 6.25%, payable through 2028, net of unamortized bond discount of $664 and $730	96,206	96,878
Series 2004A Bonds, 2.0% to 5.0%, payable through 2025, net of unamortized bond premium of $1,586 and $1,781	44,975	46,713
Series 2000B Bonds, variable rate (3.95% to 3.55% at September 30, 2007), payable through 2031	50,000	50,000
Select Auction Variable Rate Securities (SAVRS) 1994 Bonds, variable rate (4.10% to 4.93% at September 30, 2007), payable through 2013 — net of unamortized discount of $203 and $262	15,447	17,667
Capital leases and other notes payable	2,985	779
	431,386	380,062
Less current portion	(7,529)	(7,450)
Long-term debt	$ 423,857	$ 372,612

Revenue Bonds — On January 25, 2007, FAHC, in connection with the Vermont Educational and Health Building Financing Agency (the "Agency"), issued $56,260,000 of tax-exempt revenue bonds ("2007A"), including unamortized premium of $115,000. The net proceeds from the 2007A bonds were used to reimburse FAHC for prior incurred capital expenses in the amount of $50,000,000 relating to the construction of a new ambulatory care building and the renovation of existing space (collectively, the "Renaissance Project") as defined. A debt service reserve fund of $5,666,000 was required to be established under the terms of the Series 2007A bonds.

On April 15, 2004, FAHC, in connection with the Agency, issued $170,000,000 of tax-exempt revenue bonds ("2004B Bonds"), refunded its 1993 bonds with Series 2004A Bonds in the amount of $47,620,000, and converted the 2000B Bonds from weekly variable rate bonds to auction rate securities. The 2004B, 2000B, and 2004A bonds are all insured. The net proceeds from the 2004B Bonds were used to refinance a construction loan and to finance the Renaissance Project.

Various trustee held funds are required under terms of the Series 2004A and 2004B Bonds. A project fund in the amount of $143,806,000 was established from which to pay for the cost of the Renaissance Project, and debt service reserve funds were established in the amount of $4,773,000 and $13,658,000, respectively, for the payment of principal and interest if FAHC fails to make required payments.

FAHC and certain of its subsidiaries are obligated under various other revenue bonds, capital leases, and notes payable. Various trustee-held funds are required under the terms of the loan agreements (see Note 4). Under one of the loan agreements, a reserve fund is required only upon the failure to meet certain financial ratios. Such ratios have been met and, as such, no funding has been required under this agreement.

FAHC has granted a mortgage on substantially all of its property and a security interest in its gross receipts, as defined in connection with the issuance of its long-term debt.

Scheduled Maturities of Long-Term Debt — Scheduled maturities of long-term debt and payments on capital lease obligations for the next five years and thereafter are as follows (in thousands):

Years Ending September 30	
2008	$ 7,529
2009	8,212
2010	8,550
2011	8,381
2012	9,051
Thereafter	388,832
Total	$ 430,555

Loan Covenants — Under the terms of a master indenture, FAHC is required to meet certain covenant requirements. In addition, the indenture provides for restrictions on, among other things, additional indebtedness and dispositions of property. At September 30, 2007 and 2006, FAHC was in compliance with these requirements.

Interest Rate Swap Agreements — In connection with the issuance of the Series 2004B Bonds, FAHC entered into two interest rate swap contracts in the notional principal amount of $67,500,000 each, which effectively convert the variable auction rate of the bonds to a fixed rate of 3.76% over the life of the bonds. The termination date of these swap contracts is December 1, 2034.

In August 1993, FAHC entered into an interest rate swap agreement in the notional principal amount of $37,600,000, covering three swaps with a combined fixed payment thereunder equal to a 4.93% interest rate on the 1994 SAVRS bond issue. The termination date of this swap agreement is September 1, 2013.

FAHC and the counterparties in the interest rate swap agreements are exposed to credit risk in the event of nonperformance or early termination of the agreements. FAHC and its counterparty under the 1993 swap agreement entered into a bilateral pledge agreement whereby, on a monthly basis, the counterparty calculates the aggregate exposure amount based on current market value of replacing the interest rate swap agreement with a like financial instrument should either party default. Depending upon the market price at the calculation date, FAHC or its counterparty is required to either collateralize or insure any aggregate exposure in excess of $1,000,000. The replacement of fair value of the interest rate swap agreement with a like instrument would cause FAHC to pay approximately $828,000 and $880,000 at September 30, 2007 and 2006, respectively, to the counterparty.

FAHC's only derivatives are the interest rate swaps described above. As of September 30, 2007 and 2006, the net fair value of the swap agreements of approximately $1,530,000 and $100,000, respectively, were included in notes receivable and other assets and other long-term liabilities, with the change in value recorded as nonoperating revenue (expense).

Letters of Credit — FAHC has letter-of-credit agreements with a bank, which may be renewed each year, which provide for maximum borrowings of up to $1,200,000. The letters of credit remain unused at September 30, 2007 and 2006.

8. OPERATING LEASES

FAHC has entered into certain operating lease agreements for the rental of building space and equipment. Rental expense amounted to $10,604,000 and $9,954,000 for 2007 and 2006, respectively.

Minimum future lease payments required under noncancelable operating leases at September 30, 2007, were as follows (in thousands):

Years Ending September 30	
2008	$ 9,594
2009	7,674
2010	6,479
2011	5,155
2012	4,779
Thereafter	16,277
	$ 49,958

The above payments exclude anticipated payments under fair market purchase options. FAHC expects to exercise fair market purchase options totaling approximately $5,558,000 under leases in effect at September 30, 2007.

9. RESTRICTIONS ON NET ASSETS

At September 30, 2007 and 2006, temporarily restricted net assets are available for the following purposes (in thousands):

	2007	2006
Indigent care	$ 501	$ 432
Education and research	6,562	4,698
Children's programs	1,883	1,799
Capital projects	1,502	2,247
Other health care services	6,247	3,473
	$ 16,695	$ 12,649

At September 30, 2007, temporarily restricted net assets include approximately $3,293,000 of accumulated gains on permanently restricted net assets which are subject to board appropriation in accordance with state law. Permanently restricted net assets are restricted to (in thousands):

	2007	2006
Investments to be held in perpetuity, the income from which is expendable to support:		
Indigent care	$ 4,644	$ 4,298
Education and research	4,453	4,280
Other health care services	15,812	15,015
	$ 24,909	$ 23,593

10. MALPRACTICE AND OTHER CONTINGENCIES

Malpractice and Workers' Compensation — FAHC is insured against malpractice losses under a claims-made insurance policy with VMCIC. VMCIC has reinsurance with commercial carriers for coverage above a self-insured retainage amount of $5,000,000 per claim with a $20,000,000 aggregate, with limits on such reinsurance. VMCIC provides claims-made coverage to certain affiliates of FAHC for periods prior to the merger that created FAHC.

FAHC is also self-insured for workers' compensation claims, in part through VMCIC, and maintains an excess insurance policy to limit its exposure on claims to $500,000 per occurrence.

The reserve for outstanding losses has been discounted at a rate of 6% at September 30, 2007 and 2006, resulting in a reduction in the reserve of approximately $3,917,000 in 2007 and $3,398,000 in 2006.

Activity in the reserve for outstanding losses and loss-related expenses at VMCIC for malpractice and workers' compensation claims is summarized as follows (in thousands):

	2007	2006
Balance — beginning of year	$ 26,816	$ 29,261
Less reinsurance receivables	3,343	1,537
Net balance at October 1	23,473	27,724
Losses incurred related to:		
Current period	8,110	7,355
Prior acts and tail coverage assumed	(684)	(3,940)
Total incurred	7,426	3,415
Paid losses related to:		
Current period	714	614
Prior period	2,851	7,052
Total paid	3,565	7,666
Net balance — end of year	27,334	23,473
Reinsurance recoverables	4,760	3,343
Balance — end of year	$ 32,094	$ 26,816

As a result of changes in estimates of incurred events in prior years, primarily professional liability, the estimate of incurred losses decreased by approximately $684,000 and $3,583,000 as of September 30, 2007 and 2006, respectively.

The reserve for losses, which was determined with the assistance of an actuarial consultant, includes estimates of claims incurred but not reported. Approximately $8,000,000 and $7,000,000 of the reserve at September 30, 2007 and 2006, respectively, is included in current liabilities and the balance of the reserve is included in the noncurrent reserve for outstanding losses on malpractice and workers' compensation claims in the accompanying balance sheets at September 30, 2007 and 2006, respectively.

Employee Health and Dental Insurance — FAHC maintains a self-insurance plan for employee health and dental insurance. Under the terms of the plan, employees and their dependents are eligible for participation and, as such, FAHC is responsible for the administration of the plan and any resultant liability incurred. FAHC maintained a stop-loss insurance policy to limit its exposure on claims to $175,000 per member per year in 2007 and 2006, with a per-year benefit maximum of $1,500,000. FAHC has recorded a reserve of approximately $5,088,000 and $5,324,000 at September 30, 2007 and 2006, respectively, to provide for claims made and claims incurred but not reported. The amount of the reserve was determined with the assistance of an actuarial consultant and is included in accrued expenses in the accompanying balance sheets.

Other Contingencies — FAHC and its subsidiaries are parties in various legal proceedings and potential claims arising in the ordinary course of its business. In addition, the health care industry as a whole is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to government review and interpretation as well as regulatory actions, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services. Management does not believe that these matters will have a material adverse effect on FAHC's consolidated financial position or results of operations.

Collective Bargaining Agreement — The organization is subject to a collective bargaining agreement with respect to its RN and LPN nursing staff. The current agreement runs through July 9, 2009, and covers approximately 1,600 staff.

11. STATUTORY CAPITAL AND SURPLUS

VMCIC is registered under the Bermuda Insurance Act of 1978 and related regulations (the "Act") and is obliged to comply with various provisions of the Act regarding minimum levels of solvency and liquidity. Statutory capital and surplus at September 30, 2007 and 2006, was $17,651,000 and $21,326,000, respectively, and the amount required to be maintained by VMCIC was $3,085,000 and $2,647,000, respectively. In addition, a minimum liquidity ratio must be maintained whereby liquid assets, as defined by the Act, must exceed 75% of defined liabilities. The minimum required level of liquid assets was $23,183,000 and $20,059,000 at September 30, 2007 and 2006, respectively. As of September 30, 2007 and 2006, the liquidity requirements were met. FAHC reports all of VMCIC's investments in marketable securities as restricted assets in the accompanying balance sheets.

The declaration of dividends from retained earnings and additional paid-in capital is limited to the extent that the above requirements are met. At September 30, 2007 and 2006, retained earnings and additional paid-in capital of VMCIC, amounting to $3,085,000 and $2,647,000, respectively, was not available for distribution.

12. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

Fletcher Allen Health Care Defined Benefit Pension and Postretirement Health Care Plans — Employees of the former Medical Center Hospital of Vermont (MCHV) are covered by a pension plan (the "Plan"), formerly the Pension Plan for Employees of Vermont Health Foundation, Inc. The Plan is a defined benefit final average pay plan with benefit accruals based on an average of salary rates on each January 1. It is the policy to fund at least the required minimum contribution under Internal Revenue Code, Section 412.

The Plan was amended effective January 1, 1995, to provide for the continued participation in the Plan of any eligible employee who was a member on December 31, 1994, and who was an employee on January 1, 1995. The amendment also provided that no person could become a member on and after January 1, 1995. Effective July 1, 1996, the Plan was further amended to account for a curtailment of benefits for certain other employees.

In addition to providing pension benefits, FAHC sponsors a defined benefit postretirement health care plan for retired employees. Substantially all of FAHC's employees who are at least age 55 with 15 years of pension eligibility service and all employees who are eligible for normal retirement may become eligible for such benefits. The postretirement health care plan is contributory with retiree contributions adjusted annually. The marginal cost method is used to provide for postretirement health care benefits.

On September 30, 2007, FAHC adopted the recognition and disclosure provisions of SFAS No. 158. SFAS No. 158 required FAHC to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its postretirement benefit plans in the September 30, 2007, consolidated balance sheet, with a corresponding adjustment to unrestricted net assets. The adjustment to unrestricted net assets at adoption represents the net unrecognized actuarial losses and unrecognized prior service costs, which were previously netted against FAHC's plans' funded status in the consolidated balance sheets pursuant to the provision of SFAS No. 87, *Employers' Accounting for Pensions*. These amounts will be subsequently recognized as net periodic pension cost pursuant to FAHC's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of unrestricted net assets. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in unrestricted net assets at adoption of SFAS No. 158.

The incremental effects of applying the recognition provisions of SFAS No. 158 on the individual line items in the consolidated balance sheet as of September 30, 2007, are as follows (dollars in thousands):

	Before Application of SFAS No. 158	Effect of Adopting SFAS No. 158	After Application of SFAS No. 158
Accrued postretirement liability	$ (799)	$ 799	$ -
Accrued pension asset (liability)	211	(2,433)	(2,222)
Increase in unrestricted net assets	52,982	(1,634)	51,348

The adoption of SFAS No. 158 had no effect on FAHC's excess of revenue over expenses for the year ended September 30, 2007, or for any prior period.

Unrestricted net assets at September 30, 2007 include unrecognized actuarial losses of $19,936,000 related to the defined benefit plan. Of this amount, $828,000 is expected to be recognized in net periodic pension costs in 2008. Amounts included in unrestricted net assets related to the post retirement health care plan are not significant.

FAHC uses a June 30 measurement date for measuring plan assets and obligations. The premiums paid by retirees participating in the FAHC Postretirement Health Care Plan exceed the cost covered by FAHC. Therefore, the projected benefit obligation has been reduced to zero. A reconciliation of the changes in the FAHC Defined Benefit Plan and the FAHC Defined Benefit Postretirement Health Care Plan projected benefit obligations and the fair value of assets for the years ended September 30, 2007 and 2006, follows (in thousands):

	FAHC Defined Benefit Plan		Postretirement Health Care Plan
	2007	2006	2006
Changes in benefit obligations:			
Projected benefit obligations — beginning of year	$ (109,953)	$ (122,505)	$ -
Service cost	(749)	(825)	
Interest cost	(6,720)	(6,015)	
Benefits paid	5,198	4,631	
Actuarial gain (loss)	(2,768)	14,760	
Projected benefit obligation — end of year	$ (114,992)	$ (109,954)	$ -
Accumulated benefit obligation	$ (112,559)	$ (107,692)	
Changes in plan assets:			
Fair value of plan assets — beginning of year	$ 86,273	$ 78,453	$ -
Actual return on plan assets	14,043	8,058	
Contributions	9,015	4,393	
Benefits paid	(5,198)	(4,631)	
Fair value of plan assets — end of year	$ 104,133	$ 86,273	$ -
Funded status:			
Funded status of the plan	$ (10,859)	$ (23,679)	$ -
Contributions after June 30	8,637	2,465	
Unrecognized net loss (gain)		25,026	(615)
Unrecognized prior service costs			403
Unrecognized transition asset			(809)
	(2,222)	3,812	(1,021)
Additional minimum liability		(22,765)	
Total benefit liability	$ (2,222)	$ (18,953)	$ (1,021)

At September 30, 2006, approximately $9,496,000 of the above liability was reported with accrued expense in the accompanying balance sheet. Under the requirements of SFAS No. 87, *Employers' Accounting for Pensions*, an additional minimum pension liability representing the excess of accumulated benefits over plan assets and accrued pension costs, was recognized at both September 30, 2007 and 2006. The minimum pension liability adjustment was recorded as a change in net assets.

The cost components of the net periodic benefit cost for each of the plans for the years ended September 30, 2007 and 2006, are as follows (in thousands):

	FAHC Defined Benefit Plan		FAHC Defined Benefit Postretirement Health Care Plan	
	2007	2006	2007	2006
Service cost	$ 749	$ 825	$ -	$ -
Interest cost	6,720	6,015		
Expected return on plan assets	(7,517)	(6,619)		
Amortization of unrecognized net loss (gain)	1,333	2,937	(19)	(19)
Amortization of transitional asset			(202)	(202)
Net periodic benefit cost (benefit)	$ 1,285	$ 3,158	$ (221)	$ (221)

The weighted-average assumptions used in accounting for the defined benefit pension plan and the defined benefit postretirement health care plan are as follows:

	FAHC Defined Benefit Plan		FAHC Defined Benefit Postretirement Health Care Plan	
	2007	2006	2007	2006
Weighted-average assumptions used to determine the benefit liability:				
Discount rates	6.25 %	6.25 %	N/A	6.25 %
Rates of increase in future compensation levels	3.50	3.50		
Weighted-average assumptions used to determine expense:				
Discount rates	6.25	5.00		
Rates of increase in future compensation levels	3.50	3.50		
Expected long-term rate of return on plan assets	8.50	8.50		

The expected long-term rate of return for the plans' total assets is based on the expected return of each of its asset categories, weighted based on the median of the allocation for each class. Equity securities are expected to return 9% to 11% over the long-term, while cash and fixed income is expected to return between 5% and 6%. Based on historical experience, FAHC expects that the plans' asset managers will provide a modest (0.5% to 1.0% per annum) premium to their respective market benchmark indices.

Plan Assets — FAHC's pension plan weighted-average asset allocations at September 30, 2007 and 2006, by asset category, are as follows:

Asset Category	2007	2006
Equity securities	59 %	58 %
Debt securities	26	26
Real estate investment trusts	2	2
Other	13	14
	100 %	100 %

The investment strategy as established by FAHC's Finance Committee, for pension plan assets, is to meet present and future benefit obligations to all participants and beneficiaries; cover reasonable expenses incurred to provide such benefits; and provide a total return that maximizes the ratio of assets to liabilities by maximizing investment return at the appropriate level of risk.

At September 30, 2007, the Plan held investments totaling $4,378,000 in limited partnerships that are carried at fair value, as estimated by the investment managers. The fair value of the remaining pension assets is based on quoted market values.

Cash Flows — Contributions — FAHC expects to make no contributions to its pension plan in 2008.

Cash Flows — Estimated Future Benefit Payments — The following benefit payments, which reflect expected future service as appropriate, are expected to be paid (in thousands):

Years Ending September 30	
2008	$ 5,570
2009	6,044
2010	6,508
2011	6,925
2012	7,372
2013–2017	42,967

Medical Center of Vermont — Retirement Plan — A tax-sheltered annuity benefit plan is maintained covering substantially all of the employees of the former MCHV who have at least one year of continuous service. Contributions are determined based on a percentage of employees' salaries up to 1.5% of pay.

Fanny Allen Hospital (FAH) — Pension Plan — Substantially all of the employees of the former FAH were covered by a defined contribution retirement plan. Eligibility begins after one year of service. A contribution of 4% of each eligible employee's compensation is made to the plan. A tax-deferred annuity plan covering substantially all employees is also provided. Matching contribution is discretionary.

The Plan was amended on January 1, 1996, to discontinue all contributions effective July 1, 1996. All participants became 100% vested as of that date. The amendment also provided that no person may become a member on and after January 1, 1996. In all other respects, the Plan remained in full force and effect.

University Health Center (UHC) — Retirement Plan — A tax-sheltered annuity benefit plan is maintained covering substantially all of the employees of the former UHC who have at least two years of continuous service. Contributions are determined based on a percentage of employees' salaries.

In accordance with ERISA guidelines, FAHC provided a new retirement plan for employees effective July 1, 1996. The new plan is described as follows:

Fletcher Allen Health Care, Inc. — Retirement Plan **—** FAHC maintains a tax-sheltered annuity benefit plan covering substantially all of its employees who have at least six months of continuous service. Contributions are determined based on a percentage of employees' salaries up to 10% of pay.

Benefit Plan Costs — FAHC generally funds the benefit costs related to the above retirement plans, including defined contribution plans and postretirement benefit plans, as accrued. Benefit plan costs amounted to $20,271,000 and $20,592,000 for the years ended September 30, 2007 and 2006, respectively.

13. CONCENTRATIONS OF CREDIT RISK

FAHC grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements. The mix of receivables from patients and third-party payors follows:

	2007	2006
Medicare	32 %	38 %
Medicaid	12	13
Blue Cross	18	16
Other third-party payors	28	25
Patients	10	8
	100 %	100 %

14. TRANSACTIONS WITH UVM

FAHC has an Affiliation Agreement with UVM that was most recently renewed as of August 1, 2005, for a five-year term. The Affiliation Agreement obligates FAHC to seek first to meet its needs for physician-employees from physicians holding appointments in the College of Medicine, and provides that the chairs of academic departments in the College of Medicine will be appointed by FAHC as the clinical leaders of the corresponding clinical services. Under the Affiliation Agreement, FAHC agrees to make annual payments to a not-for-profit corporation affiliated with UVM for the benefit of the College of Medicine in three components: (1) a base payment, which was $3.6 million in fiscal year 2006 and is increased by 5% each year during the term of the Agreement, (2) a supplemental payment beginning in fiscal year 2008 equal to 10% of net operating income, if any, in excess of 3.5% of net revenues provided that the supplemental payment shall not exceed $5 million in any fiscal year, and (3) a "Dean's Tax" equal to the following percentages of base physician compensation for the fiscal years indicated: 2006–0.50%, 2007–1.50%, 2008–2.50%, 2009–3.50%, and 2010 and subsequent years–4.30%. The current term of the Affiliation Agreement ends August 1, 2010, and will be automatically renewed for subsequent five-year terms in the absence of written notice of nonrenewal.

Certain goods and services related to the affiliation with UVM were received in the ordinary course of business during the years ended September 30, 2007 and 2006.

As UVM clinical faculty, associated group physicians receive a portion of their university salary for patient care activities. That patient care compensation is an expense of FAHC, but is processed in part through the UVM payroll system. The amounts of salaries and fringe benefits for patient care and related effort processed through the UVM system approximated $11,471,000 and $11,026,000 in 2007 and 2006, respectively. In addition, FAHC reimburses UVM for equipment rental, research, and certain other administrative expenses. Total reimbursements, including salaries and benefits, approximated $20,481,000 and $18,819,000 in 2007 and 2006, respectively. At September 30, 2007 and 2006, amounts due to UVM approximated $4,470,000 and $6,818,000, respectively, and are included in accrued expenses.

As part of the Renaissance Project, FAHC entered into an Education Center Development Agreement ("Development Agreement") with UVM for the construction of an education center that will provide educational facilities to the staff and employees of FAHC, and the faculty, residents, fellows, and students of UVM. The Development Agreement provides that UVM will pay approximately $9,900,000 of the costs, as therein defined, associated with the design, construction, and equipping of the Education Center, and FAHC will be responsible for paying the balance. As of September 30, 2007, the remaining amount receivable from UVM totals $267,000 and is included in notes receivable and other assets on the balance sheet.

15. FUNCTIONAL EXPENSES

FAHC provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows (in thousands):

	2007	2006
Education and research	$ 20,753	$ 19,853
Health care services	523,280	477,137
Management and general	207,787	197,760
	$ 751,820	$ 694,750

16. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash, Accounts Receivable, Accounts Payable, Accrued Expenses, and Accrued Payroll and Related Benefits — The carrying amount approximates fair value because of the short maturity of these instruments.

Investments and Assets Whose Use Is Limited — The fair values of the investments and assets whose use is limited that are carried at fair value are estimated based on quoted market prices for those or similar investments. The estimated fair value of the limited partnership investments carried at cost was approximately $16,021,000 and $21,879,000 at September 30, 2007 and 2006, respectively, as determined by the investment managers.

Debt — The fair value of FAHC's debt, which approximates $431,299,000 and $388,684,000 at September 30, 2007 and 2006, respectively, is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to FAHC for debt with the same remaining maturities.

Interest Rate Swaps — The fair values of interest rate swap agreements are obtained from quotes. These values represent the estimated amounts FAHC would receive or pay to terminate agreements, taking into consideration current interest rates and the current creditworthiness of the counterparty.

17. PLEDGES RECEIVABLE

In connection with the renovation and expansion project on the MCHV campus, FAHC has undertaken a capital fund-raising campaign. As of September 30, 2007 and 2006, the following pledges were receivable (in thousands):

	2007	2006
Due in less than one year	$ 888	$ 1,433
Due in one to five years	1,601	1,514
Due in over five years		194
	2,489	3,141
Less allowances for uncollectible amounts	(186)	(160)
	$ 2,303	$ 2,981

* * * * * *

SUPPLEMENTAL SCHEDULES

FLETCHER ALLEN HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET INFORMATION
AS OF SEPTEMBER 30, 2007
(In thousands)

ASSETS	Fletcher Allen Health Care, Inc.	Fletcher Allen Health Ventures, Inc.	Fletcher Allen Medical Group LLC	Fletcher Allen Skilled Nursing Care, LLC	Vermont Managed Care Indemnity Company Ltd.	Fletcher Allen Coordinated Transport	Eliminations	Total
CURRENT ASSETS:								
Cash and cash equivalents	$ 25,309	$ 6,014	$ 589	$ -	$12,390	$312	$ -	$ 44,614
Patient and other trade accounts receivable — net	106,949	2,965	485			414		110,813
Due from related parties					6,513		(6,513)	-
Short-term investments	881							881
Inventories	10,782							10,782
Current portion of restricted assets					8,000			8,000
Prepaid and other current assets	12,486	2,002	1		4,763			19,252
Total current assets	156,407	10,981	1,075	-	31,666	726	(6,513)	194,342
ASSETS WHOSE USE IS LIMITED OR RESTRICTED:								
Board-designated assets	190,691							190,691
Assets held by trustee under bond indenture agreements	38,472							38,472
Restricted assets	1,133				21,660			22,793
Donor restricted assets for specific purposes	11,915							11,915
Donor restricted assets for permanent endowment	24,909							24,909
Total assets whose use is limited or restricted	267,120	-	-	-	21,660	-	-	288,780
PROPERTY AND EQUIPMENT — Net	426,180	85				104		426,369
OTHER ASSETS:								
Deferred financing costs — net	19,213							19,213
Notes receivable and other assets	3,536	250						3,786
Investment in and advances to affiliated companies	34,946			3,349			(26,773)	11,522
Pledges receivable	1,490							1,490
Total other assets	59,185	250	-	3,349	-	-	(26,773)	36,011
TOTAL	$908,892	$11,316	$1,075	$3,349	$53,326	$830	$(33,286)	$945,502

See notes to supplemental schedule

(Continued)

FLETCHER ALLEN HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET INFORMATION
AS OF SEPTEMBER 30, 2007
(In thousands)

LIABILITIES AND NET ASSETS	Fletcher Allen Health Care, Inc.	Fletcher Allen Health Ventures, Inc.	Fletcher Allen Medical Group LLC	Fletcher Allen Skilled Nursing Care, LLC	Vermont Managed Care Indemnity Company Ltd.	Fletcher Allen Coordinated Transport	Eliminations	Total
CURRENT LIABILITIES:								
Current installments of long-term debt	$ 7,529	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,529
Accounts payable	16,821	55			62			16,938
Accrued expenses and other liabilities	28,672	2,645				18	1,949	33,284
Accrued payroll and related benefits	38,272	144				63	(40)	38,439
Estimated third-party payor settlements	8,591							8,591
Due to related parties	6,795	1,671	17			6,142	(14,625)	-
Estimated amounts for incurred but unreported claims	6,571	6,519			8,000			21,090
Total current liabilities	113,251	11,034	17	-	8,062	6,223	(12,716)	125,871
LONG-TERM LIABILITIES:								
Long-term debt — excluding current installments	423,857							423,857
Reserve for outstanding losses on malpractice and workers' compensation claims					24,094			24,094
Pension and other postretirement benefit obligations	2,213							2,213
Other long-term liabilities	1,689	250						1,939
Total long-term liabilities	427,759	250	-	-	24,094	-	-	452,103
Total liabilities	541,010	11,284	17	-	32,156	6,223	(12,716)	577,974
COMMITMENTS AND CONTINGENT LIABILITIES								
NET ASSETS:								
Unrestricted	326,278		1,058	3,349		(5,393)	632	325,924
Temporarily restricted	16,695							16,695
Permanently restricted	24,909							24,909
Retained earnings		32			21,170		(21,202)	-
Total net assets (deficit)	367,882	32	1,058	3,349	21,170	(5,393)	(20,570)	367,528
TOTAL	$908,892	$11,316	$1,075	$3,349	$53,326	$ 830	$ (33,286)	$945,502

See note to supplemental schedules.

(Concluded)

FLETCHER ALLEN HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(In thousands)

	Fletcher Allen Health Care, Inc.	Fletcher Allen Health Ventures, Inc.	Fletcher Allen Medical Group LLC	Fletcher Allen Skilled Nursing Care, LLC	Vermont Managed Care Indemnity Company Ltd.	Fletcher Allen Coordinated Transport	Eliminations	Total
UNRESTRICTED REVENUE AND OTHER SUPPORT:								
Net patient service revenue	$717,716	$ -	$962	$ -	$ -	$ 1,034	$ (27,061)	$692,651
Premium revenue	4,200	58,173					(2,972)	59,401
Other revenue	22,145				10,426		(12,396)	20,175
Total unrestricted revenue and other support	744,061	58,173	962	-	10,426	1,034	(42,429)	772,227
EXPENSES:								
Salaries, payroll taxes, and fringe benefits	435,451	2,594				2,057	(2,706)	437,396
Supplies and other	188,081	796	3		46	165	(12,170)	176,921
Purchased services	26,814	2,582	100		1,391	78	(227)	30,738
Depreciation and amortization	33,434	45				17		33,496
Interest expense	18,404		2			1		18,407
Loss on disposal of fixed assets	1,841							1,841
Provision for bad debts	20,366		72			68		20,506
Underwriting expenses					7,427			7,427
Medical claims		52,414					(27,326)	25,088
Total expenses	724,391	58,431	177	-	8,864	2,386	(42,429)	751,820
INCOME (LOSS) FROM OPERATIONS	19,670	(258)	785	-	1,562	(1,352)	-	20,407
NONOPERATING REVENUE (EXPENSE):								
Investment income and losses	10,252	350			2,240			12,842
Unrealized gain on interest rate swap contracts	1,440							1,440
Other	1,984	(60)		811			(4,224)	(1,489)
Total nonoperating revenue (expense)	13,676	290	-	811	2,240	-	(4,224)	12,793
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSE	33,346	32	785	811	3,802	(1,352)	(4,224)	33,200
NET UNREALIZED GAINS ON INVESTMENTS	11,320				1,634		(1,634)	11,320
ASSETS RELEASED FROM RESTRICTIONS — For capital purchases	1,164							1,164
ADDITIONAL MINIMUM PENSION LIABILITY ADJUSTMENT	5,298							5,298
TRANSFER OF NET ASSETS				(1,250)	(8,602)		9,852	-
ADJUSTMENT TO INITIALLY APPLY THE RECOGNITION PROVISIONS OF SFAS No. 158	(1,634)							(1,634)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 49,494	$ 32	$785	$ (439)	$(3,166)	$(1,352)	$ 3,994	$ 49,348

See note to supplemental schedules.

FLETCHER ALLEN HEALTH CARE, INC. AND SUBSIDIARIES

OBLIGATED GROUP BALANCE SHEET INFORMATION
AS OF SEPTEMBER 30, 2007 AND 2006
(In thousands)

ASSETS	2007	2006
CURRENT ASSETS:		
Cash and cash equivalents	$ 25,309	$ 32,801
Patient and other trade accounts receivable—net	106,949	104,466
Short-term investments	881	177
Inventories	10,782	10,338
Prepaid and other current assets	12,486	9,795
Total current assets	156,407	157,577
ASSETS WHOSE USE IS LIMITED OR RESTRICTED:		
Board-designated assets	190,691	122,742
Assets held by trustee under bond indenture agreements	38,472	31,301
Donor restricted assets for specific purposes	11,915	9,169
Donor restricted assets for permanent endowment	24,909	23,593
Total assets whose use is limited or restricted	265,987	186,805
PROPERTY AND EQUIPMENT—Net	426,180	437,168
OTHER ASSETS:		
Deferred financing costs—net	19,213	19,102
Notes receivable and other assets	3,536	1,580
Investment in and advances to affiliated companies	34,946	33,906
Pledges receivable	1,490	1,626
Total other assets	59,185	56,214
TOTAL	$ 907,759	$ 837,764

(Continued)

FLETCHER ALLEN HEALTH CARE, INC. AND SUBSIDIARIES

OBLIGATED GROUP BALANCE SHEET INFORMATION
AS OF SEPTEMBER 30, 2007 AND 2006
(In thousands)

LIABILITIES AND NET ASSETS	2007	2006
CURRENT LIABILITIES:		
Current installments of long-term debt	$ 7,529	$ 7,418
Accounts payable	16,821	31,178
Accrued expenses and other liabilities	28,672	38,157
Accrued payroll and related benefits	38,272	35,543
Estimated third-party payor settlements	8,591	9,069
Due to related parties	6,795	13,526
Estimated amounts for incurred but unreported claims	6,571	6,154
Total current liabilities	113,251	141,045
LONG-TERM LIABILITIES:		
Long-term debt — excluding current installments	423,857	372,612
Pension and other postretirement benefit obligations	2,213	10,478
Other long-term liabilities	1,689	1,741
Total long-term liabilities	427,759	384,831
Total liabilities	541,010	525,876
COMMITMENTS AND CONTINGENT LIABILITIES		
NET ASSETS:		
Unrestricted	325,145	275,646
Temporarily restricted	16,695	12,649
Permanently restricted	24,909	23,593
Total net assets	366,749	311,888
TOTAL	$ 907,759	$ 837,764

(Concluded)

See note to supplemental schedules.

FLETCHER ALLEN HEALTH CARE, INC. AND SUBSIDIARIES

OBLIGATED GROUP STATEMENT OF OPERATIONS INFORMATION
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006
(In thousands)

	2007	2006
UNRESTRICTED REVENUE AND OTHER SUPPORT:		
Net patient service revenue	$ 717,716	$ 661,305
Premium revenue	4,200	4,283
Other revenue	22,145	20,762
Total unrestricted revenue and other support	744,061	686,350
EXPENSES:		
Salaries, payroll taxes, and fringe benefits	435,451	408,018
Supplies and other	188,081	171,722
Purchased services	26,810	23,502
Depreciation and amortization	33,434	34,894
Interest expense	18,404	16,883
Loss on disposal of fixed assets	1,841	512
Provision for bad debts	20,366	14,784
Total expenses	724,387	670,315
INCOME FROM OPERATIONS	19,674	16,035
NONOPERATING REVENUE (EXPENSE):		
Investment income and losses	10,252	11,717
Unrealized gain on interest rate swap contracts	1,440	3,963
Other	1,985	3,368
Total nonoperating revenue	13,677	19,048
EXCESS OF REVENUE OVER EXPENSES	33,351	35,083
NET UNREALIZED GAINS ON INVESTMENTS	11,320	954
ASSETS RELEASED FROM RESTRICTIONS FOR CAPITAL PURCHASES	1,164	3,106
ADDITIONAL MINIMUM PENSION LIABILITY ADJUSTMENT	5,298	18,240
ADJUSTMENT TO INITIALLY APPLY THE RECOGNITION PROVISIONS OF SFAS No. 158	(1,634)	
TRANSFER OF NET ASSETS		4,843
INCREASE IN UNRESTRICTED NET ASSETS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	49,499	62,226
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE		(861)
INCREASE IN UNRESTRICTED NET ASSETS	$ 49,499	$ 61,365

See note to supplemental schedules.

FLETCHER ALLEN HEALTH CARE, INC. AND SUBSIDIARIES

OBLIGATED GROUP STATEMENT OF CHANGES IN NET ASSETS INFORMATION
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006
(In thousands)

	2007	2006
UNRESTRICTED NET ASSETS:		
Excess of revenues over expenses	$ 33,351	$ 35,083
Net unrealized gains on investments	11,320	954
Assets released from restrictions for capital purchases	1,164	3,106
Transfer of net assets		4,843
Additional minimum pension liability adjustment	5,298	18,240
Adjustment to initially apply the recognition provisions of SFAS No. 158	(1,634)	
Cumulative effect of change in accounting principle		(861)
Increase in unrestricted net assets	49,499	61,365
TEMPORARILY RESTRICTED NET ASSETS:		
Gifts, grants, and bequests	3,430	2,581
Investment income	290	1,794
Net unrealized gains (losses) on investments	910	(901)
Net realized gains on investments	2,407	1,486
Net assets released from restrictions used in operations	(1,584)	(759)
Net assets released from restrictions used for nonoperating purposes	(243)	(232)
Net assets released from restrictions used for capital purchases	(1,164)	(3,106)
Transfer of net assets		(2,939)
Increase (decrease) in temporarily restricted net assets	4,046	(2,076)
PERMANENTLY RESTRICTED NET ASSETS:		
Gifts, grants, and bequests	285	104
Change in beneficial interest in perpetual trusts	1,031	493
Transfer of net assets		(1,904)
Increase (decrease) in permanently restricted net assets	1,316	(1,307)
INCREASE IN NET ASSETS	54,861	57,982
NET ASSETS — Beginning of year	311,888	253,906
NET ASSETS — End of year	$366,749	$311,888

See note to supplemental schedules.

FLETCHER ALLEN HEALTH CARE, INC. AND SUBSIDIARIES

NOTE TO SUPPLEMENTAL SCHEDULES
AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

FLETCHER ALLEN HEALTH CARE, INC. OBLIGATED GROUP

Fletcher Allen Health Care, Inc. presently is the sole member of the Obligated Group. The accompanying supplemental schedules have been prepared for the purpose of additional analysis of the basic consolidated financial statements of Fletcher Allen Health Care, Inc. and subsidiaries for purposes of complying with certain requirements related to FAHC's debt agreements and are not intended to present the separate financial statements of the Obligated Group.

FAHC accounts for its investments in affiliated companies in its parent company financial statements using the equity method of accounting. Effective in January 2006, Fletcher Allen Outpatient Pharmacies, LLC (FAOP) was merged into Fletcher Allen Health Care, Inc. The merger was accounted for as a pooling-of-interests.

APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF PRINCIPAL LEGAL DOCUMENTS

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DEFINITIONS OF CERTAIN TERMS

The following is a summary of the definitions of certain terms contained in the Series 2004B Loan Agreement, the Series 2008A Loan Agreement, the Series 2004B Trust Agreement, the Series 2008A Trust Agreement and the Master Indenture and used in this Official Statement:

"Accounts" means any right to payment for goods sold or leased or for services rendered which is not evidenced by an instrument or chattel paper, whether or not it has been earned by performance.

"Account Lien Amount" means the product of (x) 50% multiplied by (y) an amount equal to the Obligated Group's net patient accounts (as shown in its Audited Financial Statements for the preceding Fiscal Year).

"Act" means Chapter 131, Sections 3851 to 3862, inclusive, of Title 16, Vermont Statutes Annotated, as amended.

"Affiliate" means a corporation, limited liability company, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof which (i) is directly or indirectly controlled by any Member of the Obligated Group or by any Person which directly or indirectly controls any Member of the Obligated Group or (ii) controls, directly or indirectly, any Member of the Obligated Group. For purposes of this definition, control means the ownership of not less than 25% of the voting securities of a Person or the right to designate or elect not less than a majority of the members of its board of directors or other governing board or body by contract or otherwise.

"Agency" means the Vermont Educational and Health Buildings Financing Agency, and any successor thereto.

"Agency Representative" means each of the persons at the time designated to act on behalf of the Agency in a written certificate furnished to the Corporation and the Bond Trustee, which certificate shall contain the specimen signature(s) of such person(s) and shall be signed on behalf of the Agency by its Executive Director.

"Alternate Credit Facility" means, with respect to the Series 2008A Bonds, a replacement irrevocable direct-pay letter of credit containing administrative provisions reasonably satisfactory to the Trustee, issued and delivered to, and accepted by, the Trustee in accordance with the Series 2008A Trust Agreement; provided, however, that any amendment, extension, renewal or substitution of the Credit Facility then in effect for the purpose of extending the Expiration Date of such Credit Facility or modifying such Credit Facility pursuant to its terms shall not be deemed to be an Alternate Credit Facility for purposes of the Series 2008A Trust Agreement.

"Alternate Liquidity Facility" means, with respect to the Series 2008A Bonds, a Liquidity Facility issued to replace a Liquidity Facility to purchase Series 2008A Bonds as provided in the Series 2008A Trust Agreement and any amendment or assignment of a Liquidity Facility which results in a change in the Liquidity Facility Provider.

"Audited Financial Statements" means the combined financial statements of the Corporation and its subsidiaries, if any, for a twelve-month period, or for such other period for which an audit has been performed, prepared in accordance with generally accepted accounting principles, which have been audited and reported upon by independent certified public accountants. Audited Financial Statements

shall also include, in an additional information section, unaudited combining financial statements for the same twelve-month period from which the accounts of any subsidiary which is not a Member of the Obligated Group have been eliminated and to which the accounts of any Member of the Obligated Group which is not a subsidiary have been added; provided, however, that for purposes of adding the accounts of a Member of the Obligated Group which is not a subsidiary, the balances of such accounts shall be extracted from audited financial statements of such Member of the Obligated Group and its subsidiaries, if any.

"Available Moneys" means, with respect to the Series 2008A Bonds, if a Credit Facility is in effect, (i) moneys drawn under the Credit Facility which at all times since their receipt by the Trustee or the Tender Agent were held in a separate segregated account or accounts or subaccount or subaccounts in which no moneys (other than those drawn under the Credit Facility) were at any time held, (ii) moneys which have been paid to the Trustee or the Tender Agent by the Corporation and have been on deposit with the Trustee or the Tender Agent for at least 124 days (or, if paid to the Trustee or the Tender Agent by an "affiliate," as defined in Bankruptcy Code §101(2), of the Corporation, 366 days) during and prior to which no Event of Bankruptcy shall have occurred, (iii) any other moneys, if, in the opinion of nationally recognized counsel experienced in bankruptcy matters (which opinion shall be acceptable to each Rating Agency then rating the Bonds), the application of such moneys will not constitute a voidable preference in the event of the occurrence of an Event of Bankruptcy, and (iv) investment earnings on any of the moneys described in clauses (i), (ii) and (iii) of this definition; otherwise, "Available Moneys" means any moneys deposited with the Trustee or the Tender Agent.

"Average Annual Debt Service" means, with respect to the Series 2004B Bonds at any given time of determination, average annual Principal and Interest Requirements for all the Outstanding Bonds until their final maturity.

"Balloon Long-Term Indebtedness" means Long-Term Indebtedness twenty-five percent (25%) or more of the principal payments of which are due in a single year, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such year.

"Beneficial Owner" means the Person in whose name a Bond is recorded as beneficial owner of such Bonds by the Securities Depository or a Participant or an Indirect Participant on the records of such Securities Depository, Participant or Indirect Participant, as the case may be, or such Person's subrogee.

"Bond Registrar" means the Bond Registrar at the time serving as such under the applicable Trust Agreement whether the original or a successor bond registrar.

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

"Bond Year" means the period commencing on December 1 of any year and ending on November 30 of the following year.

"Bonds" means the Series 2004B Bonds or the Series 2008A Bonds, as the context requires.

"Book-Entry System" means a book-entry system established and operated for the recordation of Beneficial Owners of the Bonds pursuant to the applicable Trust Agreement.

"Business Day" means, with respect to the Series 2004B Bonds, any day other than (i) a Saturday, a Sunday or any other day on which banks located in the cities in which the offices of the Bond

Trustee for delivery of notices and delivery of Bonds and the principal offices of the Corporation are located are authorized or required to remain closed or (ii) a day on which the New York Stock Exchange is closed and means, with respect to the Series 2008A Bonds, any day other than a Saturday, Sunday or other day on which the New York Stock Exchange is closed or on which banks are authorized or required to be closed in any of the State, the City of New York, New York or any other municipalities in which the principal offices of the Trustee, the Tender Agent and the Remarketing Agent and the office of the Credit Facility Provider from which payments pursuant to the Credit Facility are to be made are located.

"Capitalization" means the sum of the aggregate Long-Term Indebtedness of the Members of the Obligated Group, excluding any Cross-over Refunded Indebtedness, plus the aggregate unrestricted fund balance of the non-profit Members of the Obligated Group and plus the aggregate excess of assets over liabilities of the proprietary Members of the Obligated Group, if any, all as calculated in accordance with generally accepted accounting principles.

"Closing Date" means, with respect to the Series 2004B Bonds, April 15, 2004, and with respect to the Series 2008A Bonds, the date on which the Series 2008A Loan Agreement becomes legally effective, the same being the date on which the Series 2008A Bonds are delivered against payment therefor.

"Code" means the Internal Revenue Code of 1986, as amended, and all regulations promulgated thereunder.

"Completion Indebtedness" means any Long-Term Indebtedness incurred for the purpose of financing the completion of facilities for the acquisition, construction or equipping of which Long-Term Indebtedness has theretofore been incurred in accordance with the provisions of the Master Indenture, to the extent necessary to provide a completed and equipped facility of the type and scope contemplated at the time that such Long-Term Indebtedness theretofore incurred was originally incurred, and, to the extent the same shall be applicable, in accordance with the general plans and specifications for such facility as originally prepared with only such changes as have been made in conformance with the documents pursuant to which such Long-Term Indebtedness theretofore incurred was originally incurred.

"Consultant" means a firm or firms which is not, and no member, stockholder, director, officer or employee of which is, an officer or employee of any Member of the Obligated Group or any Affiliate, and which is a professional management consultant of national repute for having the skill and experience necessary to render the particular report required by the provision of the Master Indenture in which such requirement appears and which is reasonably acceptable to the Master Trustee.

"Conversion" means, with respect to the Series 2008A Bonds, a conversion of the Bonds from one Interest Rate Period to another Interest Rate Period (including the establishment of a new interest period within the Long-Term Interest Rate Period) as provided in the Series 2008A Trust Agreement.

"Conversion Date" means the effective date of a Conversion of the Series 2008A Bonds.

"Corporate Charter" means, with respect to any corporation, the articles of incorporation, certificate of incorporation, corporate charter or other organic document pursuant to which such corporation is organized and existing under the laws of the United States of America or any state thereof.

"Corporate Trust Office" means the office of the Master Trustee at which its principal corporate trust business is conducted, which is currently located in Burlington, Vermont.

"Corporation" means Fletcher Allen Health Care, Inc. (formerly known as Medical Center Hospital of Vermont, Inc.), an eligible institution under Chapter 131, Sections 3851 to 3862, inclusive, of Title 16, Vermont Statutes Annotated and a nonprofit hospital as defined in Section 1902 of Title 18 of Vermont Statutes Annotated, organized and existing under the laws of the State, and its successors and assigns and any surviving, resulting or transferee corporation thereof.

"Credit Facility" means, initially, the irrevocable, direct-pay letter of credit issued in favor of the Trustee for the Series 2008A Bonds by TD Banknorth, National Association, and all amendments, extensions, renewals or substitutions thereof pursuant to its terms, and upon the effectiveness of any Alternate Credit Facility, such Alternate Credit Facility.

"Credit Facility Provider" means, with respect to the Series 2008A Bonds, the issuer of the Credit Facility, initially TD Banknorth, National Association, and upon the effectiveness of an Alternate Credit Facility, the issuer of such Alternate Credit Facility.

"Credit Facility Provider Agreement" means, with respect to the Series 2008A Bonds, any agreement between the Corporation (or any affiliate of the Corporation) and the Credit Facility Provider, pursuant to which a Credit Facility is issued by the Credit Facility Provider, as the same may be amended or supplemented, initially TD Banknorth, National Association.

"Cross-over Date" means, with respect to Cross-over Refunding Indebtedness, the date on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or redeemed from the proceeds of such Cross-over Refunding Indebtedness.

"Cross-over Refunded Indebtedness" means Indebtedness refunded by Cross-over Refunding Indebtedness.

"Cross-over Refunding Indebtedness" means Indebtedness issued for the purpose of refunding other Indebtedness if the proceeds of such Refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable redemption date or maturity date of the Refunded Indebtedness, and the earnings on such escrow deposit (i) are required to be applied to pay interest on such Refunding Indebtedness until the Cross-over Date, and (ii) are not to be applied, directly or indirectly, to pay interest on such Refunded Indebtedness.

"Defaulted Interest" means any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date.

"Defeased Municipal Obligations" means obligations of state or local government municipal bond issuers which are not callable at the option of the obligor prior to maturity or for which irrevocable instructions have been given by the obligor to pay such obligations on the date fixed for redemption and which are rated, based on an irrevocable escrow account or fund, in the highest rating category by each of S&P and Moody's, provision for the payment of the principal of, redemption premium, if any, and interest on which shall have been made by deposit in an irrevocable escrow fund or account with a trustee or escrow agent of Defeasance Obligations or cash, which escrow fund or account shall be applied only to the payment of the principal of, redemption premium, if any, and interest on such obligations of state or local government municipal bond issuers, when due and payable, and shall be sufficient, as verified by a nationally recognized independent certified public accountant, to pay the principal of, redemption premium, if any, and interest on such obligations of state or local government municipal bond issuers.

"Defeasance Obligations" means, with respect to the Trust Agreements, (1) cash, (2) noncallable Government Obligations, (3) evidences of ownership of proportionate interests in future interest and

principal payments on Government Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Government Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated, or (4) Defeased Municipal Obligations, or any combination thereof.

"Defeasance Obligations" means, with respect to the Master Indenture, (i) noncallable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified noncallable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, (iii) Defeased Municipal Obligations or (iv) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian.

"Defeased Obligations" means Obligations issued under a Supplement that have been discharged, or provision for the discharge of which has been made, pursuant to their terms and the terms of such Supplement.

"Depositary" means one or more banks or trust companies authorized under the laws of the United States of America, the State of Vermont or the State of New York to engage in the banking business within the State and designated by the Agency, with the approval of the Corporation, as a depositary of money under the provisions of the applicable Trust Agreement.

"Derivative Agreement" means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and (v) any other type of contract or arrangement that the Member of the Obligated Group entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

"Derivative Indebtedness" means all or a portion of any Indebtedness incurred by a Member of the Obligated Group pursuant to or in connection with a Derivative Agreement.

"Derivative Period" means the period during which a Derivative Agreement is in effect.

"Designated Corporate Trust Office" means, initially, the corporate trust office of the Bond Trustee located at Two Burlington Square, Burlington, Vermont 05402, and thereafter any office designated by the Bond Trustee by notice to the Agency and the Corporation given pursuant to the applicable Trust Agreement.

"Eminent Domain" means the eminent domain or condemnation power by which all or any part of the Property and Equipment may be taken for public use or any agreement that is reached in lieu of proceedings to exercise such power.

"Event of Default" means, with respect to the applicable Loan Agreement, each of those events set forth in the applicable Loan Agreement and summarized under the applicable caption "SUMMARY OF THE [Series 2004B] [Series 2008A] LOAN AGREEMENT – Defaults and Remedies" herein, with respect to the applicable Trust Agreement, each of those events set forth in the applicable Trust Agreement and summarized under the applicable caption "SUMMARY OF THE [Series 2004B] [Series 2008A] TRUST AGREEMENT – Events of Default" herein, and, with respect to the Master Indenture, each of those events set forth in the Master Indenture and summarized under the caption "SUMMARY OF THE MASTER INDENTURE – Defaults and Remedies -- Events of Default" herein.

"Expiration Date" means the termination date of the Credit Facility or the Liquidity Facility then in effect, as extended from time to time.

"Favorable Opinion of Bond Counsel" means, with respect to the Series 2008A Bonds, with respect to any action relating to the Series 2008A Bonds, the occurrence of which requires such an opinion, a written legal opinion of Bond Counsel addressed to the Trustee, the Corporation, the Credit Facility Provider and the Remarketing Agent, to the effect that such action is permitted under the Series 2008A Trust Agreement and will not impair the exclusion of interest on the Series 2008A Bonds from gross income for purposes of federal income taxation or the exemption of interest on the Bonds from personal income taxation under the laws of the State (subject to customary exceptions).

"Fiscal Year" means the fiscal year of the Obligated Group, which shall be the period commencing on October 1 of any year and ending on September 30 of the following year unless the Master Trustee is notified in writing by the Obligated Group Representative of a change in such period, in which case the Fiscal Year shall be the period set forth in such notice; provided, however, that each Member of the Obligated Group shall have the same Fiscal Year.

"Fitch" means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency and the Hospital Representative, by notice to the Bond Trustee and the Master Trustee.

"FSA" means Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto or assignee thereof.

"Governing Body" means, when used with respect to any Member of the Obligated Group, its board of directors, board of trustees, or other board or group of individuals in which the powers of such Member of the Obligated Group are vested.

"Government Obligations" means, with respect to the Master Indenture, direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

"Government Obligations" means, with respect to the Trust Agreements, direct obligations of (including obligations issued or held in book-entry form on the books of) the Department of the Treasury of the United States of America.

"Governmental Restrictions" means federal, state or other applicable governmental laws or regulations affecting any Member of the Obligated Group or its health care facilities placing restrictions and limitations on the (i) fees and charges to be fixed, charged and collected by any Member of the Obligated Group or (ii) the amount or timing of the receipt of such revenues.

"Gross Receipts" means all Accounts and all revenues, income, receipts and money (other than proceeds of borrowing) received in any period by or on behalf of any Member of the Obligated Group, including, but without limiting the generality of the foregoing, (a) revenues derived from its operations, (b) gifts, grants, bequests, donations and contributions and the income therefrom, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Obligations, (c) proceeds derived from (i) insurance, except to the extent otherwise required by the provisions of the Master Indenture, (ii) Accounts, (iii) securities and other investments, (iv) inventory and other tangible and intangible property, (v) medical or hospital insurance, indemnity or reimbursement programs or agreements and (vi) contract rights and other rights and assets now or hereafter owned, held or possessed by each Member of the Obligated Group, and (d) rentals received from the leasing of real or tangible personal property.

"Guaranty" means any obligation of any Member of the Obligated Group guaranteeing in any manner, directly or indirectly, any obligation of any Person that is not a Member of the Obligated Group which obligation of such other Person would, if such obligation were the obligation of a Member of the Obligated Group, constitute Indebtedness under the Master Indenture. For the purposes of the Master Indenture, the aggregate annual principal and interest payments on any indebtedness in respect of which any Member of the Obligated Group shall have executed and delivered its Guaranty shall, so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles, be deemed to be equal to zero, provided that if there shall have occurred a payment by any Member of the Obligated Group on such Guaranty, then, during the period commencing on the date of such payment and ending on the day which is one year after such other Person resumes making all payments on such guaranteed obligation, (i) with respect to a historical computation, 100% of the amount actually paid by a Member of the Obligated Group for principal and interest on such guaranteed indebtedness during the period for which the computation is being made shall be taken into account and (ii) with respect to a projected computation, either (A) 100% of the amount payable for principal and interest on such guaranteed indebtedness during the period for which the computation is being made shall be taken into account or (B) at the option of the Obligated Group, the amount indicated in a written report of a Consultant that is delivered to the Master Trustee to be the amount that such Consultant estimates that the Obligated Group will have to pay for principal and interest on such guaranteed indebtedness during the period for which the computation is being made shall be taken into account.

"Holder" or "Bondholder" means, as applicable, the owner of any Obligation issued in registered form, or a person in whose name a Bond is registered in the registration books provided for in the applicable Trust Agreement.

"Hospital Bonds" means the Series 2008A Bonds held by the Tender Agent for and on behalf of the Corporation or any nominee for (or any Person who owns such Bonds for the sole benefit of) the Corporation.

"Hospital Representative" means the Chief Executive Officer, the Chief Financial Officer and each of the other persons at the time designated to act on behalf of the Corporation in a written certificate furnished to the Agency and the Bond Trustee, which certificate shall contain the specimen signature(s) of such person(s) and shall be signed on behalf of the Corporation by its Chief Executive Officer or Chief Financial Officer.

"Income Available for Debt Service" means, with respect to the Obligated Group, as to any Fiscal Year, the excess of revenues over expenses before depreciation, amortization and interest expense on Long-Term Indebtedness, as determined in accordance with generally accepted accounting principles

consistently applied; provided, however, that (1) no determination thereof shall take into account (a) any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business, (b) any unrealized gains and losses on investments or (c) any non-cash nonrecurring items of an extraordinary nature which do not involve the receipt, expenditure or transfer of assets, and (2) revenues shall not include income from the investment of funds held in a Qualified Escrow to the extent that such income has been or is required to be applied to the payment of principal of or interest on Long-Term Indebtedness which is excluded from the determination of Long-Term Debt Service Requirement or Related Bonds secured by such Long-Term Indebtedness. The excess of revenues over expenses shall include realized investment income and amounts required to be set aside for collateral posted in connection with the valuation of Derivative Agreements, but shall not include the non-cash termination value of any Derivative Agreements.

"Indebtedness" means (i) all indebtedness of Members of the Obligated Group for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations, incurred or assumed by any Member of the Obligated Group, and (iii) all Guaranties (other than any Guaranty by any Member of the Obligated Group of Indebtedness of any other Member of the Obligated Group), whether constituting Long-Term Indebtedness or Short-Term Indebtedness. Indebtedness shall not include obligations of any Member of the Obligated Group to another Member of the Obligated Group.

"Insurance Consultant" means a firm or person which is not, and no member, stockholder, director, officer or employee of which is, an officer or employee of any Member of the Obligated Group or an Affiliate, which is qualified to survey risks and to recommend insurance coverage for hospitals, health-related facilities and services and organizations engaged in such operations and, if being retained to evaluate alternative risk management programs, including self-insurance, which has the skill and experience necessary to render such an evaluation.

"Insurer Default" means, with respect to the Series 2004B Bonds, any of the following: (a) there shall occur a default in the payment of principal of or any interest on any Bond when required to be made by the Municipal Bond Insurance Policy; (b) the Municipal Bond Insurance Policy shall have been declared null and void or unenforceable in a final determination by a court of law; (c) a proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of FSA in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) of FSA or for any substantial part of its property or for the winding-up or liquidation of its affairs and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) consecutive days or such court shall enter a decree or order granting the relief sought in such proceeding; or (d) FSA shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of FSA or for any substantial part of its property, or shall make a general assignment for the benefit of creditors.

"Interest Account" means the account in the Bond Fund created and designated by the applicable Trust Agreement.

"Interest Accrual Date" means for any Weekly Interest Rate Period for the Series 2008A Bonds, the first day thereof and, thereafter, the first Wednesday of each calendar month during such Weekly Interest Rate Period.

"Interest Payment Date" means each June 1 and December 1 for the Series 2004B Bonds and the first Wednesday of each month for the Series 2008A Bonds while in the Weekly Interest Rate Period (or if the first Wednesday is not a Business Day, the next succeeding Business Day).

"Interest Requirements" for any Bond Year means, with respect to the Series 2004B Bonds, the amount that is required to pay interest on all Outstanding Bonds on each Interest Payment Date in such Bond Year and on each Interest Payment Date in the following Bond Year.

"Investment Obligations" means any of the following securities, if and to the extent the same are at the time legal for investment of Agency funds, Government Obligations and (a) the obligations of (i) Export-Import Bank, (ii) Farm Credit System Financial Assistance Corporation, (iii) Rural Economic Community Development Administration (formerly Farmers Home Administration), (iv) General Services Administration, (v) U.S. Maritime Administration, (vi) Small Business Administration, (vii) Government National Mortgage Association, (viii) U.S. Department of Housing & Urban Development (PHA's), (ix) Federal Housing Administration and (x) Federal Financing Bank; (b) senior debt obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation which are rated "AAA" and "Aaa" by S&P and Moody's, respectively; (c) obligations of the Resolution Funding Corporation; (d) senior debt obligations of the Federal Home Loan Bank System; (e) senior debt obligations of other agencies sponsored by the United States of America; (f) United States dollar denominated dollar deposit accounts, federal funds and banker's acceptances maturing not more than 360 days after the date of purchase with any domestic commercial bank whose short-term certificates of deposit on the date of purchase are rated "A-1" or "A-1+" by S&P and "P-1" by Moody's (ratings on a holding company shall not be deemed ratings of a commercial bank); (g) commercial paper which is rated "A-1+" and "P-1" by S&P and Moody's, respectively, on the date of purchase and which matures not more than 270 days after the date of purchase; (h) investments in a money market fund which is rated "AAAm" or "AAAm-G" or better by S&P; (i) Defeased Municipal Obligations; (j) investment agreements with notice to S&P and accompanied by appropriate opinions of counsel; (k) general obligations of states with a rating of at least "A2/A" or higher by both Moody's and S&P; and (l) repurchase agreements and other forms of investments with notice to S&P.

"Lien" means any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property of any Member of the Obligated Group which secures any Indebtedness or any other obligation of any Member of the Obligated Group or which secures any obligation of any Person, other than an obligation to any Member of the Obligated Group.

"Liquidity Facility" means, with respect to the Series 2008A Bonds, a letter of credit, standby bond purchase agreement, line of credit, loan, guaranty or similar agreement by a Liquidity Facility Provider to provide liquidity support to pay the Tender Price of the Series 2008A Bonds tendered for purchase in accordance with the provisions of the Series 2008A Trust Agreement and any Alternate Liquidity Facility delivered pursuant to the Series 2008A Trust Agreement and with terms that are not inconsistent with the terms of the Series 2008A Trust Agreement.

"Liquidity Facility Provider" means, with respect to the Series 2008A Bonds, the provider of a Liquidity Facility, and its successors and permitted assigns, and, upon the effective date of an Alternate Liquidity Facility, the bank or banks or other financial institution or financial institutions or other Person or Persons issuing such Alternate Liquidity Facility, their successors and assigns. If any Alternate Liquidity Facility is issued by more than one bank, financial institution or other Person, notices required to be given to the Liquidity Facility Provider may be given to the bank, financial institution or other Person under such Alternate Liquidity Facility appointed to act as agent for all such banks, financial institutions or other Persons.

"Loan" means the loan of the proceeds of the applicable Bonds made by the Agency to the Corporation pursuant to the applicable Loan Agreement.

"Loan Agreement" means the Series 2004B Loan Agreement or the Series 2008A Loan Agreement, as the context requires.

"Loan Repayments" means those payments so designated by and set forth in the applicable Loan Agreement.

"Long-Term Debt Service Coverage Ratio" means for any period of time the ratio determined by dividing the Income Available for Debt Service by Maximum Annual Debt Service.

"Long-Term Debt Service Requirement" means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal of and interest on Outstanding Long-Term Indebtedness of the Obligated Group during such period, also taking into account (i) with respect to Balloon Long-Term Indebtedness (a) if a binding commitment has been provided for the refinancing of such Indebtedness, the amount of principal and interest which would be payable in such period based on the terms of such refinancing, (b) if no such binding commitment has been provided, then the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of (x) 25 years on a level debt service basis or (y) an amortization schedule set forth in an Officer's Certificate delivered to the Master Trustee, provided (1) such schedule does not extend the original final maturity of such Indebtedness and provides for level payments of principal and interest in each Fiscal Year that (together with the excess of amounts so deposited in each Fiscal Year over the amounts required to be made on such Balloon Long-Term Indebtedness) are not less than the amounts required to be made in each Fiscal Year by the terms of such Balloon Long-Term Indebtedness, and (2) a Member of the Obligated Group enters into a binding commitment with a financial institution (that would otherwise qualify as the Master Trustee under the Master Indenture) to deposit the amount of principal shown on such amortization schedule in each Fiscal Year, net of the amount of principal actually paid on such Balloon Long-Term Indebtedness during such Fiscal Year, using, in the case of (b), an interest rate equal to (A) if such Indebtedness is tax-exempt, the most recently published 30-year Revenue Bond Index as published in The Bond Buyer or (B) if such Indebtedness is not tax-exempt, the rate set forth in an opinion of a banking institution or an investment banking institution knowledgeable in health care finance delivered to the Master Trustee as the interest rate at which the Obligated Group could reasonably expect to borrow the same by issuing an Obligation with the same term as assumed above; provided, however, that if the date of calculation is within twelve (12) months of the actual maturity of such Indebtedness, the full amount of principal payable at maturity shall be included in such calculation; (ii) with respect to Variable Rate Indebtedness that is Long-Term Indebtedness, the interest on such Indebtedness shall be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that, with respect to new Variable Rate Indebtedness, the interest rate for such Indebtedness for the initial interest rate period shall be the initial rate at which such Indebtedness was incurred and thereafter shall be calculated as set forth above; and (iii) with respect to Derivative Indebtedness, the interest on such Indebtedness during any Derivative Period and for so long as the provider of the Derivative Agreement has a long-term credit rating of at least "A" (without regard to any rating refinement or gradation by numerical modifier or otherwise) assigned to it by Moody's, if rated by Moody's, Fitch, if rated by Fitch, and S&P, if rated by S&P, and has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by a Member of the Obligated Group on such Derivative Indebtedness

pursuant to its terms and (y) the amount of interest payable by such Member of the Obligated Group under the Derivative Agreement and subtracting (z) the amount of interest payable by the provider of the Derivative Agreement at the rate specified in the Derivative Agreement; provided, however, that to the extent that the provider of any Derivative Agreement does not have a long-term credit rating of at least "A" (without regard to any rating refinement or gradation by numerical modifier or otherwise) assigned to it by Moody's, if rated by Moody's, Fitch, if rated by Fitch, and S&P, if rated by S&P, or is in default thereunder, the amount of interest payable by the Member of the Obligated Group shall be the interest calculated as if such Derivative Agreement had not been executed;

provided, however, that interest shall be excluded from the determination of Long-Term Debt Service Requirement to the extent the same is provided from the proceeds of the Long-Term Indebtedness and provided further, however, that notwithstanding the foregoing, the aggregate of the payments to be made with respect to principal of and interest on Outstanding Long-Term Indebtedness shall not include principal and interest payable from funds available in a Qualified Escrow (other than principal and interest so payable solely by reason of the Obligated Group's failure to make payments from other sources).

"Long-Term Indebtedness" means all obligations for borrowed money incurred or assumed by any Member of the Obligated Group, including (a) Guaranties, (b) Short-Term Indebtedness if a binding commitment by an institutional lender exists to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness, and (c) the current portion of Long-Term Indebtedness, for any of the following:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one (1) year;

(ii) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one (1) year; and

(iii) installment sale or conditional sale contracts having an original term in excess of one (1) year;

provided, however, that any Guaranty by any Member of the Obligated Group of any obligation of any Person, which obligation would, if it were a direct obligation of such Member of the Obligated Group, constitute Short-Term Indebtedness, shall be excluded.

"Master Indenture" or "Indenture" means the Master Trust Indenture, dated as of January 1, 1993, as amended and restated as of March 1, 2004, by and between the Corporation and the Master Trustee, including any amendments or supplements thereto.

"Master Trustee" means Chittenden Trust Company, Burlington, Vermont, and its successors in the trusts created under the Master Indenture.

"Maximum Annual Debt Service" means the highest Long-Term Debt Service Requirement for the current or any succeeding Fiscal Year.

"Maximum Annual Debt Service on the Bonds" means, with respect to the Series 2004B Bonds, at any given time of determination, the maximum Principal and Interest Requirements for the Bonds for the then current or any succeeding Bond Year. For purposes of this definition, Principal and Interest

Requirements for any Bond Year shall not include any principal, Sinking Fund Requirement or interest due in such Bond Year by reason of the failure of the Agency to pay the same when due in any prior Bond Year.

"Maximum Bank Bond Interest Rate" means, with respect to the Series 2008A Bonds, the lesser of (a) the rate of 25% per annum and (b) the Maximum Lawful Rate.

"Maximum Bond Interest Rate" means, with respect to the Series 2008A Bonds, the lesser of 12% per annum and the Maximum Lawful Rate.

"Maximum Lawful Rate" means the maximum rate of interest on the relevant obligation permitted by applicable law.

"Member of the Obligated Group" means, initially, the Corporation, and, thereafter, any other Person which shall become a Member of the Obligated Group pursuant to the Master Indenture and not including any Person which shall have withdrawn from the Obligated Group pursuant to the Master Indenture.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency and the Hospital Representative, by notice to the Bond Trustee and the Master Trustee.

"Mortgage" means the Mortgage Deed, dated as of December 17, 2003, executed by the Corporation as security for the repayment of the Obligations, including any amendments to said mortgage.

"Mortgaged Property" means the real property described in the Mortgage, together with all real property acquired as an addition to, in replacement of, or in substitution for, all or any part of the real property described in the Mortgage, less such real property as may be released from the Mortgage pursuant to the terms of the Master Indenture.

"Municipal Bond Insurance Policy" means, with respect to the Series 2004B Trust Agreement, the insurance policy issued by FSA guaranteeing the scheduled payment of principal of and interest on the Series 2004B Bonds when due.

"Net Book Value", when used in connection with Property and Equipment or other Property of any Person, means the value of such property, net of accumulated depreciation, as it is carried on the books of such Person in conformity with generally accepted accounting principles, and when used in connection with Property and Equipment or other Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property and Equipment or other Property of the Obligated Group determined in such a manner that no portion of Property and Equipment or other Property is included more than once.

"Non-Recourse Indebtedness" means any Indebtedness secured by a Lien, the liability for which is effectively limited to the Property, the purchase or acquisition or, in the case of vacant land only, the improvement of which was financed with the proceeds of such Non-Recourse Indebtedness and which is subject to such Lien with no recourse, directly or indirectly, to any other Property of any Member of the Obligated Group.

"Obligated Group" means, collectively, the Members of the Obligated Group.

"Obligated Group Representative" means the Person at the time designated to act on behalf of the Obligated Group in a written certificate furnished to the Master Trustee, which certificate shall contain a specimen signature of such Person and shall be signed on behalf of the Obligated Group by the Chief Executive Officer or Chief Financial Officer of the Corporation or by his designee.

"Obligation" means the evidence of particular Indebtedness issued under the Master Indenture.

"Obligation No. 9" means the Obligation so designated and issued under the Master Indenture and Supplement No. 9 and delivered to the Agency pursuant to the Series 2004B Loan Agreement.

"Obligation No. 12" means the Obligation so designated and issued under the Master Indenture and Supplement No. 12 and delivered to the Agency pursuant to the Series 2008A Loan Agreement.

"Officer's Certificate" means, with respect to the Loan Agreement, a certificate signed by an Agency Representative or a Hospital Representative, as the case may be.

"Officer's Certificate" means, with respect to the Master Indenture, a certificate signed by (i) the chairman of the Governing Body, or the president or chief executive officer, or the chief financial officer, or the chairman of the finance committee of the Governing Body of such Member of the Obligated Group as the context requires or (ii) the Obligated Group Representative. Each Officer's Certificate presented under the Master Indenture shall state that it is being delivered pursuant to (and shall identify the section or subsection of) the Master Indenture and shall incorporate by reference and use in all appropriate instances all terms defined in the Master Indenture. Each Officer's Certificate shall state (i) that the terms thereof are in compliance with the requirements of the section or subsection of the Master Indenture pursuant to which such Officer's Certificate is delivered, or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance, and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

"Opinion of Bond Counsel" means an opinion in writing signed by an attorney or firm of attorneys acceptable to the Master Trustee and experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

"Opinion of Counsel" means, with respect to the Trust Agreements, an opinion in writing signed by an attorney or firm of attorneys acceptable to the Bond Trustee who may be counsel for the Agency or the Corporation or other counsel.

"Opinion of Counsel" means, with respect to the Master Indenture, an opinion in writing signed by an attorney or firm of attorneys, acceptable to the Master Trustee, who may be counsel for any Member of the Obligated Group or other counsel acceptable to the Master Trustee.

"Outstanding" means, when used with reference to Bonds, as of a particular date, all Bonds theretofore issued under the applicable Trust Agreement, except:

(1) Bonds theretofore cancelled by the Bond Registrar or delivered to the Bond Registrar for cancellation;

(2) Bonds for the payment of which money, Defeasance Obligations, or a combination of both, sufficient to pay, on the date when such Bonds are to be paid or redeemed, the principal

amount of or the Redemption Price of, and the interest accruing to such date on, the Bonds to be paid or redeemed, has been deposited with the Bond Trustee or the Bond Registrar in trust for the Holders of such Bonds; Defeasance Obligations shall be deemed to be sufficient to pay or redeem Bonds on a specified date if the principal of and the interest on such Defeasance Obligations, when due, will be sufficient to pay on such date the Redemption Price of, and the interest accruing on, such Bonds to such date;

(3) Bonds in exchange for or in lieu of which other Bonds have been issued;

(4) Bonds deemed to have been paid in accordance with the applicable Trust Agreement; and

(5) Undelivered Bonds;

provided, however, that Bonds owned or held by or for the account of the Corporation, any Affiliate or any subsidiary or controlled affiliate of the Corporation or any Affiliate shall not be deemed Outstanding Bonds for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in the Articles in the applicable Trust Agreement entitled "Events of Default and Remedies", "Supplemental Trust Agreements" and "Defeasance" and in the Section in the applicable Loan Agreement entitled "Amendment of Agreement" and neither the Corporation nor any Affiliate as registered owners of such Bonds shall be entitled to consent or take any other action provided for in the above-mentioned provisions of the applicable Trust Agreement or the applicable Loan Agreement; and provided further, however, that Series 2008A Bonds paid by payments made under a Credit Facility shall be deemed to be Outstanding until the Credit Facility Provider is reimbursed in full.

"Outstanding" when used with reference to Indebtedness means, as of any date of determination, all Indebtedness theretofore issued or incurred and not paid and discharged other than (i) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (ii) Indebtedness deemed paid and no longer Outstanding under the documents pursuant to which such Indebtedness was incurred, (iii) Defeased Obligations and (iv) Obligations in lieu of which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of the Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser; provided, however, that for purposes of determining whether the Holders of the requisite principal amount of Obligations have concurred in any demands, direction, request, notice, consent, waiver or other action under the Master Indenture, Obligations or Related Bonds that are owned by any Member of the Obligated Group or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with such Member shall be deemed not to be Outstanding, provided further, however, that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent or waiver, only such Obligations or Related Bonds which the Master Trustee has actual notice or knowledge as being so owned shall be deemed to be not Outstanding.

"Payment Default" means an Event of Default described in clause (a) or (b) under the caption "SUMMARY OF THE SERIES 2004B TRUST AGREEMENT – Events of Default" below, and the failure of FSA to make payment when due under the Municipal Bond Insurance Policy.

"Permitted Liens" means those Liens described under the caption "SUMMARY OF THE MASTER INDENTURE - Particular Covenants -- Limitation on Creation of Liens" below.

"Person" means an individual, association, unincorporated organization, corporation, limited liability company, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

"Pledged Assets" means all Gross Receipts of the Members of the Obligated Group, now owned or hereafter acquired, and all proceeds thereof.

"Potential Default" means, with respect to the Series 2004B Trust Agreement, the occurrence of any event which upon the giving of notice or the passage of time or both would become an Event of Default; provided, however, that the Bond Trustee shall not be deemed to have knowledge of a Potential Default unless the Bond Trustee shall have actual knowledge thereof or shall have received written notice from (i) the Holders of not less than ten percent (10%) in aggregate principal amount of Series 2004B Bonds then Outstanding, (ii) the Agency or (iii) the Corporation.

"Principal and Interest Requirements" means, with respect to the Series 2004B Bonds, for any Bond Year, the sum of the Principal Requirements and Interest Requirements for such Bond Year.

"Principal Requirements" means, with respect to the Series 2004B Bonds, for any Bond Year, the Sinking Fund Requirement for the Series 2004B Bonds on December 1 of the following Bond Year.

"Property" means any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible and wherever situated.

"Property and Equipment" means all Property of the Members of the Obligated Group which is property and equipment under generally accepted accounting principles.

"Put Indebtedness" means Long-Term Indebtedness twenty-five percent (25%) or more of the principal of which is required, at the option of the owner thereof, to be purchased or redeemed at one time.

"Qualified Escrow" means amounts deposited in a segregated escrow fund or other similar fund or account in connection with the issuance of Long-Term Indebtedness or Related Bonds secured by such Long-Term Indebtedness which fund or account is required by the documents establishing such fund or account to be applied toward the Obligated Group's payment obligations with respect to principal of or interest on (a) the Long-Term Indebtedness or Related Bonds secured thereby which are issued under the documents establishing such fund or account or (b) Long-Term Indebtedness or Related Bonds secured thereby which are issued prior to the establishment of such fund or account.

"Qualified Reserve Fund Substitute" means, with respect to the Series 2004B Bonds, (i) an irrevocable letter of credit, naming the Bond Trustee as beneficiary, issued by any domestic or foreign bank, or any branch or agency thereof, whose long-term debt obligations are rated in one of the two highest rating categories by S&P and Moody's, respectively, or (ii) a policy of reserve fund insurance naming the Bond Trustee as beneficiary, issued by an insurance company whose claims paying ability is rated in the highest rating category by S&P and Moody's, respectively, in either case (A) in an amount not less than the Reserve Fund Requirement, (B) approved by the Agency, which approval shall not be unreasonably withheld, (C) the terms of which allow the Bond Trustee to make the draws required by the provisions of the Trust Agreement and (D) the issuer of which shall not have been given a lien on any portion of the property of the Corporation unless such lien also secures the Series 2004B Bonds on a parity basis.

"Rating Agency" means Moody's, S&P and Fitch.

"Redemption Price" means, with respect to Bonds or a portion thereof, the principal amount of such Bonds or portion thereof plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with the terms of the applicable Trust Agreement.

"Register" means the register of the record owners of Bonds maintained by the Bond Registrar pursuant to the Trust Agreement.

"Related Bond Indenture" means any indenture, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued.

"Related Bond Issuer" means the issuer of any issue of Related Bonds.

"Related Bond Trustee" means the trustee and its successors in the trusts created under any Related Bond Indenture.

"Related Bonds" means the revenue bonds or other obligations issued by any state, territory or possession of the United States or any municipal corporation or political subdivision formed under the laws thereof or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof ("governmental issuer"), pursuant to a single Related Bond Indenture, the proceeds of which are loaned or otherwise made available to (i) a Member of the Obligated Group in consideration of the execution, authentication and delivery of an Obligation to or for the order of such governmental issuer, or (ii) any Person other than a Member of the Obligated Group in consideration of the issuance to such governmental issuer (A) by such Person of any indebtedness or other obligation of such Person and (B) by a Member of the Obligated Group of a Guaranty in respect of such indebtedness or other obligation, which Guaranty is represented by an Obligation.

"Remarketing Agent" means, with respect to the Series 2008A Bonds, each Person qualified to act as Remarketing Agent for the Series 2008A Bonds and appointed by the Corporation with the consent of the Agency from time to time, subject to the approval of the Credit Facility Provider.

"Remarketing Agreement" means, with respect to the Series 2008A Bonds, a Remarketing Agreement between the Corporation and the Remarketing Agent whereby the Remarketing Agent undertakes to perform the duties of the Remarketing Agent under the Series 2008A Trust Agreement, as amended from time to time.

"Required Payments under the Loan Agreement" means the payments so designated by and set forth in the applicable Loan Agreement.

"Reserve Fund Requirement" means, with respect to the Series 2004B Bonds, the least of (A) the Maximum Annual Debt Service on the Series 2004B Bonds, (B) 125% of Average Annual Debt Service and (C) 10% of the stated principal amount of the Series 2004B Bonds; provided, however, that if the Bonds have original issue discount or premium that exceeds 2% of the stated redemption price at maturity plus any original issue premium attributable exclusively to underwriter's compensation, the initial offering prices to the public shall be used in lieu of the stated principal amount for purposes of calculating the 10% limitation. For purposes of calculating the Reserve Fund Requirement, the Series 2004B Bonds which constituted Derivative Indebtedness as of April 15, 2004, shall be deemed to bear interest at a fixed rate of 4.255% per annum and the balance of the Series 2004B Bonds shall be deemed to bear interest at a fixed rate of 5.41% per annum.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., its successors and their assigns, and, if S&P shall be dissolved or liquidated or shall no longer

perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency and the Hospital Representative, by notice to the Bond Trustee and the Master Trustee.

"Securities Depository" means The Depository Trust Company, New York, New York, and any substitute for or successor to such securities depository that shall maintain a Book-Entry System with respect to the Bonds.

"Securities Depository Nominee" means the Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the Register the Bonds to be delivered to such Securities Depository during the continuation with such Securities Depository of participation in its Book-Entry System.

"Self Liquidity Arrangement" means, with respect to the Series 2008A Bonds, that the Series 2008A Bonds are rated in the highest short-term rating category (without giving effect to any gradations within such category) by at least one of Moody's, S&P or Fitch and by all of them that are then rating the Series 2008A Bonds without the support of a Liquidity Facility or a Credit Facility.

"Short-Term Indebtedness" means all obligations, other than any Guaranty of an obligation of a Person which is a Member of the Obligated Group and the current portion of Long-Term Indebtedness, incurred or assumed by one or more Members of the Obligated Group, for any of the following:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one (1) year or less;

(ii) leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one (1) year or less; and

(iii) installment purchase or conditional sale contracts having an original term of one (1) year or less.

"Sinking Fund Requirement" means, with respect to the Term Bonds for any Bond Year, the principal amount fixed or computed as hereinafter provided for the retirement of such Term Bonds by purchase or redemption on December 1 of the following Bond Year.

The aggregate amount of such Sinking Fund Requirements for the Term Bonds, together with the amount due upon the final maturity of such Bonds, shall be equal to the aggregate principal amount of the Term Bonds. The Sinking Fund Requirements for the Term Bonds shall begin as provided in the Trust Agreement and shall end with the December 1 immediately preceding the maturity of such Term Bonds (such final installment being payable at maturity and not redeemed). Any principal amount of Term Bonds retired by operation of the Sinking Fund Account by purchase in excess of the total amount of the Sinking Fund Requirement for such Term Bonds to and including such December 1 shall be credited against and reduce the future Sinking Fund Requirements for such Term Bonds in such manner as shall be specified in an Officer's Certificate of the Hospital Representative filed with the Bond Trustee.

"Special Record Date" for the payment of any Defaulted Interest on Bonds means a date fixed by the Bond Trustee pursuant to the Trust Agreement.

"State" means the State of Vermont.

"Subordinated Indebtedness" means Indebtedness of a Member of the Obligated Group that by the terms thereof is specifically junior and subordinate to the Obligations with respect to payment of principal and interest thereon and that is evidenced by an instrument containing provisions substantially the same as those set forth in the Master Indenture.

"Supplement" means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture.

"Supplement No. 9" means Supplemental Indenture for Obligation No. 9, dated as of March 1, 2004, by and between the Corporation and the Master Trustee.

"Supplement No. 12" means Supplemental Indenture for Obligation No. 12, dated as of April 1, 2008, as amended, by and between the Corporation and the Master Trustee.

"Tax Certificate" means the Tax Certificate and Agreement, dated the applicable Closing Date, concerning certain matters pertaining to the use and investment of proceeds of the applicable Bonds executed by the Agency and the Corporation on the date of initial execution and delivery of the applicable Bonds, including any and all exhibits attached thereto.

"Tax-Exempt Organization" means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code and exempt from federal income taxes under Section 501(a) of the Code or corresponding provisions of federal income tax laws from time to time in effect.

"Tender Agent" means each Person qualified to act as Tender Agent with respect to the Series 2008A Bonds and so appointed by the Hospital and so acting from time to time, and its successors.

"Tender Date" means the date on which the Series 2008A Bonds are required to be purchased pursuant to the Series 2008A Trust Agreement.

"Tender Price" means the purchase price to be paid to the Holders of the Series 2008A Bonds purchased pursuant to the Series 2008A Trust Agreement, which shall be equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest from the immediately preceding Interest Accrual Date to the Tender Date (if the Tender Date is not an Interest Accrual Date).

"Term Bonds" means the Bonds stated to be payable by their terms on one or more dates.

"Total Operating Revenues" means, with respect to the Obligated Group, as to any period of time, total operating revenues, as determined in accordance with generally accepted accounting principles consistently applied.

"Total Required Payments" means the sum of Loan Repayments and Required Payments under the applicable Loan Agreement.

"Transfer" means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, including specifically, but without limitation, the forgiveness of any debt or the lease of any such asset.

"Trust Agreement" means the Series 2004B Trust Agreement or the Series 2008A Trust Agreement, as the context requires.

"Value" means the value of any investments calculated as follows:

(a) As to securities:

(1) the closing bid price quoted by Interactive Data System, Inc.; or

(2) a valuation performed by a nationally recognized and accepted pricing service whose valuation method consists of the composite average of various bid price quotes on the valuation date; or

(3) the lower of two dealer bids on the valuation date. The dealers or their parent holding companies must be rated at least investment grade by Moody's and S&P and must be market makers in the securities being valued.

(b) As to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(c) As to any investment not specified above: the value thereof established by prior agreement among the Agency, the Bond Trustee.

"Variable Rate Indebtedness" means any portion of Indebtedness the interest rate on which is not established at the time of incurrence at a fixed or constant rate.

"Weekly Interest Rate" means a variable interest rate for the Series 2008A Bonds established in accordance with the Series 2008A Trust Agreement.

"Weekly Interest Rate Period" means each period during which a Weekly Interest Rate is in effect for the Series 2008A Bonds.

SUMMARY OF THE MASTER INDENTURE

Authorization, Issuance and Terms of Obligations

There is no limit on the principal amount or number of Obligations that may be issued under the Master Indenture or Indebtedness that may be created under other documents, except as limited by the provisions of the Master Indenture or of any Supplement, but no Obligations may be issued unless the provisions of the Master Indenture are followed. Any Member of the Obligated Group proposing to incur Long Term Indebtedness or enter into Derivative Agreements, whether evidenced by Obligations issued hereunder or Indebtedness or Derivative Agreements created under any other documents, shall, at least seven (7) days prior to the date of the incurrence of such Long Term Indebtedness or Derivative Agreements, give written notice of its intention to incur such Long Term Indebtedness or enter into such Derivative Agreement, including in such notice the amount of Indebtedness or the notional amount of the Derivative Agreement to be incurred, to the other Members of the Obligated Group and, in the case of Long-Term Indebtedness in an amount exceeding $5,000,000 or a Derivative Agreement with a notional amount exceeding $5,000,000, to the Master Trustee. Each Member of the Obligated Group is jointly and severally liable for each and every Obligation.

Any Member of the Obligated Group and the Master Trustee may from time to time enter into a Supplement in order to evidence Indebtedness or Derivative Agreements under the Master Indenture. Such Supplement will, with respect to an Obligation evidencing Indebtedness created thereby, set forth the date thereof, and the date or dates on which the principal of, redemption premium, if any, and interest on such Obligation will be payable, and the form of such Obligation and such other terms and provisions as will conform with the provisions and conditions of the Master Indenture.

Particular Covenants

Security; Restrictions on Encumbering Property; Payment of Principal and Interest

(a) Any Obligation issued pursuant to the Master Indenture will be a general obligation of the issuer of such Obligation.

To secure the prompt payment of the principal of, redemption premium, if any, and the interest on the Obligations, and the performance by each Member of the Obligated Group of its other obligations under the Master Indenture, each Member of the Obligated Group pledges, assigns and grants to the Master Trustee a security interest in its Pledged Assets. Prior to its receipt of a request from the Master Trustee as described in subparagraph (d) below, any Member of the Obligated Group may sell, or incur Indebtedness secured by, all or any part of its Pledged Assets free of such security interest, subject to the limitations described under the subcaptions entitled "Limitation on Creation of Liens"; "Limitations on Indebtedness"; "Transfers of Property; Disposition of Cash and Investments; Sale of Accounts" and "Consolidation, Merger, Sale or Conveyance" of this "SUMMARY OF THE MASTER INDENTURE".

Prior to the delivery of the first Obligation under the Master Indenture, there were delivered to the Master Trustee duly executed financing statements evidencing the security interest of the Master Trustee in the Pledged Assets in the form required by the Vermont Uniform Commercial Code with copies sufficient in number for filing in the office of the Secretary of State in Montpelier, Vermont and in the office of the City Clerk of the City of Burlington, Vermont. Continuation statements are required to be filed to maintain the perfection of such security interest.

Without limiting the generality of the foregoing, such security interest will apply to all rights to receive Gross Receipts whether in the form of accounts receivable, contract rights or other rights, and to the proceeds thereof. The security interest will apply to all of the foregoing, whether now existing or hereafter coming into existence and whether now owned or held or hereafter owned or acquired by the Members of the Obligated Group.

To further secure the prompt payment of the principal of, redemption premium, if any, and the interest on the Obligations and the performance by each Member of the Obligated Group of its other obligations hereunder, the Corporation has executed and delivered to the Master Trustee the Mortgage.

(b) Each Member of the Obligated Group covenants that it will not pledge or grant a security interest in (except as provided in subparagraph (a) above and as may be otherwise provided in the Master Indenture) any of its Property.

(c) Each Obligation will be a joint and several general obligation of each Member of the Obligated Group. Each Member of the Obligated Group covenants to promptly pay or cause to be paid the principal of, redemption premium, if any, and interest on each Obligation issued under the Master Indenture at the place, on the dates and in the manner provided in the Master Indenture, in the Supplement and in said Obligation according to the terms thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise.

(d) Each Member of the Obligated Group covenants that, if an Event of Default under the Master Indenture shall have occurred and be continuing, it will, upon request of the Master Trustee, deliver or direct to be delivered to the Master Trustee all Gross Receipts until such Event of Default has been cured.

Tax-Exempt Status

So long as the Master Indenture remains in effect, each Member of the Obligated Group which is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group agrees that, so long as all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, it will not take any action or fail to take any action which action or failure to act (including any action or failure to act which would result in the alteration or loss of its status as a Tax-Exempt Organization) would, in the Opinion of Bond Counsel, result in the interest on any Related Bond becoming included in the gross income of the holder thereof for federal income tax purposes.

Insurance

Each Member of the Obligated Group agrees that it will maintain, or cause to be maintained, such insurance with respect to the operation and maintenance of its Property (including one or more self-insurance programs considered by an Insurance Consultant to be reasonable and appropriate) of such type and in such amounts as are normally carried by hospital facilities of similar type and size and against such risks as are customarily insured against in connection with hospital operations and hospital facilities of similar type and size, including, but not limited to: (i) comprehensive general public liability insurance, including blanket contractual liability and automobile insurance including owned and hired automobiles (excluding collision and comprehensive coverage thereon), (ii) professional liability or medical malpractice insurance, (iii) fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, damage from aircraft, smoke and uniform standard coverage and vandalism and malicious mischief endorsements and business interruption insurance covering such periods, (iv) workers' compensation insurance and (v) boiler insurance.

The Obligated Group is required to retain an Insurance Consultant to review the insurance requirements of the Members of the Obligated Group from time to time (but not less frequently than biennially). If the Insurance Consultant makes recommendations for the increase of any coverage, the Obligated Group is required to increase or cause to be increased such coverage in accordance with such recommendations, subject to a good faith determination of the Obligated Group Representative that such recommendations, in whole or in part, are in the best interests of the Obligated Group. Notwithstanding anything in the Master Trust Indenture to the contrary, each Member of the Obligated Group will have the right, without giving rise to an Event of Default solely on such account, (i) to maintain insurance coverage below that most recently recommended by the Insurance Consultant, if the Obligated Group furnishes to the Master Trustee a report of the Insurance Consultant to the effect that the insurance so provided affords either the greatest amount of coverage available for the risk being insured against at rates which in the judgment of the Insurance Consultant are reasonable in connection with reasonable and appropriate risk management, or the greatest amount of coverage necessary by reason of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or (ii) to adopt alternative risk management programs which the Insurance Consultant determines to be reasonable, including, without limitation, to self-insure in whole or in part individually or in connection with other institutions, to participate in programs of captive insurance companies, to participate with other health care institutions in mutual or other cooperative insurance or other risk management programs, to participate in state or federal insurance programs, to take advantage of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or to establish or participate in other alternative risk management programs; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the Obligated Group. If any Member of the Obligated Group is self-insured for any coverage, the report of the Insurance Consultant mentioned above is required to state whether the anticipated funding of any self-insurance fund is actuarially sound, and if not, the required funding to produce such result and such coverage is required to be reviewed by such Consultant not less frequently than annually. If the Insurance Consultant determines that the anticipated funding of any self-insurance fund is not actuarially sound, the Obligated Group covenants that it will fund such self-insurance fund in the manner recommended by the Insurance Consultant.

Insurance and Condemnation Proceeds

Amounts that do not exceed 20% of the Net Book Value of the Property and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss or as condemnation awards may be used in such manner as the recipient may determine, including, without limitation, applying such moneys to the payment or prepayment of any Indebtedness in accordance with the terms thereof and of any pertinent Supplement.

Amounts that exceed 20% of the Net Book Value of the Property and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss or as condemnation awards will be applied in such manner as the recipient may determine; provided, however, that the recipient is required to notify the Master Trustee and within twelve (12) months after the casualty loss or taking, deliver to the Master Trustee:

(i) (A) An Officer's Certificate certifying the expected Long-Term Debt Service Coverage Ratio for each of the two (2) full Fiscal Years following the date on which such proceeds or awards are expected to have been fully applied, which Long-Term Debt Service Coverage Ratio for each such period is not less than 1.50, as shown by pro forma financial statements for each such period, accompanied by a statement of the relevant assumptions including assumptions as to the use of such proceeds or awards, upon which such pro forma statements are based, and (B) if the amount of such proceeds or awards received with respect to any casualty loss or

condemnation exceeds thirty percent (30%) of the Net Book Value of the Property and Equipment of the Obligated Group, a written report of a Consultant confirming such certification; or

(ii) A written report of a Consultant stating the Consultant's recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the periods described in clause (i) above to be not less than 1.10, or, if in the opinion of the Consultant the attainment of such level is impracticable, at the highest practicable level.

Each Member of the Obligated Group agrees that it will use such proceeds or awards, to the extent permitted by law, only in accordance with the assumptions described in clause (i), or the recommendations described in clause (ii), of the preceding paragraph.

Limitation on Creation of Liens

(a) Each Member of the Obligated Group agrees that it will not create or suffer to be created or permit the existence of any Lien upon Pledged Assets or on Property now owned or hereafter acquired by it other than Permitted Liens.

(b) Permitted Liens will consist of the following:

(i) The Lien on the Pledged Assets created by the Master Indenture as described in subparagraph (a) under the subcaption above entitled "Security; Restrictions on Encumbering Property; Payment of Principal and Interest";

(ii) Liens arising by reason of good faith deposits with any Member of the Obligated Group in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member of the Obligated Group to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

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

(iv) Any judgment lien against any Member of the Obligated Group so long as such judgment is being contested in good faith and execution thereon is stayed, unless the amount of such judgment lien is less than $5,000,000, in which case the execution thereon may be unstayed;

(v) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (B) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any Liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent, or the amount or validity of

which, are being contested and execution thereon is stayed or, with respect to Liens of mechanics, materialmen, laborers, suppliers or vendors have been due for fewer than ninety (90) days; (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof; (D) to the extent that it affects title to any Property, the Master Indenture; and (E) landlord's liens;

(vi) Any Lien which is existing on the date of authentication and delivery of the first Obligation issued under the Master Indenture provided that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date or to secure Indebtedness not Outstanding as of the date of the Master Indenture, unless such Lien as so increased, extended, renewed or modified otherwise qualifies as a Permitted Lien under the Master Indenture;

(vii) Any Lien on Property which is part of the Property and Equipment securing Indebtedness in a principal amount not exceeding fifteen percent (15%) of Total Operating Revenues as shown on the Audited Financial Statements of the prior Fiscal Year;

(viii) Any Lien on pledges, bequests, gifts or grants to be received in the future including any income derived from the investment thereof;

(ix) Any Lien on inventory securing Indebtedness which does not exceed twenty-five percent (25%) of the Net Book Value thereof;

(x) Any Lien in favor of a trustee on the proceeds of Indebtedness prior to the application of such proceeds;

(xi) Any Lien securing all Obligations on a parity basis;

(xii) Any Liens subordinate to the lien described in clause (xi) above required by a statute under which a Related Bond is issued;

(xiii) Liens on moneys deposited by patients or others with any Member of the Obligated Group as security for or as prepayment for the cost of patient care;

(xiv) Liens on Property received by any Member of the Obligated Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(xv) Liens on Property due to rights of third party payors, including the federally funded health insurance programs, for recoupment of amounts paid to any Member of the Obligated Group;

(xvi) Rights of the United States of America under Title 42 United States Code Section 291i;

(xvii) Any Lien securing Non-Recourse Indebtedness permitted by the provisions of the Master Indenture described below in paragraph (g) under "Limitations on Indebtedness";

(xviii) Any Lien on Accounts that are sold pursuant to the provisions of the Master Indenture described below in paragraph (c) under the subcaption entitled "Transfers of Property;

Disposition of Cash and Investments; Sale of Accounts" or that are pledged to secure Indebtedness permitted by the provisions of the Master Indenture described below in paragraph (h) under the subcaption entitled "Limitations on Indebtedness";

(xix) Any Lien on Property acquired by a Member of the Obligated Group if the Indebtedness secured by the Lien is additional Indebtedness permitted under the provisions of the Master Indenture described below under the subcaption entitled "Limitations on Indebtedness", and if an Officer's Certificate is delivered to the Master Trustee certifying that (A) the Lien and the Indebtedness secured thereby were created and incurred by a Person other than the Member of the Obligated Group, and (B) the Lien was not created for the purpose of enabling the Member of the Obligated Group to avoid the limitations hereof on creation of Liens on Property of the Obligated Group; and

(xx) Any Lien on moveable equipment (as such term is defined under generally accepted accounting principles) securing Indebtedness incurred to purchase such moveable equipment, provided that the total of such Indebtedness does not exceed twenty-five percent (25%) of the Net Book Value of the Property of the Obligated Group as shown on the Audited Financial Statements of the prior Fiscal Year.

Limitations on Indebtedness

Each Member of the Obligated Group agrees that after the issuance and delivery of the first Obligation under the Master Indenture, it will not incur any Indebtedness if, after giving effect to all other Indebtedness incurred by the Obligated Group, such Indebtedness could not be incurred pursuant to the provisions of the Master Indenture described in paragraphs (a) through (i), inclusive, below. Any Indebtedness may be incurred only in the manner and pursuant to the terms set forth in the Master Indenture described in paragraphs (a) through (i) below.

(a) Long-Term Indebtedness may be incurred if prior to incurrence of the Long-Term Indebtedness one of the following conditions is met:

(i) there is delivered to the Master Trustee an Officer's Certificate certifying that, immediately after the incurrence of the proposed Long-Term Indebtedness, the aggregate principal amount of all Long-Term Indebtedness does not exceed sixty-seven percent (67%) of Capitalization; or

(ii) there is delivered to the Master Trustee an Officer's Certificate (accompanied by Audited Financial Statements) certifying that the Long-Term Debt Service Coverage Ratio, taking all Outstanding Long-Term Indebtedness and the Long-Term Indebtedness then proposed to be incurred into account as if it had been incurred at the beginning of such period, for the most recent Fiscal Year preceding the date of delivery of such Officer's Certificate for which the Audited Financial Statements are available, is not less than 1.25; or

(iii) there is delivered to the Master Trustee an Officer's Certificate certifying that the Long-Term Debt Service Coverage Ratio, taking into account the proposed Long-Term Indebtedness, for (A) in the case of Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, each of the two (2) full Fiscal Years next succeeding the date on which such capital improvements are expected to be placed in operation or (B) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, each of the two (2) full Fiscal Years next succeeding the date on which the Indebtedness is incurred, is not less than

1.35; provided, however, that such Officer's Certificate must also certify, in the case of (A) above when interest on the proposed Long-Term Indebtedness has not been capitalized, that the Long-Term Debt Service Coverage Ratio for each of the two (2) full Fiscal Years next succeeding the date on which the Indebtedness is incurred is not less than 1.00; such Officer's Certificate is required to be accompanied by projected balance sheets, statements of revenues and expenses and statements of changes in cash flow for each such Fiscal Year and a statement of the assumptions upon which such projected financial statements are based; or

(iv) (A) there is delivered to the Master Trustee an Officer's Certificate (accompanied by Audited Financial Statements) certifying the Long-Term Debt Service Coverage Ratio, taking into account all Outstanding Long-Term Indebtedness, but not the Long-Term Indebtedness then to be incurred, for the most recent Fiscal Year preceding the date of delivery of the Officer's Certificate for which the Audited Financial Statements are available, is not less than 1.10; and (B) there is filed with the Master Trustee the report of a Consultant to the effect that the forecasted Long-Term Debt Service Coverage Ratio, taking the proposed Long-Term Indebtedness into account, for (I) in the case of Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, each of the two (2) full Fiscal Years succeeding the date on which such capital improvements are expected to be placed in operation, or (II) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, each of the two (2) full Fiscal Years succeeding the date on which the Indebtedness is incurred, is not less than 1.25; provided, however, that such Consultant's report must also show, in the case of (I) above when interest on the proposed Long-Term Indebtedness has not been capitalized, that the forecasted Long-Term Debt Service Coverage Ratio for each of the two (2) full Fiscal Years succeeding the date on which the Indebtedness is incurred is not less than 1.00, in each case as shown by forecasted balance sheets, statements of revenues and expenses and statements of changes in financial position for each such period, accompanied by a statement of the relevant assumptions upon which such forecasted statements are based; or

(v) without compliance with any of the tests mentioned in clause (i), (ii), (iii) or (iv) above, Long-Term Indebtedness may be incurred provided that there is delivered to the Master Trustee an Officer's Certificate of an Obligated Group Representative certifying that, immediately after giving effect to any Long-Term Indebtedness incurred pursuant to the provisions of the Master Indenture described in this clause (v), the aggregate of Long-Term Indebtedness incurred under the provisions of the Master Indenture described in this clause (v) does not exceed twenty-five percent (25%) of Total Operating Revenues for the most recent Fiscal Year for which Audited Financial Statements are available.

Notwithstanding any of the Long-Term Debt Service Coverage Ratios specified in clause (ii), (iii) or (iv) above, if the report of a Consultant states that Governmental Restrictions have been imposed or have taken effect which make it impossible for such coverage requirements to be met, then such coverage requirements will be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00.

(b) Completion Indebtedness may be incurred without limitation; provided, however, that prior to the incurrence of Completion Indebtedness, the Obligated Group Representative is required to furnish to the Master Trustee the following: (i) a certificate of an architect estimating the costs of completing the facilities for which Completion Indebtedness is to be incurred; and (ii) a certificate of the chief financial officer of the Member of the Obligated Group for which Completion Indebtedness is to be incurred certifying that the amount of Completion Indebtedness to be incurred will be sufficient, together with

other funds, if applicable, to complete construction of the facilities in respect of which Completion Indebtedness is to be incurred.

(c) Long-Term Indebtedness may be incurred for the purpose of refunding any Outstanding Long-Term Indebtedness without limitation if, prior to the incurrence of such Long-Term Indebtedness, there is delivered to the Master Trustee an Opinion of Counsel stating that upon the incurrence of such proposed Long-Term Indebtedness and application of the proceeds thereof (on the Cross-over Date, in the case of Cross-over Refunding Indebtedness), the Outstanding Long-Term Indebtedness to be refunded thereby will no longer be Outstanding.

(d) Short-Term Indebtedness may be incurred if immediately after the incurrence of such Indebtedness the aggregate Outstanding principal amount of all such Indebtedness does not exceed twenty-five percent (25%) of the Total Operating Revenues for the most recent Fiscal Year for which Audited Financial Statements are available; provided, however, that there must be a period of at least twenty (20) consecutive calendar days during each such Fiscal Year during which all Short-Term Indebtedness, other than Short-Term Indebtedness incurred pursuant to the provisions of the Master Indenture described below in paragraph (h) and Short-Term Indebtedness incurred to offset a temporary delay in the receipt of funds due from third-party payors, does not exceed three percent (3%) of such Total Operating Revenues; provided, further, that the aggregate of the principal amount of Indebtedness Outstanding under the provisions of the Master Indenture described in this paragraph (d) and the provisions of the Master Indenture described above in clause (v) of paragraph (a) must not at any time exceed twenty-five percent (25%) of Total Operating Revenues as reflected in the Audited Financial Statements of the Obligated Group for the most recent Fiscal Year for which Audited Financial Statements are available. At the election of the Obligated Group Representative, Indebtedness that constitutes Short-Term Indebtedness may be excluded from Short-Term Indebtedness for the purpose of meeting the requirements set forth in the proviso of the preceding sentence for any Fiscal Year if such Indebtedness is treated as Long-Term Indebtedness for the purpose of computing the Long-Term Debt Service Requirement for such Fiscal Year.

(e) Indebtedness may be incurred without limitation by any Member of the Obligated Group under a line of credit, letter of credit, standby bond purchase agreement or similar liquidity or credit enhancement facility established in connection with the issuance of any Obligations or Related Bonds; provided, however, if such liquidity facility is used or drawn upon to purchase, but not retire Obligations or Related Bonds, then the liability represented by such use or draw by the Member of the Obligated Group will be included in Indebtedness as of the date of such use or draw and the principal amount of the Obligations or Related Bonds so purchased will be excluded for all other purposes of the Master Indenture.

(f) Put Indebtedness may be incurred, if prior to the incurrence of such Put Indebtedness (i) the conditions described above in clause (i), (ii), (iii) or (iv) of paragraph (a) are met and (ii) a binding commitment from a bank or other financial institution exists to provide financing sufficient to pay the purchase price or principal of such Put Indebtedness on any date on which the owner of such Put Indebtedness may demand payment thereof pursuant to the terms of such Put Indebtedness. Notwithstanding the provisions of the preceding sentence, clause (ii) of such sentence shall be effective only during any period when Related Bonds issued by the Agency that are rated lower than "AA" or "Aa" by any rating agency then rating such Related Bonds or that are not rated are outstanding and, during any such period, the provisions of clause (ii) of such sentence may be waived in writing by the Agency.

(g) Non-Recourse Indebtedness may be incurred without limitation.

(h) Indebtedness secured by Accounts may be incurred if prior to the incurrence of such Indebtedness there is delivered to the Master Trustee an Officer's Certificate of an Obligated Group Representative certifying that immediately after the incurrence of such Indebtedness, the amount of Accounts that have been pledged to secure Indebtedness that has been incurred pursuant to the provisions of the Master Indenture described in this paragraph (h) and is then Outstanding will not exceed 25% of the Obligated Group's net patients accounts, as shown on the Audited Financial Statements for the most recent Fiscal Year for which Audited Financial Statements are available; provided, however, that (A) the determination of whether a disposition of Accounts is a sale or loan shall be made in accordance with generally accepted accounting principles and (B) any Indebtedness incurred pursuant to the provisions of the Master Indenture described in this paragraph (h) will be considered to be Short-Term Indebtedness subject to the incurrence test set forth above in paragraph (d).

(i) Subordinated Indebtedness may be incurred without limitation.

(j) Indebtedness may be classified and incurred under any of the above-referenced paragraphs with respect to which the tests set forth in such paragraphs are met. Each Member may elect to have Indebtedness that was classified and incurred pursuant to one such paragraph, reclassified as having been incurred under another paragraph, by demonstrating compliance with such other paragraph on the assumption that such Indebtedness is being incurred on the date of delivery of any Officer's Certificate, report of a Consultant, Opinion of Counsel or Audited Financial Statements required to be delivered under such other paragraph. From and after such demonstration, such Indebtedness shall be deemed to have been incurred under the paragraph with respect to which such compliance has been demonstrated until any subsequent reclassification of such Indebtedness.

Long-Term Debt Service Coverage Ratio

(a) Each Member of the Obligated Group covenants to set rates and charges for its facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated at the end of each Fiscal Year, will not be less than 1.10; provided, however, that in any case where Long-Term Indebtedness has been incurred to acquire or construct capital improvements, the Long-Term Debt Service Requirement with respect thereto will not be taken into account in making the foregoing calculation until the first Fiscal Year commencing after the occupation or utilization of such capital improvements unless the Long-Term Debt Service Requirement with respect thereto is required to be paid from sources other than the proceeds of such Long-Term Indebtedness prior to such Fiscal Year.

(b) If at any time the Long-Term Debt Service Coverage Ratio required by the provisions of the Master Indenture described above in paragraph (a) is less than 1.10, as derived from the most recent Audited Financial Statements for the most recent Fiscal Year, the Obligated Group covenants to retain a Consultant within thirty (30) days to make recommendations to increase such Long-Term Debt Service Coverage Ratio in the following Fiscal Year to the highest level attainable. Each Member of the Obligated Group agrees that it will, to the extent permitted by law, follow the recommendations of the Consultant. So long as a Consultant shall be retained and each Member of the Obligated Group shall follow such Consultant's recommendations to the extent permitted by law, the provisions of the Master Indenture described under this caption shall be deemed to have been complied with even if the Long-Term Debt Service Coverage Ratio for the following Fiscal Year is below the required level; provided, however, the revenues of the Obligated Group shall not be less than the amount required to pay the total operating expenses of the Obligated Group and to pay the debt service on all Indebtedness of the Obligated Group for such Fiscal Year.

(c) If a report of a Consultant is delivered to the Master Trustee, which report shall state that Governmental Restrictions have been imposed or have taken effect which make it impossible for the coverage requirement described above in paragraph (a) to be met, then such coverage requirement shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00, and thereafter, for so long as such Governmental Restrictions are in effect, a report of a Consultant stating that Governmental Restrictions which make it impossible for the coverage requirement described above in paragraph (a) to be met are still in effect shall be delivered to the Master Trustee biennially.

(d) If the Long-Term Debt Service Coverage Ratio shall be less than 1.00 for any Fiscal Year, it shall be an Event of Default.

Transfers of Property; Disposition of Cash and Investments; Sale of Accounts

(a) Each Member of the Obligated Group agrees that it will not Transfer in any Fiscal Year Property consisting of Property other than cash and securities except for Transfers as follows:

(i) Each Member of the Obligated Group may transfer Property to any other Member of the Obligated Group, without limit.

(ii) Each Member of the Obligated Group may transfer Property to any Person in the ordinary course of business.

(iii) Each Member of the Obligated Group may transfer Property to any Person for fair and adequate consideration on terms no less favorable to the Member than would be obtained in a comparable arm's-length transaction.

(iv) Each Member of the Obligated Group may transfer Property to any Person if, in the reasonable judgment of such Member, such Property has, or within the next succeeding twenty-four (24) calendar months is reasonably expected to, become inadequate, obsolete or worn out, or otherwise unsuitable, unprofitable, undesirable or unnecessary for the operation of the Member's primary business.

(v) Each Member of the Obligated Group may transfer Property to any Person, if such Property consists solely of assets which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with or otherwise unavailable for their use for payment of Long-Term Indebtedness of such Member.

(vi) Each Member of the Obligated Group may transfer Property to any Person if the Property to be transferred is not essential to such Member's primary business operations, and the proceeds of such transfer are used to acquire additional facilities, to repay the principal of Long-Term Indebtedness of such Member, or otherwise used in a productive manner to the benefit of such Member's business operations.

(vii) Each Member of the Obligated Group may transfer Property as part of a merger, consolidation, sale or conveyance permitted under the provisions of the Master Indenture described below under the subcaption entitled "Consolidation, Merger, Sale or Conveyance".

(viii) Each Member of the Obligated Group may transfer Property to any Person, provided that prior to such transfer the Master Trustee receives an Officer's Certificate certifying that, immediately after the proposed disposition, the Obligated Group could meet the conditions of the

Master Indenture described above in subparagraphs (a)(i), (ii), (iii) or (iv) under the subcaption entitled "Limitations on Indebtedness" for the incurrence of one additional dollar of Long-Term Indebtedness after taking into account the effect of the proposed disposition, assuming for the purposes of any historical test that such transaction occurred at the beginning of the most recent Fiscal Year for which Audited Financial Statements are available (which Officer's Certificate must contain any demonstrations required to satisfy said conditions and must have attached the written report of a Consultant, if any, required to satisfy said conditions).

(b) Each Member of the Obligated Group agrees that it will not Transfer Property consisting of cash and securities in any Fiscal Year except for Transfers as follows:

(i) Each Member of the Obligated Group may Transfer Property consisting of cash and securities to any Member of the Obligated Group or any Affiliate, without limit; and

(ii) Each Member of the Obligated Group may Transfer Property consisting of cash and securities to any Person if there shall be filed with the Master Trustee an Officer's Certificate of an Obligated Group Representative, accompanied by and based upon Audited Financial Statements for the most recent Fiscal Year for which Audited Financial Statements are available, demonstrating that the Long-Term Debt Service Coverage Ratio for such Fiscal Year would not be reduced below 1.75 if the amount of investment income on the cash or securities that are the subject of the proposed Transfer were deducted from Income Available for Debt Service for such Fiscal Year.

(c) Each Member of the Obligated Group agrees that it will not Transfer Accounts; provided, however, that prior to its receipt of a request from the Master Trustee pursuant to the provisions of the Master Indenture described above in paragraph (d) under the subcaption entitled "Security; Restrictions on Encumbering Property; Payment of Principal and Interest", any Member of the Obligated Group will have the right to sell, in any Fiscal Year, its Accounts in an amount not to exceed the difference between (i) the Account Lien Amount and (ii) the amount of Accounts that have been pledged to secure Outstanding Indebtedness incurred by any Member of the Obligated Group pursuant to the provisions of the Master Indenture described above in paragraph (h) under the subcaption entitled "Limitations on Indebtedness", if such Member of the Obligated Group (i) receives as consideration for such sale cash, services or Property equal to the fair market value of the accounts receivable so sold, as certified to the Master Trustee in an Officer's Certificate of such Member of the Obligated Group and (ii) delivers to the Master Trustee a statement from the Obligated Group's independent certified public accountants that such sale of accounts receivable constitutes a "sale" under generally accepted accounting principles.

(d) Notwithstanding the foregoing provisions of the Master Indenture, nothing in the Master Indenture shall be construed as limiting the ability of any Member of the Obligated Group to purchase or sell Property or inventory in the ordinary course of business or to transfer cash, securities and other investment properties in connection with ordinary investment transactions where such purchases, sales and transfers are for substantially equivalent value.

Consolidation, Merger, Sale or Conveyance

(a) Each Member of the Obligated Group covenants that it will not merge into or consolidate with, or sell or convey all or substantially all of its assets to any Person that is not a Member of the Obligated Group unless:

(i) Either a Member of the Obligated Group will be the successor corporation or entity, or if the successor corporation or entity is not a Member of the Obligated Group such successor corporation or entity shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation or entity to assume the due and punctual payment of the principal of, redemption premium, if any, and interest on all Outstanding Obligations issued under the Master Indenture according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture and any Supplement thereto and granting to the Master Trustee a security interest in the Pledged Assets of such successor corporation or entity; and

(ii) No Member of the Obligated Group immediately after such merger or consolidation, or such sale or conveyance, would be in default in the performance or observance of any covenant or condition of the Master Indenture and the conditions of the Master Indenture described above in subparagraphs (a)(i), (ii), (iii) or (iv) under the subcaption entitled "Limitations on Indebtedness" would be met for the incurrence of one additional dollar of Long-Term Indebtedness; and

(iii) If all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, the Master Trustee shall also receive an Opinion of Bond Counsel to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of the delivery of such Related Bond, would not adversely affect the exclusion from gross income for purposes of federal income taxation of interest payable on such Related Bond.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation or entity, such successor corporation or entity shall succeed to and be substituted for its predecessor, with the same effect as if it had been named in the Master Indenture as such predecessor or had become a Member of the Obligated Group pursuant to the provisions of the Master Indenture described below under the subcaption entitled "Parties Becoming Members of the Obligated Group", as the case may be. Such successor corporation or entity thereupon may cause to be signed, and may issue in its own name Obligations issuable under the Master Indenture; and upon the order of such successor corporation or entity and subject to all the terms, conditions and limitations in the Master Indenture prescribed, the Master Trustee shall authenticate and shall deliver Obligations that such successor corporation or entity shall have caused to be signed and delivered to the Master Trustee. All Outstanding Obligations so issued by such successor corporation or entity under the Master Indenture shall in all respects have the same security position and benefit under the Master Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of the Master Indenture as though all of such Obligations had been issued thereunder without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued as may be appropriate.

(d) The Master Trustee may accept an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of the Master Indenture and that it is proper for the Master Trustee under the provisions of the Master Indenture to join in the execution of any instrument required to be executed and delivered under the provisions of the Master Indenture described under this caption.

Filing of Financial Statements, Certificate of No Default, Other Information

The Obligated Group covenants that it will:

(a) Within thirty (30) days after receipt of the Audited Financial Statements but in no event later than one hundred twenty (120) days after the end of each Fiscal Year, file with the Master Trustee and with each Holder who may have so requested in writing or on whose behalf the Master Trustee may have so requested, a copy of such Audited Financial Statements.

(b) Within thirty (30) days after receipt of the Audited Financial Statements but in no event later than one hundred twenty (120) days after the end of each Fiscal Year, file with the Master Trustee and with each Holder who may have so requested or in whose behalf the Master Trustee may have so requested, an Officer's Certificate and a report of independent certified public accountants stating the Long-Term Debt Service Coverage Ratio for the Fiscal Year and stating whether, to the best knowledge of the signers, any Member of the Obligated Group is in default in the performance of any covenant contained in the Master Indenture and, if so, specifying each such default of which the signers may have knowledge and whether each such default has been corrected. If any default has not been remedied, then such Officer's Certificate, to the best knowledge of the signer, shall identify what, if any, corrective action will be taken to cure such default.

(c) If an Event of Default shall have occurred and be continuing, (i) file with the Master Trustee such other financial statements and information concerning its operations and financial affairs (or of any consolidated or combined group of companies, including its consolidated or combined subsidiaries, including any Member of the Obligated Group) as the Master Trustee may from time to time reasonably request, excluding specifically donor records, patient records and personnel records, and (ii) provide access to its facilities for the purpose of inspection by the Master Trustee during regular business hours or at such other times as the Master Trustee may reasonably request, subject to patient confidentiality and safety concerns.

(d) Within thirty (30) days after its receipt thereof, file with the Master Trustee a copy of each report which any provision of the Master Indenture requires to be prepared by a Consultant or an Insurance Consultant.

(e) Within thirty (30) days after the beginning of each Fiscal Year, file with the Master Trustee an Opinion of Counsel which shall state whether there are required to be filed in any office, within the period of twelve (12) full consecutive calendar months following the date of such Opinion of Counsel, financing statements, including continuation statements, in order to continue the perfection of the security interests granted under the Master Indenture.

Parties Becoming Members of the Obligated Group

Persons which are not Members of the Obligated Group may, with the written prior consent of the current Members of the Obligated Group, become Members of the Obligated Group, if:

(a) The Person which is becoming a Member of the Obligated Group shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee containing the agreement of such Person (i) to become a Member of the Obligated Group under the Master Indenture and thereby become subject to compliance with all provisions of the Master Indenture pertaining to a Member of the Obligated Group, including the pledge and security interest provided for in the Master Indenture, the filing or recordation of all financing statements and continuation statements in such places as are required by law and the performance and observance of all covenants and obligations of a Member of the

Obligated Group under the Master Indenture, and (ii) to guarantee, unconditionally and irrevocably, to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding or to be issued and Outstanding under the Master Indenture will be paid in accordance with the terms of such Obligations and of the Master Indenture when due.

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

(c) There is filed with the Master Trustee an Officer's Certificate demonstrating that, immediately following the admission of such Person as a Member of the Obligated Group, the Obligated Group could meet the conditions of the Master Indenture described above in subparagraphs (a)(i), (ii), (iii) or (iv) under the subcaption entitled "Limitations on Indebtedness" for the incurrence of one additional dollar of Long-Term Indebtedness.

(d) If all amounts due or to become due on any Related Bond have not been paid to the holders thereof, there shall be filed with the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not adversely affect the exclusion from gross income for purposes of federal income taxation of the interest on any such Related Bond.

(e) If such Person is not a non-profit corporation, the Obligated Group Representative shall have delivered to the Master Trustee an Opinion of Counsel to the effect that the addition of such Person to the Obligated Group will not necessitate the registration of any Obligations under the Securities Act of 1933, as amended, or cause the qualification of the Master Indenture or any Supplement under the Trust Indenture Act of 1939, as amended, to be required, or, if such registration or qualification is required, that all applicable registration and qualification provisions of said acts have been complied with.

Withdrawal from the Obligated Group

(a) No Member of the Obligated Group may withdraw from the Obligated Group unless, prior to the taking of such action, there is delivered to the Master Trustee:

(i) (A) An Officer's Certificate demonstrating that (I) all Obligations issued by such Member are no longer Outstanding or (II) an amount of cash or Defeasance Obligations sufficient to accomplish the requirement of clause (i)(A)(I) above has been paid by such Member to the Master Trustee or all Outstanding Obligations issued by such Member have been assumed by another Member of the Obligated Group, and (B), in either case, if all amounts due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the holder thereof, an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law such Member's withdrawal from the Obligated Group, whether or not contemplated on any date of delivery of any Related Bond, would not cause the interest payable on such Related Bond to become includable in the gross income of the recipient thereof under the Code; and

(ii) An Officer's Certificate certifying that, immediately following the withdrawal of such Member of the Obligated Group, the Obligated Group could meet the conditions of the Master Indenture described above in subparagraphs (a)(i), (ii), (iii) or (iv) under the subcaption entitled "Limitations on Indebtedness" for the incurrence of one additional dollar of Long-Term Indebtedness.

(b) Upon the withdrawal of any Member from the Obligated Group, any guaranty by such Member pursuant to the provisions of the Master Indenture described above under the subcaption entitled "Parties Becoming Members of the Obligated Group" will be released and discharged in full and all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under the Master Indenture shall cease.

Replacement Master Indenture

Each Holder of an Obligation evidencing and securing Indebtedness other than Related Bonds will surrender such Obligation to the Master Trustee and each Related Bond Trustee for Related Bonds will, with the prior written consent of the bond insurer or credit facility provider, if any, for such Related Bonds and with the consent of a majority of the Series 2007A Holders (so long as the Series 2007A Bonds are Outstanding), surrender any Obligation issued to secure such Related Bonds to the Master Trustee, upon presentation to the Holder or the Related Bond Trustee, as the case may be, of the following:

(a) an original replacement note or similar obligation (the "Substitute Obligation") duly authenticated and issued under and pursuant to an existing or new master trust indenture, trust agreement, bond order, bond resolution or similar instrument (the "Replacement Master Indenture") by which the party or parties purported to be obligated thereby (the "New Group") have agreed to be bound; provided, however, that:

(i) the trustee serving as master trustee under such Replacement Master Indenture (the "New Trustee") shall be an independent corporate trustee (which may be the Master Trustee or the Related Bond Trustee) meeting the eligibility requirements of the Master Trustee as set forth in the Master Indenture; and

(ii) for so long as any Related Bonds issued by the Agency are outstanding, the Replacement Master Indenture shall have been approved by the Agency, unless the Replacement Master Indenture is an existing master trust indenture, trust agreement, bond order, bond resolution or similar instrument by which any member of the New Group is already bound and the issuance of bonds secured thereby has already been authorized or approved by the Agency, in which case the consent of the Agency will not be required;

(b) an original counterpart or certified copy of the Replacement Master Indenture pursuant to which each member of the New Group has agreed (i) to become a member of the New Group and thereby to become subject to compliance with all provisions of the Replacement Master Indenture and (ii) unconditionally and irrevocably (subject to the right of such Person to cease its status as a member of the New Group pursuant to the terms and conditions of the Replacement Master Indenture) to jointly and severally make payments upon each note and obligation, including the Substitute Obligation, issued under the Replacement Master Indenture at the times and in the amounts provided in each such note or obligation;

(c) an Opinion of Counsel addressed to the Holder of an Obligation evidencing and securing Indebtedness other than Related Bonds or to the Related Bond Trustee, as the case may be, and the Obligated Group Representative to the effect that: (1) the Replacement Master Indenture has been duly authorized, executed and delivered or has been duly adopted, as the case may be, by each member of the New Group, the Substitute Obligation has been duly authorized, executed and delivered by the Obligated Group, and the Replacement Master Indenture and the Substitute Obligation are each a legal, valid and binding obligation of each member of the New Group, enforceable in accordance with their terms, subject in each case to customary exceptions for bankruptcy, insolvency, fraudulent conveyance and other laws generally affecting enforcement of creditors' rights and application of general principles of equity; (2) all requirements and conditions to the issuance of the Substitute Obligation set forth in the Replacement Master Indenture have been complied with and satisfied; and (3) the registration of the Substitute Obligation under the Securities Act of 1933, as amended, and the qualification of the Replacement Master Indenture under the Trust Indenture Act of 1939, as amended, is not required, or, if such registration or qualification is required, that all applicable registration and qualification provisions of said Acts have been complied with;

(d) an Officer's Certificate certifying that (i) the New Group could, after giving effect to the Substitute Obligation, meet the conditions of the Master Indenture for the incurrence of one dollar of additional Long-Term Indebtedness as described above in paragraph (a) under the subcaption entitled "Limitations on Indebtedness", as demonstrated in such certificate, and (ii) the New Group would not be in default under the provisions of the Master Indenture described above under the subcaption entitled "Limitation on Creation of Liens";

(e) an Opinion of Bond Counsel that the surrender of the Obligation and the acceptance by the Bond Trustee of the Substitute Obligation will not adversely affect the validity of any Related Bonds or any exemption for the purposes of federal or state income taxation to which interest on any Related Bonds would otherwise be entitled;

(f) evidence that (i) written notice of such substitution, together with a copy of such Replacement Master Indenture, has been given by the New Group to each rating agency then maintaining a rating on any Obligation or Related Bonds and (ii) the then current rating category on each such Obligation or Related Bonds will not be withdrawn or reduced (without regard to any rating refinement or gradation by numerical modifier or otherwise) by any such rating agency as a result of such substitution;

(g) evidence that written notice of such substitution and rating confirmation, together with a copy of such Replacement Master Indenture, has been given by the New Group to each Holder of an Obligation evidencing and securing Indebtedness other than Related Bonds or to the Related Bond Trustee under each Related Bond Indenture, as the case may be, not less than forty-five (45) days prior to the execution and delivery of the Replacement Master Indenture; and

(h) such forecasts and other opinions and certificates as the Agency may require and such other opinions and certificates as the Holder of an Obligation evidencing and securing Indebtedness other than Related Bonds or the Related Bond Trustee, as the case may be, the Master Trustee or the bond insurer or credit facility provider, if any, may reasonably require, together with such reasonable indemnities as the Holder of an Obligation evidencing and securing Indebtedness other than Related Bonds or the Related Bond Trustee, as the case may be, the Master Trustee, the Agency or the bond insurer or credit facility provider, if any, may request.

Notwithstanding such provisions of the Master Indenture, no Substitute Obligation may extend the stated maturity of or time for paying interest on any Obligation surrendered to the Master Trustee or

reduce the principal amount of or the redemption premium or rate of interest payable on such Obligation without the consent of each Holder of such Obligation evidencing and securing Indebtedness other than Related Bonds or the registered owners of all Related Bonds then outstanding, as the case may be.

Defaults and Remedies

Events of Default

An Event of Default under the Master Indenture is any of the following events: (a) the failure by the Members of the Obligated Group to make any payment of the principal of, the premium, if any, or interest on any Obligations issued and Outstanding under the Master Indenture when due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise in accordance with the terms of such Obligations, of the Master Indenture or of any Supplement; (b) the failure by any Member of the Obligated Group to perform, observe or comply with any covenant or agreement under the Master Indenture and such failure continues for a period of thirty (30) days after written notice of such failure, requiring the same to be remedied, shall have been given to the Members of the Obligated Group by the Master Trustee or to the Members of the Obligated Group and the Master Trustee by the Holders of at least twenty-five percent (25%) in aggregate principal amount of Obligations then Outstanding; provided, however, that if said failure is such that it cannot be corrected within such 30-day period but can reasonably be expected to be fully remedied, no Event of Default shall exist if corrective action is instituted within such 30-day period and diligently pursued until the event of default is corrected; (c) an Event of Default under a Related Bond Indenture or upon a Related Bond occurs and continues beyond any applicable cure period provided for therein; (d) failure by any Member of the Obligated Group to make any required payment of any Indebtedness except Non-Recourse Indebtedness (other than Obligations issued and Outstanding under the Master Indenture), whether such Indebtedness now exists or shall hereafter be created, and any applicable grace period shall have expired, or an event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, whether such Indebtedness now exists or shall hereafter be created, shall occur, which event of default shall not have been waived by the holder of such mortgage, indenture or instrument, and as a result of such failure to pay or other event of default such Indebtedness shall have been accelerated; provided, however, that such default shall not constitute an Event of Default under the Master Indenture for so long as such payment shall be contested in good faith if within thirty (30) days written notice is delivered to the Master Trustee, signed by the Obligated Group Representative, that such Member of the Obligated Group is contesting the payment of such Indebtedness and the amount of such Indebtedness is less than one-half of one percent (0.5%) of Income Available for Debt Service for the immediately preceding Fiscal Year, or if such Indebtedness is equal to or greater than one-half one percent (0.5%) of Income Available for Debt Service of the immediately preceding Fiscal Year, within the time allowed for service of a responsive pleading if a proceeding to enforce payment of the Indebtedness is commenced, any Member of the Obligated Group in good faith shall commence proceedings to contest the obligation to pay or alleges the nonexistence or payment of such Indebtedness; (e) the entry of a decree or order by a court having jurisdiction in the premises for an order for relief against any Member of the Obligated Group, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Member under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, custodian, assignee, or sequestrator (or other similar official) of such Member or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of ninety (90) consecutive days; and (f) the institution by any Member of the Obligated Group of proceedings for an order for relief, or the consent by it to an order for relief against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement, adjustment, composition or relief under the United States Bankruptcy Code or any other

similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, custodian, assignee, trustee or sequestrator (or other similar official) of such Member of the Obligated Group or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due.

Acceleration; Annulment of Acceleration

Upon the occurrence and during the continuation of any Event of Default under the Master Indenture, the Master Trustee may and, upon the written request of (i) the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Obligations Outstanding or (ii) any Person properly exercising the right given to such Person under any Supplement to require acceleration of the Obligations issued pursuant to such Supplement, shall, by notice to the Members of the Obligated Group, declare all Obligations Outstanding immediately due and payable, whereupon such Obligations shall become and be immediately due and payable, anything in the Obligations or in the Master Indenture to the contrary notwithstanding; provided, however, that if the terms of any Supplement give a Person the right to consent to acceleration of the Obligations issued pursuant to said Supplement, the Obligations issued pursuant to such Supplement may not be accelerated by the Master Trustee unless such consent is properly obtained pursuant to the terms of such Supplement. In the event Obligations are accelerated, there will be due and payable on such Obligations an amount equal to the total principal amount of all such Obligations, plus all interest accrued thereon to the date of acceleration and, to the extent permitted by applicable law, which accrues to the date of payment.

If, at any time after the principal of the Obligations has been so declared due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, (i) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money or Defeasance Obligations sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices then due (other than the principal then due only because of such declaration) of all Obligations Outstanding; (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay the charges, compensation, expenses, disbursements, advances, fees and liabilities of the Master Trustee; (iii) all other amounts then payable by the Obligated Group under the Master Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee; and (iv) every Event of Default (other than a default in the payment of the principal of such Obligations then due only because of such declaration) shall have been remedied, then the Master Trustee may, and upon the written request of Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Obligations Outstanding shall, annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Additional Remedies and Enforcement of Remedies

Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Obligations Outstanding, together with indemnification of the Master Trustee to its satisfaction, shall, proceed forthwith to protect and enforce its rights and the rights of the Holders by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient.

Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Obligations

then Outstanding, shall, when indemnified to its satisfaction, institute and maintain such suits and proceedings necessary or expedient to prevent any impairment of the security under the Master Indenture by any acts which may be unlawful or in violation of the Master Indenture, or to preserve or protect the interests of the Holders, provided that such request and action are not in conflict with any applicable law or the Master Indenture and, in the Master Trustee's sole judgment, are not unduly prejudicial to the interest of the Holders not making such request.

Application of Gross Receipts and Other Moneys After Default

During the continuance of an Event of Default all Gross Receipts and other moneys received by the Master Trustee, after payment of (i) the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses and advances incurred or made by the Master Trustee with respect thereto and all other fees and expenses of the Master Trustee under the Master Indenture and (ii) in the sole discretion of the Master Trustee, the payment of the expenses of operating any Member of the Obligated Group, shall be applied as follows:

(a) Unless the principal of all Outstanding Obligations shall have become or have been declared due and payable: First: to the payment to the Persons entitled thereto of all installments of interest then due on Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full all installments maturing on the same date, then to the payment thereof ratably, according to the amounts due, without discrimination or preference; and Second: to the payment to the Persons entitled thereto of the unpaid principal installments of any Obligations then due, whether at maturity or by call for redemption, in the order of their due dates, and if amounts available shall not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, without any discrimination or preference.

(b) If the principal of all Outstanding Obligations shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference.

(c) If the principal of all Outstanding Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Master Indenture, then, subject to the provisions of clause (b) above in the event that the principal of all Outstanding Obligations shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of clause (a) above.

Moneys to be applied by the Master Trustee during a continuance of an Event of Default shall be applied as the Master Trustee shall determine, having due regard for the amount available and the likelihood of additional moneys becoming available in the future. Whenever the Master Trustee applies such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Master Trustee shall give notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation is presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Holders' Control of Proceedings

If an Event of Default shall have occurred and be continuing, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right, subject to the terms of the Master Indenture, to direct the method and place of conducting any enforcement proceedings.

Waiver of Event of Default

No delay or omission of the Master Trustee or of any Holder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given to the Master Trustee and the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them. The Master Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Master Indenture or before the completion of the enforcement of any other remedy under the Master Indenture. The Master Trustee, upon the written request of the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding, shall waive any Event of Default under the Master Indenture and its consequences, except payment defaults which have not been cured, which may be waived only by written consent of the Holders of all the Obligations (with respect to which such payment default exists) then Outstanding. In case of a waiver by the Master Trustee of an Event of Default under the Master Indenture, all parties shall be restored to their former positions and rights under the Master Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Appointment of Receiver

Upon the occurrence of any Event of Default, the Master Trustee shall be entitled to the appointment of a receiver or receivers of the Property of the Obligated Group with such powers as the court shall confer.

Notice of Default

The Master Trustee shall, within ten (10) days after it has knowledge of the occurrence of an Event of Default, mail to all Holders as the names and addresses of such Holders appear upon the books of the Master Trustee, notice of such Event of Default known to the Master Trustee, unless such Event of Default shall have been cured or properly waived before the giving of such notice; provided that, except in the case of default in the payment of the principal of or premium, if any, or interest on any of the Obligations and the Events of Default specified above in clauses (e) and (f) under the caption entitled "Defaults and Remedies - Events of Default", the Master Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or a responsible officer of the Master Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

Supplements and Amendments

Supplements Not Requiring Consent of Holders

The Master Indenture may be supplemented or amended without the consent of or notice to any of the Holders for one or more of the following purposes: to cure an ambiguity or formal defect or omission therein; to correct or supplement any provision which may be inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under the Master

Indenture and which shall not materially and adversely affect the interests of the Holders; to grant or confer ratably upon all Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them; to qualify the Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect; to create and provide for the issuance of Indebtedness as permitted under the Master Indenture; to obligate a successor to any Member of the Obligated Group; and to comply with any state or federal securities law.

Supplements Requiring Consent of Holders

Other than supplements referred to under the preceding subcaption, the Holders of not less than 51% in aggregate principal amount of the Obligations then Outstanding shall have the right to approve the execution of Supplements modifying, altering, amending, adding to or rescinding, in any particular, the Master Indenture except a Supplement which would:

(i) Effect a change in the times, amounts or currency of payment of the principal of, premium, if any, and interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of such Obligation;

(ii) Permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding; or

(iii) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Obligations then Outstanding.

All Supplements executed pursuant to the Master Indenture will be binding on all Holders of Obligations.

Satisfaction and Discharge of Master Indenture

If (i) the Obligated Group Representative shall deliver to the Master Trustee for cancellation all Obligations theretofore authenticated and not theretofore cancelled, or (ii) all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation shall have become due and payable and money sufficient to pay the same shall have been deposited with the Master Trustee, or (iii) all Obligations that have not become due and payable and have not been cancelled or delivered to the Master Trustee for cancellation shall be Defeased Obligations, and if in all cases the Members of the Obligated Group shall also pay or cause to be paid all other sums payable by the Members of the Obligated Group, then the Master Indenture shall cease to be of further effect, and the Master Trustee, on demand of the Members of the Obligated Group, and at the cost and expense of the Members of the Obligated Group, shall execute proper instruments acknowledging satisfaction of and discharging the Master Indenture.

Evidence of Acts of Holders

In the event that any request, direction or consent is requested or permitted under the Master Indenture of the Holders, the registered owners of Related Bonds then outstanding shall be deemed to be such Holders for the purpose of any such request, direction or consent in the proportion that the aggregate principal amount of Related Bonds then outstanding held by each such owner of Related Bonds bears to the aggregate principal amount of all Related Bonds then outstanding.

Removal of the Master Trustee

The Master Trustee may resign on its own motion or may be removed at any time by a written instrument signed by the Holders of not less than a majority of the principal amount of Obligations then Outstanding, or so long as no Event of Default has occurred and is continuing, by an instrument in writing signed by the Obligated Group Representative.

SUMMARY OF SUPPLEMENT NO. 9

Details of Obligation No. 9

Supplement No. 9 authorized the issuance of Obligation No. 9 and specifies the form and details thereof, including the time and manner of payments of principal and interest with respect thereto and prepayment provisions. Supplement No. 9 and Obligation No. 9 are structured as to require that payments thereunder are made at such times and in such amounts as to provide for the timely payment of principal of and interest and, where applicable, redemption premium on the Bonds.

Rights of FSA

So long as Obligation No. 9 and the Series 2004B Bonds are Outstanding and there exists no Insurer Default, FSA is deemed to be the Holder of Obligation No. 9. As such, it controls all remedial rights applicable to Obligation No. 9 arising from an Event of Default under the Master Indenture, including the ability to direct the time, place and manner of all remedial proceedings, the right to consent to any acceleration of Obligation No. 9 by the Master Trustee, the right to direct the Master Trustee to accelerate Obligation No. 9, and the right to consent to any waiver of an Event of Default by the Master Trustee.

In addition, so long as there exists no Insurer Default, neither the Master Indenture nor Supplement No. 9 may be amended without the consent of FSA.

SUMMARY OF SUPPLEMENT NO. 12

Details of Obligation No. 12

Supplement No. 12 authorizes the issuance of Obligation No. 12 and specifies the form and details thereof, including the time and manner of payments of principal and interest with respect thereto and prepayment provisions. Supplement No. 12 and Obligation No. 12 are structured as to require that payments thereunder are made at such times and in such amounts as to provide for the timely payment of principal or Tender Price of and interest and, where applicable, redemption premium on the Bonds.

Rights of the Credit Facility Provider

So long as Obligation No. 12 and the Series 2008A Bonds are Outstanding and the Credit Facility Provider is deemed to be the Holder of Obligation No. 12. As such, it controls all remedial rights applicable to Obligation No. 12 arising from an Event of Default under the Master Indenture, including the ability to direct the time, place and manner of all remedial proceedings, the right to consent to any acceleration of Obligation No. 12 by the Master Trustee, the right to direct the Master Trustee to accelerate Obligation No. 12, and the right to consent to any waiver of an Event of Default by the Master Trustee.

In addition, neither the Master Indenture nor Supplement No. 12 may be amended without the consent of the Credit Facility Provider.

SUMMARY OF THE SERIES 2004B TRUST AGREEMENT

The following is a summary of certain provisions of the Series 2004B Trust Agreement. References to the Trust Agreement, the Loan Agreement and the Bonds herein are to the Series 2004B Trust Agreement, the Series 2004B Loan Agreement and the Series 2004B Bonds, respectively.

Various Funds and Accounts Created by the Trust Agreement

The Trust Agreement creates the following funds:

1. the Bond Fund,

2. the Reserve Fund and

3. the Redemption Fund.

The Trust Agreement also creates two separate accounts in the Bond Fund, which accounts are designated the "Interest Account" and the "Sinking Fund Account."

The money in each of the aforementioned funds and accounts will be held in trust and will be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders until paid out or transferred as provided in the Trust Agreement.

Deposits to the Bond Fund and Reserve Fund

The Bond Trustee will deposit all amounts received as Loan Repayments and Required Payments under the Loan Agreement in the following order, subject to the credits provided in the Trust Agreement:

(i) into the Interest Account, on the 25th day of the month preceding each Interest Payment Date, an amount equal to the interest payable on the Bonds on such Interest Payment Date, less any applicable credit under the Trust Agreement; and

(ii) into the Sinking Fund Account on each November 25, the amount required to retire the Bonds to be called by mandatory redemption or to be paid at maturity on the next ensuing December 1 in accordance with the Sinking Fund Requirement therefor; and

(iii) unless a Qualified Reserve Fund Substitute shall be in effect, beginning on the twenty-fifth (25th) day of the month following the month in which money is transferred from the Reserve Fund to any account in the Bond Fund to cure a deficiency therein pursuant to the Trust Agreement, into the Reserve Fund, one-twelfth (1/12) of the amount or amounts so transferred until the amount then on deposit in the Reserve Fund is equal to the Reserve Fund Requirement; and, beginning on the twenty-fifth (25th) day of the month following a valuation made in accordance with the Trust Agreement in which the amount on deposit in the Reserve Fund is less than 95% of the Reserve Fund Requirement due to a loss resulting from a decline in the value of Investment Obligations held for the credit of the Reserve Fund, into the Reserve Fund, one-sixth (1/6) of the amount by which the Reserve Fund Requirement exceeds such balance until the amount on deposit to the credit of the Reserve Fund is equal to the Reserve Fund Requirement; provided, however, that if the amount on deposit in the Reserve Fund is continuously less than 95% of the Reserve Fund Requirement for more than one year due to a loss resulting in a decline

in the value of the Investment Obligations held for the credit of the Reserve Fund, then such 95% shall become 100%.

If, after giving effect to the credits specified below, any installment of Total Required Payments is insufficient to enable the Bond Trustee to make the deposits required above, the Bond Trustee will notify the Corporation and request it increase each future installment of the Total Required Payments to make up any previous deficiency in any of the required payments and to make up any deficiency or loss in any of the above-mentioned accounts and funds.

To the extent that investment earnings are credited to the Interest Account or Sinking Fund Account in accordance with the Trust Agreement, or amounts are credited thereto as a result of the application of Bond proceeds or a transfer of investment earnings on any other fund or account held by the Bond Trustee, or otherwise, future deposits to such accounts will be reduced by the amount so credited, and the Loan Repayments due following the date of the credit will be reduced by the amounts so credited.

All amounts received by the Bond Trustee as principal of or interest accruing on the Bonds to be redeemed as a result of a prepayment of Obligation No. 9 will be deposited in the Redemption Fund and the Interest Account, respectively, when received. All amounts received by the Bond Trustee as redemption premiums will be deposited in the Redemption Fund when received.

Bond Fund Accounts

If the Bonds are not in a Book-Entry System, not later than 1:00 p.m. on each Interest Payment Date, or date for the payment of Defaulted Interest, or date upon which Bonds are to be redeemed, the Bond Trustee will withdraw from the Interest Account and remit by mail, or, to the extent permitted by the Trust Agreement, by wire transfer, to each Holder which is not a Securities Depository Nominee the amount required for paying interest on such Bonds when due and payable.

If the Bonds are in a Book-Entry System, at such time as to enable the Bond Trustee to make payments of interest on the Bonds in accordance with any existing agreement between the Bond Trustee and any Securities Depository, the Bond Trustee will withdraw from the Interest Account and remit by wire transfer, in Federal Reserve or other immediately available funds, the amounts required to pay to any Holder which is a Securities Depository Nominee interest on the Bonds on the next ensuing Interest Payment Date; provided, however, that in no event will the Bond Trustee be required to make such wire transfer prior to the Business Day next preceding each Interest Payment Date, and provided further that such wire transfer will be made not later than 1:00 p.m. on each Interest Payment Date.

In the event the balance in the Interest Account on the 25th day of the month next preceding an Interest Payment Date or date upon which Bonds are to be redeemed is insufficient for the payment of interest becoming due on the Bonds on such Interest Payment Date or date upon which Bonds are to be redeemed, the Bond Trustee shall notify the Corporation of the amount of the deficiency. Upon notification, the Corporation shall immediately deliver to the Bond Trustee an amount sufficient to cure the same. If the amount so delivered is not sufficient to cure the deficiency in the Interest Account, the Bond Trustee shall transfer to such account such amount as may be necessary to remedy the deficiency therein from the Reserve Fund, to the extent that any moneys are on deposit therein, in accordance with the Trust Agreement.

Money held for the credit of the Sinking Fund Account will be applied during each Bond Year to the retirement of Bonds then Outstanding as follows:

At the direction of the Hospital Representative, the Bond Trustee will attempt to purchase and cancel Bonds or portions thereof then subject to redemption by operation of the Sinking Fund Account at the market price obtainable with reasonable diligence, such price not to exceed the Redemption Price provided in the Trust Agreement which would be payable on the next ensuing December 1 to the Holders of such Bonds under the provisions of the Trust Agreement if the Bonds or portions were to be called for redemption on such date, plus accrued interest to the date of purchase. The Bond Trustee will pay the interest accrued on such Bonds or portions thereof to the date of settlement therefor from the Interest Account and from other funds provided by or on behalf of the Corporation and the purchase price from the Sinking Fund Account, but no such purchase shall be made by the Bond Trustee from money in the Sinking Fund Account within the period of forty-five (45) days immediately preceding the next December 1 on which the Bonds are subject to redemption. The aggregate purchase prices of the Bonds so purchased shall not exceed the amount deposited in the Sinking Fund Account on account of the Sinking Fund Requirement for the Bonds; provided, however, that if in any Bond Year the amount held for the credit of the Sinking Fund Account plus the principal amount of all the Bonds purchased during such Bond Year exceed the aggregate Sinking Fund Requirements for all the Bonds then Outstanding for such Bond Year, the Bond Trustee will, at the written direction of the Hospital Representative, endeavor to purchase any Bonds then Outstanding with such excess money.

The Bond Trustee shall call for redemption on the December 1 immediately following such Bond Year, as provided in the Trust Agreement, Bonds or portions thereof then subject to redemption in a principal amount equal to the aggregate Sinking Fund Requirement for the Bonds for such Bond Year, less the principal amount of any Bonds retired by purchase as described in the preceding paragraph. Such redemption shall be made pursuant to the provisions of the Trust Agreement. If such December 1 is the stated maturity date of any of the Bonds, the Bond Trustee will not call such Bonds for redemption but, on such maturity date, will withdraw from the Sinking Fund Account and, not later than 10:00 a.m. on such date, set aside the amount required for paying the principal of such Bonds when due and payable. Not later than 10:00 a.m. on each such redemption date, the Bond Trustee will withdraw from the Sinking Fund Account and set aside the respective amounts required for paying the Redemption Price of the Bonds or portions thereof so called for redemption.

In the event the balance in the Sinking Fund Account on the second Business Day next preceding December 1 is insufficient for the payment of the Sinking Fund Requirement on the Bonds on such December 1, the Bond Trustee will notify the Corporation of the amount of such deficiency. Upon notification, the Corporation will immediately deliver to the Bond Trustee an amount sufficient to cure the same. If the amount so delivered is not sufficient to cure the deficiency in the Sinking Fund Account, the Bond Trustee will transfer to such account such amount as may be necessary to remedy the deficiency therein from the Reserve Fund, to the extent that any moneys are on deposit therein, in accordance with the Trust Agreement.

If, in any Bond Year, by the application of money in the Sinking Fund Account, the Bond Trustee should purchase and cancel Bonds in excess of the aggregate Sinking Fund Requirements for such Bond Year, the Bond Trustee shall file with the Agency and the Corporation not later than the 20th day prior to the next December 1, on which Bonds are to be redeemed a statement identifying the Bonds purchased or delivered during such Bond Year and the amount of such excess. The Corporation shall thereafter cause an Officer's Certificate of the Hospital Representative to be filed with the Bond Trustee and the Agency not later than the 10th day prior to such December 1, setting forth with respect to the amount of such excess the years in which the Sinking Fund Requirements are to be reduced and the amount by which the Sinking Fund Requirements so determined are to be reduced.

Redemption Fund

Money or Available Moneys held for the credit of the Redemption Fund will be applied to the purchase or redemption of Bonds as provided in the Trust Agreement. The expenses in connection with the purchase or redemption of Bonds are required to be paid by the Corporation as part of the Required Payments under the Loan Agreement.

Reserve Fund

On April 15, 2004, with respect to the Series 2004B Bonds, an amount equal to the Reserve Fund Requirement was deposited in the Reserve Fund.

The Bond Trustee will use amounts in the Reserve Fund or draw on a Qualified Reserve Fund Substitute to make transfers to the Interest Account or the Sinking Fund Account to the extent necessary to pay interest on and principal of (whether at maturity, by acceleration or in satisfaction of the Sinking Fund Requirement therefor) the Bonds, whenever and to the extent that the money on deposit in the Interest Account or the Sinking Fund Account is insufficient for such purposes.

If on any date of valuation the money held in the Reserve Fund exceeds the Reserve Fund Requirement, including any excess created in whole or in part by the interest earnings on such Fund, an amount equal to such excess will be transferred by the Bond Trustee, as the Hospital Representative shall direct, to the Interest Account or the Sinking Fund Account. Any such excess transferred to either the Interest Account or the Sinking Fund Account will be credited against future transfers to such accounts, unless transferred to cure deficiencies therein, and will be credited by the Bond Trustee against future Loan Repayments to be made by the Corporation.

The Corporation may, at any time with the consent of FSA, deliver to the Bond Trustee a Qualified Reserve Fund Substitute. In such event, if the Corporation shall also deliver to the Bond Trustee a written statement setting forth the use which the Corporation proposes to make of the cash and Investment Obligations then on deposit to the credit of the Reserve Fund, accompanied by an opinion of bond counsel to the Agency addressed to the Agency and the Bond Trustee to the effect that such proposed use will not cause the interest on the Bonds to be includable in the gross income of the recipients thereof for purposes of federal income taxation, the Bond Trustee will transfer to the Corporation all amounts on deposit to the credit of the Reserve Fund.

If any Qualified Reserve Fund Substitute shall be in effect, the Bond Trustee agrees to give such notices and execute such documents as shall be required to assure that funds are available in such amounts and at such times to assure timely payment of principal of and interest on the Bonds.

Payment Procedure Pursuant to Series 2004B Municipal Bond Insurance Policy

So long as the Municipal Bond Insurance Policy with respect to the Series 2004B Bonds shall be in full force and effect, the Agency and the Bond Trustee agree to comply with the following provisions:

If, on the Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Bond Trustee, after making all transfers and deposits required under the Trust Agreement, moneys sufficient to pay the principal of and interest on the Bonds due on such Payment Date, the Bond Trustee shall give notice to FSA and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day, and the Bond Trustee shall make a claim under the Municipal Bond Insurance Policy and give notice to FSA and the Insurer's Fiscal Agent (if any) by

telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Bonds, confirmed in writing to FSA and the Insurer's Fiscal Agent by 12:00 noon, New York city time, on such Business Day by filling in the form of Notice of Claim and Certificate delivered with the Municipal Bond Insurance Policy.

In the event the claim to be made is for a mandatory sinking fund redemption installment, upon receipt of the moneys due, the Bond Trustee shall authenticate and deliver to affected Bondholders who surrender their Bonds a new Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered. The Bond Trustee shall designate any portion of payment of principal on Bonds paid by FSA, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to FSA, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to Authorized Denominations); provided that the Bond Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Agency on any Bond or the subrogation rights of FSA.

The Bond Trustee shall keep a complete and accurate record of all funds deposited by FSA into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal paid in respect of any Bond. FSA shall have the right to inspect such records at reasonable times upon reasonable notice to the Bond Trustee.

Upon payment of a claim under the Municipal Bond Insurance Policy the Bond Trustee shall establish a separate special purpose trust account for the benefit of Bondholders referred to in the Trust Agreement as the "Policy Payments Accounts" and over which the Bond Trustee shall have exclusive control and sole right of withdrawal. The Bond Trustee shall receive any amount paid under the Municipal Bond Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Bond Trustee to Bondholders in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections of the Trust Agreement regarding payment of Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything to the contrary otherwise set forth in the Master Indenture, and to the extent permitted by law, in the event amounts paid under the Municipal Bond Insurance Policy are applied to claims for payment of principal of or interest on the Bonds, interest on such principal of and interest on such Bonds shall accrue and be payable from the date of such payment at the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank or its successor at its principal office in the City of New York, as its prime or base lending rate plus 3%, and (ii) the then applicable rate of interest on the Bonds provided that in no event shall such rate exceed the maximum rate permissible under applicable usury or similar laws limiting interest rates.

Funds held in the Policy Payments Account shall not be invested by the Bond Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Bond Trustee. Any funds remaining in the Policy Payments Account following a Bond payment date shall promptly be remitted to FSA.

Investment of Money

Money held for the credit of all funds and accounts will be continuously invested and reinvested by the Bond Trustee in Investment Obligations. Any such Investment Obligations shall mature not later than the respective dates when the money held for the credit of such funds or accounts will be required for the purposes intended; provided, however, that Investment Obligations deposited in the Reserve Fund shall mature no later than ten years from the date on which such Investment Obligations were deposited therein. The Agency shall not be required to cause the Corporation to reimburse the Reserve Fund for any loss resulting from a decline in the value of any of such Investment Obligations so long as the market value of such Investment Obligations does not become less than 90% of the Reserve Fund Requirement. However, if the market value of such Investment Obligations is less than ninety percent (90%) of the Reserve Fund Requirement, the Agency shall cause the Corporation to reimburse the Reserve Fund in accordance with the provisions of the Loan Agreement for any loss resulting from a decline in the value of Investment Obligations in which money held for the credit of the Reserve Fund is invested.

No Investment Obligations in any fund or account may mature beyond the latest maturity date of any Bonds Outstanding at the time such Investment Obligations are deposited.

Investment Obligations acquired with money and credited to any fund or account established under the Trust Agreement will be held by or under the control of the Bond Trustee and will be deemed at all times to be part of such fund or account in which such money was originally held, and the interest accruing thereon and any profit or loss realized upon the disposition or maturity of such investment shall be credited to or charged against such fund or account. The Bond Trustee will sell at the best price obtainable or reduce to cash a sufficient amount of such Investment Obligations whenever it is necessary to provide moneys to make any payment or transfer of moneys from any such fund or account. The Bond Trustee will not be liable or responsible for any loss resulting from any such investment.

Valuation

For the purpose of determining the amount on deposit in any fund or account, Investment Obligations in which money in such fund or account is invested will be valued (a) at face value if such Investment Obligations mature within six months from the date of valuation thereof, and (b) if such Investment Obligations mature more than six months after the date of valuation thereof, at the price at which such Investment Obligations are redeemable by the holder at his option if so redeemable, or, if not so redeemable, at the lesser of (i) the cost of such Investment Obligations minus the amortization of any premium or plus the amortization of any discount thereon and (ii) the Value of such Investment Obligations.

The Bond Trustee will value the Investment Obligations in the funds and accounts established under the Trust Agreement two Business Days prior to each Interest Payment Date. In addition, the Investment Obligations will be valued by the Bond Trustee at any time requested by the Agency Representative on reasonable notice to the Bond Trustee (which period of notice may be waived or reduced by the Bond Trustee), except that the Bond Trustee will not be required to value the Investment Obligations more than once in any calendar month.

If upon valuation of the Reserve Fund, the balance of the Reserve Fund, including accrued interest, is less than the Reserve Fund Requirement, the Bond Trustee will immediately notify the Agency and the Corporation of such deficiency and the amount, if necessary, to cure the same.

Events of Default

Each of the following events is an Event of Default:

(a) payment of any installment of interest on any Bond shall not be made when the same shall become due and payable; or

(b) payment of the principal or the redemption premium, if any, of any Bond shall not be made when the same shall become due and payable, whether at maturity or by proceedings for redemption or pursuant to a Sinking Fund Requirement or otherwise; or

(c) default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Trust Agreement or any agreement supplemental thereto and such default shall continue for thirty (30) days or such further time as may be granted in writing by the Bond Trustee after receipt by the Agency of a written notice from the Bond Trustee specifying such default and requiring the same to be remedied; provided, however, that no such cure period shall be extended by more than thirty (30) days without the prior written consent of FSA; or

(d) an "Event of Default" shall have occurred under the Loan Agreement, and such "Event of Default" shall not have been remedied or waived.

Remedies on Default

Upon the happening and continuance of any Event of Default under the Trust Agreement, the Bond Trustee may, with the consent of FSA and shall (i) upon the direction of FSA or (ii) with the consent of FSA, upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding, by notice in writing to the Agency, FSA and the Corporation, declare the principal of all Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Bonds or in the Trust Agreement to the contrary notwithstanding; provided, however, that if at any time after the principal of Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Trust Agreement, money shall have accumulated in the Bond Fund sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all Bonds then Outstanding (except the principal of any Bonds not then due and payable by their terms and the interest accrued on such since the last interest payment date), and the charges, compensations, expenses, disbursements, advances and liabilities of the Bond Trustee and all other amounts then payable by the Agency under the Trust Agreement shall have been paid or a sum sufficient to pay the same shall have been deposited with the Bond Trustee or whenever applicable, and every other default known to the Bond Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in the Trust Agreement (other than a default in the payments of the principal of such Bonds then due only because of a declaration under the Trust Agreement) shall have been remedied to the satisfaction of the Bond Trustee, then and in every such case, the Bond Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds not then due and payable by their terms (Bonds then due and payable only because of a declaration under the Trust Agreement shall not be deemed to be due and payable by their terms) and then Outstanding, shall, by written notice to the Agency, FSA and the Corporation, rescind and annul such declaration and its consequences, but no such

rescission or annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

FSA shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with the Trust Agreement, whether or not FSA has received a Notice of Nonpayment (as such terms are defined in the Municipal Bond Insurance Policy) or a claim upon the Municipal Bond Insurance Policy.

In the event the maturity of the Bonds is accelerated, FSA may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Agency) and the Bond Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the date of acceleration as provided above, the obligations of FSA under the Municipal Bond Insurance Policy with respect to such Bonds shall be fully discharged.

Upon the happening and continuance of any Event of Default under the Trust Agreement, then and in every such case the Bond Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding, subject to the provisions of the Trust Agreement providing for FSA to control and direct the enforcement of all rights and remedies granted to the Holders of the Bonds or the Bond Trustee so long as no Insurer Default has occurred and is then continuing, shall, proceed, subject to the indemnification provisions of the Trust Agreement, to protect and enforce its rights and the rights of the Holders under the laws of the State or under the Trust Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Trust Agreement or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy, as the Bond Trustee, being advised by counsel chosen by the Bond Trustee, shall deem most effectual to protect and enforce such rights.

Anything in the Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default under the Trust Agreement, FSA will be entitled to control and direct the enforcement of all rights and remedies granted to the Holders or the Bond Trustee for the benefit of Holders under the Trust Agreement, including, without limitation, acceleration of the principal of the Bonds as described above and the right to annul any declaration of acceleration, and FSA will also be entitled to approve all waivers of Events of Default.

Restrictions upon Actions by Individual Holders

No Holder may institute any suit, action or proceeding in equity and at law on any Bonds for any remedy under the Trust Agreement unless he previously has given to the Bond Trustee written notice of the Event of Default under the Trust Agreement on account of which suit, action or proceeding is to be instituted, and unless the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding have requested in writing to the Bond Trustee to act and have furnished the Bond Trustee reasonable security and indemnity as required in the Trust Agreement and the Bond Trustee has refused or neglected to comply with such request within a reasonable time; except that the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all Holders. Except as provided in the Trust Agreement, no one or more Holders will have any right in any manner whatever to

enforce any right thereunder, and any individual rights given to such Holders by law are restricted by the Trust Agreement to the rights and remedies therein granted.

Notice to Bondholders

The Bond Trustee will, upon notice of an Event of Default, immediately notify the Agency, FSA and the Corporation of such Event of Default. The Bond Trustee will mail to all Holders at their addresses as they appear on the registration books written notice of the occurrence of any Event of Default under the Trust Agreement, within ten (10) days after the Bond Trustee has notice of the same, that any such Event of Default has occurred; provided that, except upon the happening of an Event of Default with respect to the payment of the principal of and interest on or redemption premium on Bonds when due, the Bond Trustee may withhold such notice from the Holders if in its opinion such withholding is in the interest of the Holders; and provided further that the Bond Trustee will not be subject to any liability to any Holder by reason of its failure to mail any such notice.

Payment of Bond Trustee's and Bond Registrar's Fees

If the Agency fails to cause required payments to be made to the Bond Trustee or the Bond Registrar for compensation and expenses, the Bond Trustee or the Bond Registrar may make such payment from any money in its possession and will be entitled to a preference therefor over any Bonds Outstanding.

Holders of Obligation No. 9; FSA Deemed Holder

In the event that any request, direction or consent is requested or permitted by the Master Indenture of the registered owners of Obligations issued thereunder, including Obligation No. 9, the Holders of Series 2004B Bonds then Outstanding shall be deemed to be registered owners of Obligation No. 9 for the purpose of any such request, direction or consent in the proportion that the aggregate principal amount of Series 2004B Bonds then Outstanding held by each such Holder of Series 2004B Bonds bears to the aggregate principal amount of all Series 2004B Bonds then Outstanding; provided, however, that for so long as no Insurer Default has occurred, FSA shall be deemed to be the registered owner of Obligation No. 9 instead of the Holders of the Series 2004B Bonds then Outstanding.

FSA Deemed Holder of Series 2004B Bonds

For purposes of giving any consents under the Series 2004B Trust Agreement or the Series 2004B Loan Agreement or exercising any voting rights to Holders under the Series 2004B Trust Agreement or the Series 2004B Loan Agreement or giving any notice or direction or taking any other action permitted to be taken by or on behalf of the Holders under the Series 2004B Trust Agreement or the Series 2004B Loan Agreement, so long as no Insurer Default has occurred and is continuing, FSA shall be deemed to be the sole Holder of Series 2004B Bonds then Outstanding.

Modification of the Trust Agreement

With the consent of FSA, the Agency and the Bond Trustee may from time to time execute such supplemental trust agreements as shall be consistent with the terms and provisions of the Trust Agreement and the Loan Agreement and, in the opinion of the Bond Trustee, who may rely conclusively on a written Opinion of Counsel, will not materially and adversely affect the Holders: to cure any ambiguity or formal defect or omission, to correct or supplement any inconsistent provision, or to make any other provisions with respect to matters or questions arising under the Trust Agreement; to grant to or confer upon the Bond Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security

that may lawfully be granted to or conferred upon the Holders or the Bond Trustee; to add other conditions, limitations and restrictions thereafter to be observed; to add other covenants and agreements to be observed by the Agency or to surrender any right or power reserved to or conferred upon the Agency; to comply with any federal or state securities law; to provide for the issuance of Bonds in bearer form; or to provide for the maintenance of Bonds under a book-entry system.

The Trust Agreement may be amended in any particular, subject to the consent of FSA, with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding; provided, that nothing contained in the Trust Agreement will permit (a) any extension of the maturity of principal or interest of any Bonds without the consent of the Holders of such Bonds, (b) a reduction in the principal amount of or the redemption premium or the rate of interest on any Bonds without the consent of the Holders of such Bonds, (c) the creation of a pledge of receipts and revenues to be received by the Agency under the Loan Agreement superior to the pledge created under the Trust Agreement without the consent of the Holders of all Bonds Outstanding, (d) a preference or priority or any Bonds over any other Bonds without the consent of the Holders of all Bonds Outstanding, or (e) a reduction in the aggregate principal amount of Bonds required for consent to such supplemental trust agreement without the consent of the Holders of all Bonds Outstanding.

Consequences of Insurer Default

If an Insurer Default with respect to the Series 2004B Trust Agreement occurs and has not been waived or cured, the provisions of the Series 2004B Trust Agreement (i) requiring the consent of FSA and (ii) allowing FSA to direct proceedings will no longer be effective and FSA will no longer have such rights; provided, however, that any rights of FSA arising as a result of payments made by FSA pursuant to the Municipal Bond Insurance Policy will continue to exist and be unaffected by any limitations on such rights set forth in the Series 2004B Trust Agreement.

Defeasance

When (a) the Bonds shall have become due and payable in accordance with their terms or as provided in the Trust Agreement, the whole amount of the principal and the interest and premium, if any, so due and payable upon all Bonds shall be paid, and (b) if the Bonds shall not have become due and payable in accordance with their terms, the Bond Trustee or the Bond Registrar shall hold, sufficient (i) Available Moneys or (ii) Defeasance Obligations purchased with Available Moneys or a combination of (i) and (ii) of this clause (b), the principal of and the interest on which, when due and payable, will provide sufficient money to pay the principal of, and the interest and redemption premium, if any, on all Bonds then Outstanding to the maturity date or dates of such Bonds or to the date or dates specified for the redemption thereof, and (c) if Bonds are to be called for redemption, irrevocable instructions to call the Bonds for redemption shall have been given by the Agency to the Bond Trustee, and (d) sufficient funds shall also have been provided or provision made for paying all other obligations payable under the Trust Agreement by the Agency, then and in that case the right, title and interest of the Bond Trustee in the funds and accounts mentioned in the Trust Agreement shall thereupon cease, determine and become void and, on demand of the Agency and upon being furnished with an opinion, in form and substance satisfactory to the Bond Trustee, of counsel approved by the Bond Trustee, to the effect that all conditions precedent to the release of the Trust Agreement have been satisfied, the Bond Trustee shall release the Trust Agreement and shall execute such documents to evidence such release as may reasonably be required by the Agency and shall turn over to the Agency, for the benefit of the Corporation, any surplus in, and all balances remaining in, all funds and accounts, other than money held for the redemption of payment of Bonds. Otherwise, the Trust Agreement shall be, continue and remain in full force and effect; provided, that, in the event Defeasance Obligations shall be deposited with and held by the Bond Trustee

as hereinabove described, (i) in addition to the requirements regarding redemption of Bonds set forth in the Trust Agreement, the Bond Trustee, within thirty (30) days after such Defeasance Obligations shall have been deposited with it, shall cause a notice signed by the Bond Trustee to be mailed, postage prepaid, to all Holders, setting forth (a) the date or dates, if any, designated for the redemption of the Bonds, (b) a description of the Defeasance Obligations so held by it, and (c) that the Trust Agreement has been released in accordance with the provisions of the Trust Agreement described under this caption, and (ii) (a) the Bond Trustee shall nevertheless retain such rights, powers and privileges under the Trust Agreement as may be necessary and convenient in respect of the Bonds for the payment of the principal, interest and any premium for which such Defeasance Obligations have been deposited and (b) the Bond Registrar shall retain such rights, powers and privileges under the Trust Agreement as may be necessary and convenient for the registration, transfer and exchange of Bonds.

Recourse Against the Agency

The members, officers and employees of the Agency are not personally liable for any costs, losses, damages or liabilities caused or incurred by the Agency in connection with the Trust Agreement, or for the payment of any sum or for the performance of any obligation under the Trust Agreement.

SUMMARY OF THE SERIES 2004B LOAN AGREEMENT

The following is a summary of certain provisions of the Series 2004B Loan Agreement. References to the Loan Agreement, the Trust Agreement and the Bonds herein are to the Series 2004B Loan Agreement, the Series 2004B Trust Agreement and the Series 2004B Bonds, respectively.

Loan Repayments; Required Payments Under the Loan Agreement

The Corporation is required to make Total Required Payments under the Loan Agreement when due. Loan Repayments and Required Payments under the Loan Agreement relating to deposits to the Reserve Fund are to be paid, when due and payable, directly to the Bond Trustee or, in the name of the Bond Trustee, to any Depositary for deposit in the Bond Fund, the Redemption Fund or the Reserve Fund. All other Required Payments under the Loan Agreement are to be paid by the Corporation directly, when due and payable, to the persons, firms, governmental agencies and other entities entitled thereto.

The Loan Repayment shall be due and payable as follows:

(i) On the 25th day of the month preceding each Interest Payment Date, to the Bond Trustee, for deposit to the credit of the Interest Account, an amount equal to the interest due on the Outstanding Bonds on such Interest Payment Date;

(ii) On each November 25, to the Bond Trustee, for deposit to the credit of the Sinking Fund Account, that amount which, together with any amount then on deposit to the credit of the Sinking Fund Account, is sufficient to pay the principal of (whether at maturity or upon mandatory redemption) the Bonds on the next ensuing December 1 in accordance with the Sinking Fund Requirement therefor; and

(iii) Any amount that may from time to time be required to enable the Agency to pay redemption premiums as and when Bonds are called for redemption.

Loan Repayments are required to be sufficient in the aggregate to repay the Loan and interest thereon and to pay in full all Bonds when due (whether by maturity, redemption, acceleration or otherwise) together with the total interest and redemption premium, if any, thereon. The Corporation is required to repay the Loan in installments as provided in the Loan Agreement, each installment being deemed a Loan Repayment. The Corporation may prepay all or any part of the Loan as provided in the Loan Agreement.

Unless a Qualified Reserve Fund Substitute shall then be in effect, there shall be due and payable as a Required Payment under the Loan Agreement, on the 25th day of each month, (i) beginning in the month following the month in which money is transferred from the Reserve Fund to any account in the Bond Fund to cure a deficiency therein pursuant to the Trust Agreement, into the Reserve Fund, one-twelfth (1/12) of the amount or amounts so transferred until the amount then on deposit in the Reserve Fund is equal to the Reserve Fund Requirement and (ii) beginning in the month following a valuation made in accordance with the Trust Agreement in which the amount on deposit in the Reserve Fund is less than 95% of the Reserve Fund Requirement due to a loss resulting from a decline in the value of Investment Obligations held for the credit of the Reserve Fund, into the Reserve Fund, one-sixth (1/6) of the amount by which the Reserve Fund Requirement exceeds the amount on deposit to the credit of the Reserve Fund until the amount on deposit to the credit of the Reserve Fund is equal to the Reserve Fund Requirement; provided, however, that if the amount on deposit in the Reserve Fund is continuously less than 95% of the Reserve Fund Requirement for more than one year due to a loss resulting in a decline in

the value of the Investment Obligations held for the credit of the Reserve Fund, then such 95% shall become 100%.

The Corporation shall also pay, when due and payable, as Required Payments under the Loan Agreement, the following costs and expenses, exclusive of costs and expenses payable from the proceeds of the Bonds:

(i) the fees and other costs payable to the Bond Registrar, the Bond Trustee and the Master Trustee;

(ii) all costs incurred in connection with the purchase or redemption of Bonds to the extent money is not otherwise available therefor;

(iii) the fees and other costs incurred for services of such attorneys, management consultants, insurance advisers, and accountants as are employed to make examinations, provide services, render opinions or prepare reports required under the Loan Agreement, the Master Indenture, or the Trust Agreement; and

(iv) reasonable fees and other costs that the Corporation is obligated to pay, not otherwise paid under the Loan Agreement or the Trust Agreement, incurred by the Agency in connection with its administration and enforcement of, and compliance with, the Loan Agreement or the Trust Agreement, including, but not limited to, the initial administration fee of the Agency, and the annual administration fee presently imposed by the Agency, which the Corporation acknowledges may be increased from time to time, in an annual amount not to exceed 1/10 of 1% of the original aggregate principal amount of the Bonds and is payable on December 1 of each calendar year, and reasonable attorney's fees; and with respect to the Loan Agreement any and all charges, fees, costs and expenses which FSA may reasonably pay or incur in connection with (1) the administration, enforcement, defense or preservation of any rights or security in the Loan Agreement, the Master Indenture or the Trust Agreement or any document related thereto; (2) the pursuit of any remedies under the Loan Agreement, the Master Indenture or the Trust Agreement or any document related thereto or otherwise afforded by law or equity, (3) any amendment, waiver or other action with respect to, or related to the Loan Agreement, the Master Indenture or the Trust Agreement or any document related thereto whether or not executed or completed, (4) the violation by the Agency or the Corporation or any law, rule or regulation, or any judgment, order or decree applicable to it or (5) any litigation or other dispute in connection with the Loan Agreement, the Master Indenture or the Trust Agreement or any document related thereto or the transactions contemplated thereby, other than amounts resulting from the failure of FSA to honor its obligations under the Municipal Bond Insurance Policy. FSA reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Loan Agreement, the Master Indenture or the Trust Agreement or any document related thereto.

Absolute Obligation to Make Total Required Payments

The obligation of the Corporation to make the Loan Repayments and to make all other Required Payments under the Loan Agreement and Obligation No. 4 or Obligation No. 9, as applicable, and to perform the other agreements contained in the Loan Agreement is absolute and unconditional and will not be abated, diminished or subject to deduction (whether for taxes or otherwise) regardless of any cause or circumstance whatsoever including, without limitation, any defense, setoff, recoupment or counterclaim that the Corporation may have against the Agency or the Bond Trustee or any other person.

Security for the Loan

As collateral security for repayment of the Loan and the performance by the Corporation of its obligations under the Loan Agreement, the Corporation has executed and delivered to the Agency Obligation No. 9. Obligation No. 9 is issued under and secured by the Master Indenture and Supplement No. 9. The Master Indenture provides that any Member of the Obligated Group may issue additional indebtedness secured by the security for Obligation No. 9 on a pari passu basis for the purposes, under the terms and conditions and to the extent described in the Master Indenture.

Covenants of the Corporation

The Loan Agreement provides that the Corporation will comply with each covenant, condition and agreement in the Master Indenture and the Loan Agreement. The Loan Agreement also sets forth certain other agreements of the Corporation with respect to: merger, sale and transfer of assets; examination of books and records of the Corporation by the Bond Trustee, FSA and the Agency; furnishing to the Agency, the Bond Trustee, FSA and the registered owners of the Bonds, financial statements and certain other information required to be furnished under the Master Indenture to the Master Trustee; the execution and delivery of supplements, amendments and other corrective instruments as may reasonably be required with respect to the performance of the Loan Agreement; and the filing and recording of financing statements and other instruments relating to the rights of the Bond Trustee as against other creditors of, or purchasers for value from, the Agency or the Corporation.

Secondary Market Disclosure

The Corporation covenants for the benefit of the persons who from time to time are the owners of the Bonds for federal income tax purposes (the "beneficial owners"):

(a) to file within 180 days after the end of each Fiscal Year, with each nationally recognized municipal securities information repository and to any Vermont state information depository, core financial information for such Fiscal Year, including (i) the audited Financial Statements and (ii) the financial and statistical data of the type generally included in the original Official Statement for the Bonds, including financial and statistical data under the following headings in Appendix A to the original Official Statement for the Bonds to the extent that such data are not included in the audited Financial Statements referred to in clause (i) above:

(1) "Medical Staff - Profile and - Statistics";

(2) "Market Overview – Hospital Market Share and – Physician Market Share";

(3) "Historical Operational Results — Hospital Activities and — Physician Activities";

(4) "Investment Policy"; and

(5) "Historical Financial Performance" (including the two tables contained therein); and

(b) to file in a timely manner, with each nationally recognized municipal securities information repository or with the Municipal Securities Rulemaking Board, and with any Vermont state information depository, notice of any failure of the Corporation to comply with paragraph (a) above and notice of any of the following events with respect to the Bonds, if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(vii) modifications to rights of the beneficial owners;

(viii) bond calls other than mandatory sinking fund redemptions;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds; and

(xi) rating changes.

No beneficial owner may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of any covenant in paragraph (a) above (the "Disclosure Covenant") or for any remedy for breach thereof, unless such owner shall have filed with the Corporation written notice of and request to cure such breach, and the Corporation shall have refused to comply within a reasonable time; provided, however, that failure to comply with the Disclosure Covenant shall not be an event of default under the Loan Agreement and shall not result in any acceleration of payment of the Bonds. All Proceedings shall be for the equal benefit of all beneficial owners of the outstanding Bonds benefited by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific performance of the Disclosure Covenant at issue. Notwithstanding the foregoing, no challenge to the adequacy of the information provided in accordance with the filings mentioned in paragraph (a) above may be prosecuted by any beneficial owner except in compliance with the remedial and enforcement provisions of the Loan Agreement.

Any amendment or modification to the Disclosure Covenant may only take effect if:

(1) the amendment or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Corporation;

(2) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934 ("Rule 15c2-12") as of the date of the Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(3) any such amendment or modification does not materially impair the interests of the beneficial owners, as determined either by parties unaffiliated with the Corporation (such as the Bond Trustee or bond counsel), or by approving vote of the registered owners of not less than a majority in principal amount of the Bonds then Outstanding pursuant to the terms of the Trust Agreement, as it may be amended from time to time.

In the case of any amendment, the annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

These provisions of the Loan Agreement shall terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the Bonds.

Defaults and Remedies

Events of Default are defined in the Loan Agreement to include: (a) failure of the Corporation to make any payment under the Loan Agreement (including, but not limited to, Loan Repayments) or Obligation No. 9, when due, whether at maturity, redemption, acceleration or otherwise, or (b) failure of the Corporation to perform, observe or comply with any covenant, condition or agreement on its part under the Loan Agreement (other than a failure to make any Loan Repayment or Required Payment under the Loan Agreement), including any covenant, condition or agreement in the Master Indenture applicable to any Member of the Obligated Group and incorporated by reference in the Loan Agreement, and such failure continues for a period of 30 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Corporation by the Bond Trustee or to the Corporation and the Bond Trustee by the Holders of at least 25% in aggregate principal amount of the Bonds then Outstanding; provided, however, that if such performance, observation or compliance requires work to be done, action to be taken or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such 30-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as the Corporation shall obtain the prior written consent of FSA with respect to the Series 2004B Trust Agreement and shall commence such performance, observation or compliance within such period and shall diligently and continuously prosecute the same to completion or (c) an Event of Default described in clause (e) or (f) under the caption "SUMMARY OF THE MASTER INDENTURE – Defaults and Remedies -- Events of Default" above shall have occurred and be continuing or the Master Trustee shall have declared the aggregate principal amount of Obligation No. 9, and all interest due thereon immediately due and payable in accordance with the provisions of the Master Indenture described in the first paragraph under the caption "SUMMARY OF THE MASTER INDENTURE – Defaults and Remedies -- Acceleration; Annulment of Acceleration" above.

Whenever any Event of Default under the Loan Agreement shall have happened and be continuing, the Agency may take the following remedial steps: (i) in the case of an Event of Default described in (a) in the preceding paragraph, the Agency may take whatever action at law or in equity is necessary or desirable to collect the payments then due under Obligation No. 9; (ii) in the case of an Event of Default described in (b) or (c) in the preceding paragraph, the Agency may take whatever action at law or in equity is necessary or desirable to enforce the performance, observance or compliance by the Corporation with any covenant, condition or agreement by the Corporation under the Loan Agreement; and (iii) in the case of an Event of Default described in (d) in the preceding paragraph, the Agency may take such action, or cease such action, as the Master Trustee directs, but only to the extent such directions are consistent with the provisions of the Master Indenture.

Notwithstanding any other provision of the Loan Agreement or any right, power or remedy existing at law or in equity or by statute, the Agency shall not under any circumstances declare the entire unpaid aggregate amount of the Loan to be immediately due and payable except in accordance with the directions of the Master Trustee in the event that the Master Trustee shall have declared the aggregate principal amount of Obligation No. 9, and all interest due thereon immediately due and payable in accordance with the Master Indenture.

Prepayment of Loan

The Corporation has the option to prepay, together with accrued interest, all or any portion of the unpaid aggregate amount of the Loan in accordance with the terms and provisions of the Trust Agreement. Such prepayment shall be made by the Corporation taking, or causing the Agency to take, the actions required (i) for payment of the Bonds, whether by redemption or purchase prior to maturity or by payment at maturity, or (ii) to effect the purchase, redemption or payment at maturity of less than all of the Bonds according to their terms.

The Corporation shall have the option to prepay all or a portion of the unpaid aggregate amount of the Loan, together with accrued interest to the date of prepayment, from amounts received by the Corporation or another Member of the Obligated Group as insurance proceeds with respect to any casualty loss or failure of title or as condemnation awards, provided that such prepayment shall not be less than $100,000, upon the occurrence of the following event:

> Damage to or destruction of all or any part of the Property and Equipment by fire or casualty, or loss of title to or use of all or any part of the Property and Equipment as a result of the failure of title or as a result of Eminent Domain proceedings or proceedings in lieu thereof (if such damage, destruction, loss of title or loss of use causes such Property and Equipment to be impracticable to operate, as evidenced by an Officer's Certificate filed with the Agency and the Bond Trustee).

The Corporation shall have the option to prepay all of the unpaid aggregate amount of the Loan, together with accrued interest to the date of prepayment, upon the occurrence of the following event:

> Changes in the Constitution of the United States of America or of the State or legislation or administrative action, or failure of administrative action by the United States or the State or any agency or political subdivision of either thereof, or by reason of any judicial decision to such extent that in the opinion of the Board of Trustees of the Corporation (expressed in a resolution) and in the opinion of an independent management consultant, both filed with the Agency and the Bond Trustee, (i) the Loan Agreement is impossible to perform without unreasonable delay or (ii) unreasonable burdens or excessive liabilities not being imposed on the date of the Loan Agreement are imposed on the Corporation.

Subject to the provisions of the Master Indenture, the Loan Agreement shall not be construed to prohibit the Corporation from applying insurance proceeds with respect to any casualty loss or condemnation awards or payments in lieu thereof to the optional prepayment in part of the Loan in accordance with the provisions of the Loan Agreement.

To make a prepayment as described in the preceding paragraphs under this caption, the Hospital Representative must give written notice to the Agency and the Bond Trustee which will specify therein (i) the date of the intended prepayment of the Loan, (ii) the aggregate principal amount of the Bonds to be purchased, redeemed or paid at maturity and the date or dates on which the purchase, redemption or payment is to occur, (iii) the source of the money that will be used by the Corporation to make such prepayment of the Loan and (iv) subject to the requirements of the Trust Agreement the maturities of the Bonds to be called.

The Corporation has the right to revoke any notice of prepayment given pursuant to the Loan Agreement if, on or prior to the tenth (10th) Business Day preceding any date fixed for redemption of

Bonds pursuant to the Trust Agreement, the Hospital Representative notifies the Bond Trustee in writing that the Corporation has elected to revoke its election to redeem such Bonds because it has determined that the source of money for such redemption specified in the notice given by the Hospital Representative pursuant to the Loan Agreement is not available.

Amendments to Agreement

With the consent of FSA, the Loan Agreement may, without the consent of or notice to any of the Holders, be amended, from time to time, to:

(a) cure any ambiguity or formal defect or omission in the Loan Agreement or in any supplement thereto;

(b) correct or supplement any provisions in the Loan Agreement which may be inconsistent with any other provisions in the Loan Agreement or make any other provisions with respect to matters which do not materially or adversely affect the interest of the Holders;

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

(d) add conditions, limitations and restrictions on the Corporation to be observed thereafter.

Any other amendments to the Loan Agreement require the consent of FSA and the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding.

Exclusion from Gross Income Covenant

The Corporation covenants that it will not take, and will cause each other Member of the Obligated Group not to take, any action which will, or fail to take, or allow any other Member of the Obligated Group to fail to take, any action which failure will, cause interest on the Bonds to become includable in the gross income of the Holders for federal income tax purposes pursuant to the provisions of the Code in effect on the date of original issuance of the Bonds.

Members, Officers and Employees of the Agency and the Corporation Not Liable

Neither the members, officers and employees of the Agency nor the members of the Board of Trustees or the officers and employees of the Corporation shall be personally liable for any costs, losses, damages or liabilities caused or subsequently incurred by the Corporation or any officer, director or agent thereof in connection with or as a result of the Loan Agreement.

SUMMARY OF THE SERIES 2008A TRUST AGREEMENT

The following is a summary of certain provisions of the Series 2008A Trust Agreement. References to the Trust Agreement, the Loan Agreement and the Bonds herein are to the Series 2008A Trust Agreement, the Series 2008A Loan Agreement and the Series 2008A Bonds, respectively.

Bond Fund and Redemption Fund

The Trust Agreement creates the following funds to be held by the Bond Trustee:

1. the Bond Fund, and

2. the Redemption Fund.

The Trust Agreement also creates two separate accounts in the Bond Fund, which accounts are designated the "Interest Account" and the "Sinking Fund Account."

The money in the Bond Fund and the Redemption Fund will be held in trust and will be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders until paid out or transferred as provided in the Trust Agreement.

Deposits to the Bond Fund

Loan Repayments (excluding any amounts relating to the Tender Price of Bonds) shall be deposited into the Interest Account or the Sinking Fund Account in the Bond Fund, as appropriate, in the amounts required to pay the principal of and premium, if any, and interest next coming due on the Bonds.

Sums received by the trustee after drawing on a Credit Facility shall be deposited into the Interest Account or the Sinking Fund Account in the Bond Fund, as appropriate, and applied to the payment of principal of and interest on the Bonds when due.

If, after giving effect to the credits specified below, any installment of Total Required Payments is insufficient to enable the Bond Trustee to make the deposits required above, the Bond Trustee will notify the Corporation and request it increase each future installment of the Total Required Payments to make up any previous deficiency in any of the required payments and to make up any deficiency or loss in any of the above-mentioned accounts and funds.

To the extent that investment earnings are credited to the Interest Account or the Sinking Fund Account in accordance with the Trust Agreement, or amounts are credited thereto as a result of the application of Bond proceeds or a transfer of investment earnings on any other fund or account held by the Bond Trustee, or otherwise, future deposits to such accounts will be reduced by the amount so credited, and the Loan Repayments due following the date of the credit will be reduced by the amounts so credited.

All amounts received by the Bond Trustee as principal of or interest accruing on the Bonds to be redeemed as a result of a prepayment of Obligation No. 12 will be deposited in the Redemption Fund and the Interest Account, respectively, when received. All amounts received by the Bond Trustee as redemption premiums will be deposited in the Redemption Fund when received.

All amounts received by the Bond Trustee as principal of or interest accruing on Bonds that have been accelerated will be deposited in the Bond Fund and applied in accordance with the Trust Agreement.

While a Credit Facility is in effect, each deposit into the Bond Fund not constituting Available Moneys shall be placed in a separate account or subaccount within the Bond Fund, and may not be commingled with other money in any such account or subaccount until such money becomes Available Moneys.

The Agency hereby authorizes and directs the Trustee, and the Trustee hereby agrees, to withdraw from the Bond Fund, and make available at the principal office of the Trustee sufficient funds (to the extent available) to pay the principal of, redemption premium, if any, and interest on the Bonds as the same become due and payable, whether due by maturity, acceleration, redemption or otherwise, only in the following order of priority:

FIRST: Amounts drawn by the Trustee under a Credit Facility.

SECOND: Available Moneys on deposit in the Bond Fund, other than amounts received by the Trustee in respect of drawings under a Credit Facility.

THIRD: Any other amounts in such funds or accounts, including but not limited to moneys obtained from the Corporation.

After provision is made for the payment of the principal of, redemption premium, if any, or interest on any Bonds on a given payment date and to the extent that the Credit Facility Provider has not been reimbursed by the Corporation, the Trustee shall pay the Credit Facility Provider, on its request (as specified in such request), the amount necessary to reimburse the Credit Facility Provider for money owed to it under the Credit Facility Provider Agreement from amounts on deposit in the Bond Fund.

Bond Fund Accounts

If the Bonds are not in a Book-Entry System, not later than 1:30 p.m. on each Interest Payment Date, or date for the payment of Defaulted Interest, or date upon which Bonds are to be redeemed, the Bond Trustee will withdraw from the Interest Account and remit by mail, or, to the extent permitted by the Trust Agreement, by wire transfer, to each Holder which is not a Securities Depository Nominee the amount required for paying interest on such Bonds when due and payable.

If the Bonds are in a Book-Entry System, at such time as to enable the Bond Trustee to make payments of interest on the Bonds in accordance with any existing agreement between the Bond Trustee and any Securities Depository, the Bond Trustee will withdraw from the Interest Account and remit by wire transfer, in Federal Reserve or other immediately available funds, the amounts required to pay to any Holder which is a Securities Depository Nominee interest on the Bonds on the next ensuing Interest Payment Date or date the payment of Defaulted Interest or date upon which Bonds are to be redeemed; provided, however, that in no event will the Bond Trustee be required to make such wire transfer prior to the Business Day next preceding each Interest Payment Date or date the payment of Defaulted Interest or date upon which Bonds are to be redeemed, and provided further that such wire transfer will be made not later than 1:30 p.m. on each Interest Payment Date or date the payment of Defaulted Interest or date upon which Bonds are to be redeemed.

In the event the balance in the Interest Account on the second Business Day next preceding an Interest Payment Date or date on which Bonds are to be redeemed, is insufficient for the payment of interest becoming due on the Bonds on the next ensuing Interest Payment Date or date upon which Bonds

are to be redeemed, the Bond Trustee shall notify the Corporation of the amount of the deficiency. Upon notification, the Corporation shall immediately deliver to the Bond Trustee an amount sufficient to cure the same.

Money held for the credit of the Sinking Fund Account will be applied during each Bond Year to the retirement of Bonds then Outstanding as follows:

At the direction of the Hospital Representative, the Bond Trustee will attempt to purchase and cancel Bonds or portions thereof then subject to redemption by operation of the Sinking Fund Account at the market price obtainable with reasonable diligence, such price not to exceed the Redemption Price provided in the Trust Agreement which would be payable on the next ensuing December 1 to the Holders of such Bonds under the provisions of the Trust Agreement if the Bonds or portions were to be called for redemption on such date, plus accrued interest to the date of purchase. The Bond Trustee will pay the interest accrued on such Bonds or portions thereof to the date of settlement therefor from the Interest Account and from other funds provided by or on behalf of the Corporation and the purchase price from the Sinking Fund Account, but no such purchase shall be made by the Bond Trustee from money in the Sinking Fund Account within the period of forty-five (45) days immediately preceding the next December 1 on which the Bonds are subject to redemption. The aggregate purchase prices of the Bonds so purchased shall not exceed the amount deposited in the Sinking Fund Account on account of the Sinking Fund Requirement for the Bonds; provided, however, that if in any Bond Year the amount held for the credit of the Sinking Fund Account plus the principal amount of all the Bonds purchased during such Bond Year exceed the aggregate Sinking Fund Requirements for all the Bonds then Outstanding for such Bond Year, the Bond Trustee will, at the written direction of the Hospital Representative, endeavor to purchase any Bonds then Outstanding with such excess money.

The Bond Trustee shall call for redemption on the December 1 immediately following such Bond Year, as provided in the Trust Agreement, Bonds or portions thereof then subject to redemption in a principal amount equal to the aggregate Sinking Fund Requirement for the Bonds for such Bond Year, less the principal amount of any Bonds retired by purchase as described in the preceding paragraph. Such redemption shall be made pursuant to the provisions of the Trust Agreement. If such December 1 is the stated maturity date of any of the Bonds, the Bond Trustee will not call such Bonds for redemption but, on such maturity date, will withdraw from the Sinking Fund Account and, not later than 10:00 a.m. on such date, set aside the amount required for paying the principal of such Bonds when due and payable. Not later than 10:00 a.m. on each such redemption date, the Bond Trustee will withdraw from the Sinking Fund Account and set aside the respective amounts required for paying the Redemption Price of the Bonds or portions thereof so called for redemption.

In the event the balance in the Sinking Fund Account on the second Business Day next preceding December 1 is insufficient for the payment of the Sinking Fund Requirement on the Bonds on such December 1, the Bond Trustee will notify the Corporation of the amount of such deficiency. Upon notification, the Corporation will immediately deliver to the Bond Trustee an amount sufficient to cure the same.

If, in any Bond Year, by the application of money in the Sinking Fund Account, the Bond Trustee should purchase and cancel Bonds in excess of the aggregate Sinking Fund Requirements for such Bond Year, the Bond Trustee shall file with the Agency and the Corporation not later than the 20th day prior to the next December 1, on which Bonds are to be redeemed a statement identifying the Bonds purchased or delivered during such Bond Year and the amount of such excess. The Corporation shall thereafter cause an Officer's Certificate of the Hospital Representative to be filed with the Bond Trustee and the Agency not later than the 10th day prior to such December 1, setting forth with respect to the amount of such

excess the years in which the Sinking Fund Requirements are to be reduced and the amount by which the Sinking Fund Requirements so determined are to be reduced.

Redemption Fund

Money or Available Moneys held for the credit of the Redemption Fund will be applied to the purchase or redemption of Bonds as provided in the Trust Agreement. The expenses in connection with the purchase or redemption of Bonds are required to be paid by the Corporation as part of the Required Payments under the Loan Agreement.

Bond Purchase Fund

There is created and established with the Tender Agent a trust fund to be designated the Bond Purchase Fund. The Tender Agent shall further establish within the Bond Purchase Fund a separate trust account to be referred to herein as a "Remarketing Account", a separate trust account to be referred to herein as a "Liquidity Facility Purchase Account," a separate trust account to be referred to herein as the "Credit Facility Purchase Account" and a separate trust account to be referred to herein as an "Hospital Purchase Account". Moneys held in the Bond Purchase Fund shall be held uninvested.

(a) Remarketing Account. Upon receipt of the proceeds of a remarketing of Bonds on a Tender Date, the Tender Agent shall deposit such proceeds in the Remarketing Account of the Bond Purchase Fund for application to the Tender Price of such Bonds and, if the Tender Agent is not a paying agent with respect to such Bonds, shall transmit such proceeds to the Trustee for such application. Only proceeds derived from the remarketing of Bonds shall be deposited into the Remarketing Account and such moneys shall not be commingled with moneys derived from any other sources. Notwithstanding the foregoing, upon receipt of the proceeds of a remarketing of Bank Bonds, the Tender Agent shall immediately pay such proceeds to the Liquidity Facility Provider.

(b) Liquidity Facility Purchase Account. Upon receipt from the Liquidity Facility Provider of the immediately available funds transferred to the Tender Agent pursuant to the Trust Agreement, the Tender Agent shall deposit such money in the Liquidity Facility Purchase Account of the Bond Purchase Fund for application to the Tender Price of the Bonds required to be purchased on a Tender Date to the extent that the money on deposit in the Remarketing Account of the Bond Purchase Fund shall not be sufficient. Only moneys received from the Liquidity Facility Provider pursuant to the Liquidity Facility shall be deposited into the Liquidity Facility Purchase Account and such moneys shall not be commingled with moneys derived from any other sources. Any amounts deposited in the Liquidity Facility Purchase Account and not needed with respect to any Tender Date for the payment of the Tender Price for any Bonds shall be immediately returned to the Liquidity Facility Provider.

(c) Credit Facility Purchase Account. Upon receipt from the Credit Facility Provider of the immediately available funds transferred to the Tender Agent pursuant to the Trust Agreement, the Tender Agent shall deposit such money in the Credit Facility Purchase Account of the Bond Purchase Fund for application to the Tender Price of the Bonds required to be purchased on a Tender Date to the extent that the money on deposit in the Remarketing Account of the Bond Purchase Fund shall not be sufficient. Any amounts deposited in the Credit Facility Purchase Account and not needed with respect to any Tender Date for the payment of the Tender Price for any Bonds shall be immediately returned to the Credit Facility Provider.

(d) Hospital Purchase Account. Upon receipt from the Corporation of any funds for the purchase of tendered Bonds, the Tender Agent shall deposit such money, if any, in the Hospital Purchase

Account of the Bond Purchase Fund for application to the Tender Price of the Bonds required to be purchased on a Tender Date to the extent that the money on deposit in the Remarketing Account and the Liquidity Facility Purchase Account or the Credit Facility Purchase Account of the Bond Purchase Fund shall not be sufficient. Only moneys received from the Corporation shall be deposited into the Hospital Purchase Account and such moneys shall not be commingled with moneys derived from any other sources. Any amounts deposited in the Hospital Purchase Account and not needed with respect to any Tender Date for the payment of the Tender Price for any Bonds shall be immediately returned to the Corporation.

Investment of Money

Money held for the credit of all funds and accounts with the Bond Trustee will be continuously invested and reinvested by the Bond Trustee in Investment Obligations. Any such Investment Obligations shall mature not later than the respective dates when the money held for the credit of such funds or accounts will be required for the purposes intended.

No Investment Obligations in any fund or account may mature beyond the latest maturity date of any Bonds Outstanding at the time such Investment Obligations are deposited.

Investment Obligations acquired with money and credited to any fund or account established under the Trust Agreement will be held by or under the control of the Bond Trustee and will be deemed at all times to be part of such fund or account in which such money was originally held, and the interest accruing thereon and any profit or loss realized upon the disposition or maturity of such investment shall be credited to or charged against such fund or account. The Bond Trustee will sell at the best price obtainable or reduce to cash a sufficient amount of such Investment Obligations whenever it is necessary to provide moneys to make any payment or transfer of moneys from any such fund or account. The Bond Trustee will not be liable or responsible for any depreciation or loss resulting from any such investment.

Valuation

For the purpose of determining the amount on deposit in any fund or account, Investment Obligations in which money in such fund or account is invested will be valued (a) at face value if such Investment Obligations mature within six months from the date of valuation thereof, and (b) if such Investment Obligations mature more than six months after the date of valuation thereof, at the price at which such Investment Obligations are redeemable by the holder at his option if so redeemable, or, if not so redeemable, at the lesser of (i) the cost of such Investment Obligations minus the amortization of any premium or plus the amortization of any discount thereon and (ii) the Value of such Investment Obligations.

The Bond Trustee will value the Investment Obligations in the funds and accounts established under the Trust Agreement two Business Days prior to each Interest Payment Date. In addition, the Investment Obligations will be valued by the Bond Trustee at any time requested by the Agency Representative on reasonable notice to the Bond Trustee (which period of notice may be waived or reduced by the Bond Trustee), except that the Bond Trustee will not be required to value the Investment Obligations more than once in any calendar month.

Events of Default

Each of the following events is an Event of Default:

(a) payment of any installment of interest on any Bond shall not be made when the same shall become due and payable; or

(b) payment of the principal or the redemption premium, if any, or Tender Price of any Bond shall not be made when the same shall become due and payable, whether at maturity or by proceedings for redemption or pursuant to a Sinking Fund Requirement or otherwise; or

(c) default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Trust Agreement or any agreement supplemental thereto and such default shall continue for thirty (30) days or such further time as may be granted in writing by the Bond Trustee after receipt by the Agency of a written notice from the Bond Trustee specifying such default and requiring the same to be remedied; or

(d) an "Event of Default" shall have occurred under the Loan Agreement, and such "Event of Default" shall not have been remedied or waived; or

(e) the Trustee shall have received written notice from the Credit Facility Provider that an "Event of Default" has occurred under the Credit Facility Provider Agreement and a written direction from the Credit Facility Provider that the Bonds be accelerated; or

(f) the Trustee shall have received written notice from the Credit Facility Provider that the amount of an interest drawing under the Credit Facility will not be reinstated as provided in the Credit Facility.

Remedies on Default

Upon the happening and continuance of any Event of Default under the Trust Agreement, the Bond Trustee may, and shall upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding or upon the happening and continuance of an Event of Default specified in (e) or (f) above, by notice in writing to the Agency and the Corporation, declare the principal of all Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Bonds or in the Trust Agreement to the contrary notwithstanding; provided, however, that if at any time after the principal of Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Trust Agreement, money shall have accumulated in the Bond Fund sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all Bonds then Outstanding (except the principal of any Bonds not then due and payable by their terms and the interest accrued on such since the last interest payment date), and the charges, compensations, expenses, disbursements, advances and liabilities of the Bond Trustee and all other amounts then payable by the Agency under the Trust Agreement shall have been paid or a sum sufficient to pay the same shall have been deposited with the Bond Trustee or whenever applicable, and every other default known to the Bond Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in the Trust Agreement (other than a default in the payments of the principal of such Bonds then due only because of a declaration under the Trust Agreement) shall have been remedied to the satisfaction of the Bond Trustee, then and in every such case, the Bond Trustee may, and upon the written request of the Holders of not less

than twenty-five percent (25%) in aggregate principal amount of Bonds not then due and payable by their terms (Bonds then due and payable only because of a declaration under the Trust Agreement shall not be deemed to be due and payable by their terms) and then Outstanding, shall, by written notice to the Agency and the Corporation, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

If a Credit Facility is in effect upon any declaration of acceleration hereunder, the Trustee shall immediately draw upon such Credit Facility as provided in the Trust Agreement . If the Credit Facility Provider honors the drawing under the Credit Facility upon a declaration of acceleration of the Bonds, interest on the Bonds shall accrue only to the date of such declaration and the Trustee shall pay the principal of and interest on the Bonds to the Holders immediately following the receipt of funds from such drawing. If no Credit Facility is in effect or the Credit Facility Provider fails to honor the drawing under the Credit Facility upon a declaration of acceleration of the Bonds, interest on the Bonds shall cease to accrue as provided in the Trust Agreement.

Upon the happening and continuance of any Event of Default under the Trust Agreement, then and in every such case the Bond Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding, shall, proceed, subject to the indemnification provisions of the Trust Agreement, to protect and enforce its rights and the rights of the Holders under the laws of the State or under the Trust Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Trust Agreement or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy, as the Bond Trustee, being advised by counsel chosen by the Bond Trustee, shall deem most effectual to protect and enforce such rights.

Restrictions upon Actions by Individual Holders

No Holder may institute any suit, action or proceeding in equity and at law on any Bonds for any remedy under the Trust Agreement unless he previously has given to the Bond Trustee written notice of the Event of Default under the Trust Agreement on account of which suit, action or proceeding is to be instituted, and unless the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding have requested in writing to the Bond Trustee to act and have furnished the Bond Trustee reasonable security and indemnity as required in the Trust Agreement and the Bond Trustee has refused or neglected to comply with such request within a reasonable time; except that the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all Holders. Except as provided in the Trust Agreement, no one or more Holders will have any right in any manner whatever to enforce any right thereunder, and any individual rights given to such Holders by law are restricted by the Trust Agreement to the rights and remedies therein granted.

Notice to Bondholders

The Bond Trustee will, upon notice of an Event of Default, immediately notify the Agency and the Corporation of such Event of Default. The Bond Trustee will mail to all Holders at their addresses as they appear on the registration books written notice of the occurrence of any Event of Default under the Trust Agreement, within ten (10) days after the Bond Trustee has notice of the same, that any such Event of Default has occurred; provided that, except upon the happening of an Event of Default with respect to the payment of the principal or Tender Price of and interest on or redemption premium on Bonds when

due, the Bond Trustee may withhold such notice from the Holders if in its opinion such withholding is in the interest of the Holders; and provided further that the Bond Trustee will not be subject to any liability to any Holder by reason of its failure to mail any such notice.

Payment of Bond Trustee's and Bond Registrar's Fees

If the Agency fails to cause required payments to be made to the Bond Trustee or the Bond Registrar for compensation and expenses, the Bond Trustee or the Bond Registrar may make such payment from any money in its possession (other than proceeds of required drawings on the Credit Facility and amounts in the Bond Purchase Fund) and will be entitled to a preference therefor over any Bonds Outstanding.

Holders of Obligation No. 12; Credit Facility Provider Deemed Holder

In the event that any request, direction or consent is requested or permitted by the Master Indenture of the registered owners of Obligations issued thereunder, including Obligation No. 12, the Holders of Series 2008A Bonds then Outstanding shall be deemed to be registered owners of Obligation No. 12 for the purpose of any such request, direction or consent in the proportion that the aggregate principal amount of Series 2008A Bonds then Outstanding held by each such Holder of Series 2008A Bonds bears to the aggregate principal amount of all Series 2008A Bonds then Outstanding; provided, however, that the Credit Facility Provider shall be deemed to be the registered owner of Obligation No. 12 instead of the Holders of the Series 2008A Bonds then Outstanding.

Credit Facility Provider Deemed Holder of Series 2008A Bonds

For purposes of giving any consents under the Series 2008A Trust Agreement or the Series 2008A Loan Agreement or exercising any voting rights to Holders under the Series 2008A Trust Agreement or the Series 2008A Loan Agreement or giving any notice or direction or taking any other action permitted to be taken by or on behalf of the Holders under the Series 2008A Trust Agreement or the Series 2008A Loan Agreement, shall be deemed to be the sole Holder of Series 2008A Bonds then Outstanding.

All rights of the Credit Facility Provider under the Trust Agreement to consent to declarations of acceleration, to consent to enforcement of remedies, to direct proceedings, to compel waivers, to consent to amendments and to give any other consents or to vote hereunder shall be suspended (i) for so long as the Credit Facility Provider wrongfully dishonors any draft (or other appropriate form of demand) presented in strict conformity with the requirements of the Credit Facility and has not honored a subsequent draft (or other appropriate form of demand), if any, thereunder or (ii) if no Credit Facility is in effect or any Credit Facility terminates in accordance with its terms and all amounts due under the Credit Facility Provider Agreement have been paid in full.

Modification of the Trust Agreement

The Agency and the Bond Trustee may from time to time execute such supplemental trust agreements as shall be consistent with the terms and provisions of the Trust Agreement and the Loan Agreement and, in the opinion of the Bond Trustee, who may rely conclusively on a written Opinion of Counsel, will not materially and adversely affect the Holders: to cure any ambiguity or formal defect or omission, to correct or supplement any inconsistent provision, or to make any other provisions with respect to matters or questions arising under the Trust Agreement; to grant to or confer upon the Bond Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Bond Trustee; to add other conditions,

limitations and restrictions thereafter to be observed; to add other covenants and agreements to be observed by the Agency or to surrender any right or power reserved to or conferred upon the Agency; to comply with any federal or state securities law; to provide for the issuance of Bonds in bearer form; to provide for the maintenance of Bonds under a book-entry system; to make any revisions that shall be necessary in connection with the Corporation or the Agency furnishing a Liquidity Facility, a Self Liquidity Arrangement, a Credit Facility or a bond insurance policy, including but not limited to revising the Interest Payment Dates for Bank Bonds; to effect any other change herein; or to make revisions that shall become effective only upon, and in connection with, the remarketing of all of the Bonds then Outstanding.

The Trust Agreement may be amended in any particular, with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding; provided, that nothing contained in the Trust Agreement will permit (a) any extension of the maturity of principal or interest of any Bonds without the consent of the Holders of such Bonds, (b) a reduction in the principal amount of or the redemption premium or the rate of interest on any Bonds without the consent of the Holders of such Bonds, (c) the creation of a pledge of receipts and revenues to be received by the Agency under the Loan Agreement superior to the pledge created under the Trust Agreement without the consent of the Holders of all Bonds Outstanding, (d) a preference or priority or any Bonds over any other Bonds without the consent of the Holders of all Bonds Outstanding, or (e) a reduction in the aggregate principal amount of Bonds required for consent to such supplemental trust agreement without the consent of the Holders of all Bonds Outstanding.

Anything in the Trust Agreement to the contrary notwithstanding, no supplemental indenture or other modification shall become effective unless and until the Credit Facility Provider shall have consented to the execution and delivery of such supplemental indenture or other modification.

Defeasance

When the Agency has paid or has been deemed to have paid, as set forth below, to the Holders of all of the Bonds the principal and interest and premium, if any, due or to become due thereon at the times and in the manner stipulated therein and herein, all amounts due under the Credit Facility Provider Agreement have been paid to the Credit Facility Provider, and all other obligations owing to the Trustee hereunder or under the Loan Agreement have been paid or provided for, the lien of this Trust Agreement on the Trust Estate shall terminate. Upon the written request of the Agency or the Corporation, the Trustee shall, upon the termination of the lien hereof, promptly execute and deliver to the Agency, with a copy to the Corporation, an appropriate discharge hereof except that, subject to the provisions of this Trust Agreement, the Trustee shall continue to hold in trust amounts held for the payment of the principal of, premium, if any, and interest on the Bonds.

Outstanding Bonds shall be deemed to have been paid if the Trustee shall be holding in trust for and shall have irrevocably committed to the payment of such Outstanding Bonds, either (i) Available Moneys or Defeasance Obligations purchased with Available Moneys, or (ii) if the Bonds bear interest at a Long-Term Rate to the maturity date of the Bonds, Defeasance Obligations the payments on which when due, without reinvestment, together with any Available Moneys so held and so committed, will be, in the opinion of a firm of certified public accountants or other verification agent acceptable to the Trustee and the Corporation, sufficient for the payment of all principal of and interest (calculated at the Maximum Bond Interest Rate during any period when the interest rate on the Outstanding Bonds is not fixed) and premium, if any, on such Bonds to the date of maturity or redemption, as the case may be; provided, however, that if any of such Bonds are deemed to have been paid prior to the earlier of the redemption or the maturity thereof, the Trustee, the Corporation and the Agency shall have received an

opinion of Bond Counsel that such payment and the holding thereof by the Trustee shall not in and of itself cause interest on the Bonds to be included in gross income for federal income tax purposes; provided, further, that if any such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given to the Bondholders or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of such notice to the Bondholders.

Limitations set forth elsewhere in this Trust Agreement regarding the investment of moneys held by the Trustee in the Bond Fund shall not be construed to prevent the depositing and holding in the Bond Fund of the Defeasance Obligations described in preceding paragraph for the purpose of defeasing the lien of this Trust Agreement as to Outstanding Bonds which have not yet become due and payable. Notwithstanding any other provision of the Trust Agreement to the contrary, all Available Moneys deposited with the Trustee as provided herein and held in the Bond Fund or a separate escrow may be invested and reinvested, at the direction of the Corporation, in Defeasance Obligations (or, if the Bonds do not bear interest at a Long-Term Rate to the maturity date of the Bonds, in a money market fund that invests solely in Defeasance Obligations and is rated in the highest category by one of Fitch, Moody's or S&P and, if more than one of such rating agencies then rates such money market fund, is rated no less than the highest rating category by each of such rating agencies then rating such money market fund) maturing in the amounts and times as hereinbefore set forth, and all income from all Defeasance Obligations (or money market fund) in the hands of the Trustee pursuant hereto which is not required for the payment of the Bonds and interest and redemption premium, if any, thereon with respect to which such moneys shall have been so deposited shall be deposited in the Bond Fund or such separate escrow as and when realized and collected for use and application as are other moneys deposited in the Bond Fund or such separate escrow. Notwithstanding the foregoing provisions of this paragraph, if the Bonds are rated by S&P at the time a deposit of Available Moneys is made hereunder, such Available Moneys may be invested solely in Defeasance Obligations maturing or to be available to be withdrawn at par no later than the earlier of the maturity date, a mandatory purchase date, redemption date or the next possible optional tender date.

Notwithstanding any other provision of this Trust Agreement to the contrary, if an Outstanding Bond has been deemed to be paid hereunder and the Holder or Beneficial Owner of such Bond delivers an optional tender notice with respect to such Bond that would result in a purchase of such Bond prior to its maturity or redemption date: (1) the Remarketing Agent shall not remarket such Bond; (2) the Trustee shall transfer to the Tender Agent, not later than 2:30 p.m. on the Tender Date for such Bond, Available Moneys from the deposit made hereunder sufficient to pay the Tender Price of such Bond; (3) the Tender Agent shall purchase such Bond on the Tender Date applicable to such Bond; and (4) such Bond shall be delivered to the Trustee for cancellation and shall be cancelled.

Notwithstanding any other provision of this Trust Agreement to the contrary, if Outstanding Bonds have been deemed to be paid because a deposit of Available Moneys has been made hereunder, and the Bonds are rated by S&P at the time such deposit is made, then (i) if such deposit is made with proceeds of one or more drawings under the Credit Facility, then any excess funds remaining in the Bond Fund or any separate escrow after payment of all of the Bonds at their respective maturities or redemption or purchase dates shall be returned to the Credit Facility Provider, or (ii) if such deposit is made with Available Moneys as described in clause (iii) of that definition, then there shall be delivered a written opinion of Independent Counsel experienced in bankruptcy law matters, in form satisfactory to S&P, that the portion of such deposit needed to pay principal of and interest on the Bonds when due will not be subject to the automatic stay under Section 362 of the Bankruptcy Code in the event of an Event of Bankruptcy.

Notwithstanding any other provision of the Trust Agreement to the contrary, if Outstanding Bonds have been deemed to be paid because a deposit of Available Moneys or Defeasance Obligations purchased with Available Moneys has been made hereunder, the Interest Rate Period may not thereafter be converted to another Interest Rate Period by the Corporation.

Notwithstanding any other provision of the Trust Agreement to the contrary, if Outstanding Bonds have been deemed to be paid because a deposit of Available Moneys or Defeasance Obligations purchased with Available Moneys has been made hereunder with proceeds of one or more drawings under the Credit Facility, then the surrender by the Trustee of the Credit Facility to the Credit Facility Provider for cancellation prior to the maturity or redemption date of the Bonds shall not cause the Bonds to be subject to mandatory purchase.

After all of the Outstanding Bonds shall be deemed to have been paid and all other amounts required to be paid under the Trust Agreement shall have been paid, then upon the termination of this Trust Agreement any amounts in the Bond Fund shall be paid first to the Trustee and then to the Agency to the extent necessary to repay any unpaid obligations owing to the Trustee and/or the Agency hereunder or under the Loan Agreement, and then to the Credit Facility Provider to the extent necessary to pay amounts owing to the Credit Facility Provider under the Credit Facility Provider Agreement, and thereafter the remainder, if any, shall be paid to the Corporation.

Notwithstanding any provision of the Trust Agreement to the contrary, Bonds paid by payments made under a Credit Facility shall be deemed to be Outstanding Bonds until all amounts due under the Credit Facility Provider Agreement have been paid to the Credit Facility Provider.

Recourse Against the Agency

The members, officers and employees of the Agency are not personally liable for any costs, losses, damages or liabilities caused or incurred by the Agency in connection with the Trust Agreement, or for the payment of any sum or for the performance of any obligation under the Trust Agreement.

SUMMARY OF THE SERIES 2008A LOAN AGREEMENT

The following is a summary of certain provisions of the Series 2008A Loan Agreement. All references herein to the Loan Agreement, the Trust Agreement and the Bonds herein are to the Series 2008A Loan Agreement, the Series 2008A Trust Agreement and the Series 2008A Bonds, respectively.

Loan Repayments; Required Payments Under the Loan Agreement

The Corporation is required to make Total Required Payments under the Loan Agreement when due. Loan Repayments, when due and payable, directly to the Bond Trustee or, in the name of the Bond Trustee, to any Depositary for deposit in the Bond Fund or the Redemption Fund. All other Required Payments under the Loan Agreement are to be paid by the Corporation directly, when due and payable, to the persons, firms, governmental agencies and other entities entitled thereto.

The Loan Repayment shall be due and payable as follows:

(a) during the Weekly Interest Rate Period, on the Business Day immediately preceding each Interest Payment Date, to the Bond Trustee, for deposit to the credit of the Interest Account, an amount equal to the interest payable on the Bonds on such Interest Payment Date, less any applicable credit pursuant to the Trust Agreement; provided, however, that if the interest rate on the Bonds is subject to adjustment pursuant to Section 208 of the Trust Agreement after the date of such required deposit, interest accruing on the Bonds from such adjustment date shall be assumed to accrue at the Maximum Bond Interest Rate;

(b) beginning on November 25, 2027, and continuing on each November 25 thereafter, to the Bond Trustee, for deposit to the credit of the Sinking Fund Account, the amount required to retire the Bonds to be called by mandatory redemption in accordance with the Sinking Fund Requirement therefor, or, in the case of maturity of the Bonds, to be paid, on the next ensuing Principal Payment Date; and

(c) any amount that may from time to time be required to enable the Agency to pay redemption premiums as and when Bonds are called for redemption.

Loan Repayments are required to be sufficient in the aggregate to repay the Loan and interest thereon and to pay in full all Bonds when due (whether by maturity, redemption, acceleration or otherwise) together with the total interest and redemption premium, if any, thereon. The Corporation is required to repay the Loan in installments as provided in the Loan Agreement, each installment being deemed a Loan Repayment. The Corporation may prepay all or any part of the Loan as provided in the Loan Agreement.

The Corporation shall also pay, when due and payable, as Required Payments under the Loan Agreement, the following costs and expenses, exclusive of costs and expenses payable from the proceeds of the Bonds:

(i) the fees and other costs payable to the Master Trustee, the Bond Trustee, the Bond Registrar, the Tender Agent and the Remarketing Agent;

(ii) all costs incurred in connection with the purchase or redemption of Bonds to the extent money is not otherwise available therefor;

(iii) the fees and other costs incurred for services of such attorneys, management consultants, insurance advisers, and accountants as are employed to make examinations, provide services, render opinions or prepare reports required under the Loan Agreement, the Master Indenture, the Trust Agreement, the Credit Facility Provider Agreement or the Remarketing Agreement; and

(iv) reasonable fees and other costs that the Corporation is obligated to pay, not otherwise paid under the Loan Agreement or the Trust Agreement, incurred by the Agency in connection with its administration and enforcement of, and compliance with, the Loan Agreement or the Trust Agreement, including, but not limited to, the initial administration fee of the Agency, and the annual administration fee presently imposed by the Agency, which the Corporation acknowledges may be increased from time to time, in an annual amount not to exceed 1/10 of 1% of the original aggregate principal amount of the Bonds and is payable on December 1 of each calendar year commencing December 1, 2008, and reasonable attorney's fees.

Absolute Obligation to Make Total Required Payments

The obligation of the Corporation to make the Loan Repayments and to make all other Required Payments under the Loan Agreement and Obligation No. 12 and to perform the other agreements contained in the Loan Agreement is absolute and unconditional and will not be abated, diminished or subject to deduction (whether for taxes or otherwise) regardless of any cause or circumstance whatsoever including, without limitation, any defense, setoff, recoupment or counterclaim that the Corporation may have against the Agency or the Bond Trustee or any other person.

Security for the Loan

As collateral security for repayment of the Loan and the performance by the Corporation of its obligations under the Loan Agreement, the Corporation has executed and delivered to the Agency Obligation No. 12 which the Agency has assigned to the Bond Trustee. Obligation No. 12 is issued under and secured by the Master Indenture and Supplement No. 12. The Master Indenture provides that any Member of the Obligated Group may issue additional indebtedness or enter into Derivative Agreements secured by the security for Obligation No. 12 on a pari passu basis for the purposes, under the terms and conditions and to the extent described in the Master Indenture.

Maintenance of Credit Facility

(a) So long as the Bonds bear interest at the Weekly Interest Rate, the Corporation shall cause a Liquidity Facility, a Credit Facility or a Self-Liquidity Arrangement to be in effect. On the date of issuance of the Bonds, a Credit Facility will be in effect.

(b) The Corporation will give the Agency, the Remarketing Agent, the Tender Agent and the Trustee written notification of any expiration, termination or replacement of the Liquidity Facility or the Credit Facility then in effect as soon as practicable after receiving knowledge thereof.

Covenants of the Corporation

The Loan Agreement provides that the Corporation will comply with each covenant, condition and agreement in the Master Indenture and the Loan Agreement. The Loan Agreement also sets forth certain other agreements of the Corporation with respect to: merger, sale and transfer of assets; examination of books and records of the Corporation by the Bond Trustee, and the Agency; furnishing to

the Agency, the Bond Trustee and the registered owners of the Bonds, financial statements and certain other information required to be furnished under the Master Indenture to the Master Trustee; the execution and delivery of supplements, amendments and other corrective instruments as may reasonably be required with respect to the performance of the Loan Agreement; and the filing and recording of financing statements and other instruments relating to the rights of the Bond Trustee as against other creditors of, or purchasers for value from, the Agency or the Corporation.

Secondary Market Disclosure

The Corporation covenants for the benefit of the persons who from time to time are the owners of the Bonds for federal income tax purposes (the "beneficial owners"):

(a) (x) to file within 60 days after the end of each quarter of each Fiscal Year, beginning with the Fiscal Year ending on September 30, 2008, with each nationally recognized municipal securities information repository and with any Vermont state information depository, its unaudited quarterly financial statements and (y) to file within 180 days after the end of each Fiscal Year, beginning with the Fiscal Year ending on September 30, 2008, with each nationally recognized municipal securities information repository and with any Vermont state information depository, core financial information for such Fiscal Year, including (i) the Audited Financial Statements and (ii) the financial and statistical data of the type generally included in the Official Statement for the Bonds, including financial and statistical data under the following headings in Appendix A to the Official Statement for the Bonds to the extent that such data are not included in the Audited Financial Statements referred to in clause (i) above:

(1) "Medical Staff – Medical Staff Profile and - Statistics";

(2) "Market Overview – Market Areas and Market Share and – Physician Market Share";

(3) "Historical Operational Results — Hospital Activities and — Physician Activities";

(4) "Outstanding Indebtedness and Interest Rate Swap Agreements";

(5) "Investment Policy"; and

(6) "Historical Financial Performance" (including the two tables contained therein); and

(b) to file in a timely manner, with each nationally recognized municipal securities information repository or with the Municipal Securities Rulemaking Board, and with any Vermont state information depository, notice of any failure of the Corporation to comply with paragraph (a) above and notice of any of the following events with respect to the Bonds, if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(vii) modifications to rights of the beneficial owners;

(viii) bond calls other than mandatory sinking fund redemptions;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds; and

(xi) rating changes.

No beneficial owner may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of any covenant in paragraph (a) above (the "Disclosure Covenant") or for any remedy for breach thereof, unless such owner shall have filed with the Corporation written notice of and request to cure such breach, and the Corporation shall have refused to comply within a reasonable time; provided, however, that failure to comply with the Disclosure Covenant shall not be an event of default under the Loan Agreement and shall not result in any acceleration of payment of the Bonds. All Proceedings shall be for the equal benefit of all beneficial owners of the outstanding Bonds benefited by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific performance of the Disclosure Covenant at issue. Notwithstanding the foregoing, no challenge to the adequacy of the information provided in accordance with the filings mentioned in paragraph (a) above may be prosecuted by any beneficial owner except in compliance with the remedial and enforcement provisions of the Loan Agreement.

Any amendment or modification to the Disclosure Covenant may only take effect if:

(1) the amendment or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Corporation;

(2) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934 ("Rule 15c2-12") as of the date of the Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(3) any such amendment or modification does not materially impair the interests of the beneficial owners, as determined either by parties unaffiliated with the Corporation (such as the Bond Trustee or bond counsel), or by approving vote of the registered owners of not less than a majority in principal amount of the Bonds then Outstanding pursuant to the terms of the Trust Agreement, as it may be amended from time to time.

In the case of any amendment, the annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

These provisions of the Loan Agreement shall terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the Bonds.

Defaults and Remedies

Events of Default are defined in the Loan Agreement to include: (a) failure of the Corporation to make any payment under the Loan Agreement (including, but not limited to, Loan Repayments) or Obligation No. 12 when due, whether at maturity, redemption, acceleration or otherwise, (b) failure of the Corporation to perform, observe or comply with any covenant, condition or agreement on its part under the Loan Agreement (other than a failure to make any Loan Repayment or Required Payment under the Loan Agreement), including any covenant, condition or agreement in the Master Indenture applicable to any Member of the Obligated Group and incorporated by reference in the Loan Agreement, and such failure continues for a period of 30 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Corporation by the Bond Trustee or to the Corporation and the Bond Trustee by the Holders of at least 25% in aggregate principal amount of the Bonds then Outstanding; provided, however, that if such performance, observation or compliance requires work to be done, action to be taken or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such 30-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as the Corporation shall commence such performance, observation or compliance within such period and shall diligently and continuously prosecute the same to completion, or (c) an Event of Default described in clause (e) or (f) under the caption "SUMMARY OF THE MASTER INDENTURE – Defaults and Remedies -- Events of Default" above shall have occurred and be continuing or the Master Trustee shall have declared the aggregate principal amount of Obligation No. 12 and all interest due thereon immediately due and payable in accordance with the provisions of the Master Indenture described in the first paragraph under the caption "SUMMARY OF THE MASTER INDENTURE – Defaults and Remedies -- Acceleration; Annulment of Acceleration" above.

Whenever any Event of Default under the Loan Agreement shall have happened and be continuing, the Agency may take the following remedial steps: (i) in the case of an Event of Default described in (a) in the preceding paragraph, the Agency may take whatever action at law or in equity is necessary or desirable to collect the payments then due under Obligation No. 12; (ii) in the case of an Event of Default described in (b) in the preceding paragraph, the Agency may take whatever action at law or in equity is necessary or desirable to enforce the performance, observance or compliance by the Corporation with any covenant, condition or agreement by the Corporation under the Loan Agreement; and (iii) in the case of an Event of Default described in (c) in the preceding paragraph, the Agency may take such action, or cease such action, as the Master Trustee directs, but only to the extent such directions are consistent with the provisions of the Master Indenture.

Notwithstanding any other provision of the Loan Agreement or any right, power or remedy existing at law or in equity or by statute, the Agency shall not under any circumstances declare the entire unpaid aggregate amount of the Loan to be immediately due and payable except in accordance with the directions of the Master Trustee in the event that the Master Trustee shall have declared the aggregate principal amount of Obligation No. 12 and all interest due thereon immediately due and payable in accordance with the Master Indenture.

Prepayment of Loan

The Corporation has the option to prepay, together with accrued interest, all or any portion of the unpaid aggregate amount of the Loan in accordance with the terms and provisions of the Trust

Agreement. Such prepayment shall be made by the Corporation taking, or causing the Agency to take, the actions required (i) for payment of the Bonds, whether by redemption or purchase prior to maturity or by payment at maturity, or (ii) to effect the purchase, redemption or payment at maturity of less than all of the Bonds according to their terms.

The Corporation shall have the option to prepay all or a portion of the unpaid aggregate amount of the Loan, together with accrued interest to the date of prepayment, from amounts received by the Corporation or another Member of the Obligated Group as insurance proceeds with respect to any casualty loss or failure of title or as condemnation awards, provided that such prepayment shall not be less than $100,000, upon the occurrence of the following event:

> Damage to or destruction of all or any part of the Property and Equipment by fire or casualty, or loss of title to or use of all or any part of the Property and Equipment as a result of the failure of title or as a result of Eminent Domain proceedings or proceedings in lieu thereof (if such damage, destruction, loss of title or loss of use causes such Property and Equipment to be impracticable to operate, as evidenced by an Officer's Certificate filed with the Agency and the Bond Trustee).

The Corporation shall have the option to prepay all of the unpaid aggregate amount of the Loan, together with accrued interest to the date of prepayment, upon the occurrence of the following event:

> Changes in the Constitution of the United States of America or of the State or legislation or administrative action, or failure of administrative action by the United States or the State or any agency or political subdivision of either thereof, or by reason of any judicial decision to such extent that in the opinion of the Board of Trustees of the Corporation (expressed in a resolution) and in the opinion of an independent management consultant, both filed with the Agency and the Bond Trustee, (i) the Loan Agreement is impossible to perform without unreasonable delay or (ii) unreasonable burdens or excessive liabilities not being imposed on the date of the Loan Agreement are imposed on the Corporation.

Subject to the provisions of the Master Indenture, the Loan Agreement shall not be construed to prohibit the Corporation from applying insurance proceeds with respect to any casualty loss or condemnation awards or payments in lieu thereof to the optional prepayment in part of the Loan in accordance with the provisions of the Loan Agreement.

To make a prepayment as described in the preceding paragraphs under this caption, the Hospital Representative must give written notice to the Agency and the Bond Trustee which will specify therein (i) the date of the intended prepayment of the Loan, (ii) the aggregate principal amount of the Bonds to be purchased, redeemed or paid at maturity and the date or dates on which the purchase, redemption or payment is to occur, (iii) the source of the money that will be used by the Corporation to make such prepayment of the Loan and (iv) subject to the requirements of the Trust Agreement the maturities of the Bonds to be called.

The Corporation has the right to revoke any notice of prepayment given pursuant to the Loan Agreement if, on or prior to the tenth (10th) Business Day preceding any date fixed for redemption of Bonds pursuant to the Trust Agreement, the Hospital Representative notifies the Bond Trustee in writing that the Corporation has elected to revoke its election to redeem such Bonds because it has determined that the source of money for such redemption specified in the notice given by the Hospital Representative pursuant to the Loan Agreement is not available.

Amendments to Agreement

The Loan Agreement may, without the consent of or notice to any of the Holders, be amended, from time to time, to:

(a) cure any ambiguity or formal defect or omission in the Loan Agreement or in any supplement thereto;

(b) correct or supplement any provisions in the Loan Agreement which may be inconsistent with any other provisions in the Loan Agreement or make any other provisions with respect to matters which do not materially or adversely affect the interest of the Holders;

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

(d) add conditions, limitations and restrictions on the Corporation to be observed thereafter;

(e) make any change to the administrative provisions hereof to accommodate the provisions of an Alternate Credit Facility; or

(f) while the Bonds bear interest at the Weekly Interest Rate, to modify the provisions of this Agreement to reflect any change to the Sinking Fund Requirements made pursuant to the Trust Agreement.

Any other amendments to the Loan Agreement require the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding.

While the Credit Facility is in effect for the Bonds, no amendment to this Agreement shall be come effective unless and until the Credit Facility Provider shall have consented to the execution and delivery of such amendment.

Exclusion from Gross Income Covenant

The Corporation covenants that it will not take, and will cause each other Member of the Obligated Group not to take, any action which will, or fail to take, or allow any other Member of the Obligated Group to fail to take, any action which failure will, cause interest on the Bonds to become includable in the gross income of the Holders for federal income tax purposes pursuant to the provisions of the Code.

Members, Officers and Employees of the Agency and the Corporation Not Liable

Neither the members, officers and employees of the Agency nor the members of the Board of Trustees or the officers and employees of the Corporation shall be personally liable for any costs, losses, damages or liabilities caused or subsequently incurred by the Corporation or any officer, director or agent thereof in connection with or as a result of the Loan Agreement.

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APPENDIX D

FORMS OF OPINIONS OF BOND COUNSEL

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SIDLEY AUSTIN BROWN & WOOD LLP

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LOS ANGELES
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SAN FRANCISCO
SHANGHAI
SINGAPORE
TOKYO
WASHINGTON, D.C.

April 15, 2004

Vermont Educational and Health
Buildings Financing Agency
Montpelier, Vermont

Ladies and Gentlemen:

We have examined Title 16, Chapter 131, Sections 3851-3862, Vermont Statutes Annotated, as amended (the "Act"), and certified copies of the proceedings of the Board of the Vermont Educational and Health Buildings Financing Agency (the "Board"), a body corporate and politic constituting a public instrumentality of the State of Vermont (the "Agency"), authorizing the issuance of revenue bonds of the Agency hereinafter described and other proofs submitted relative to the issuance of the following bonds (the "Bonds"):

$170,000,000

VERMONT EDUCATIONAL AND HEALTH BUILDINGS FINANCING AGENCY
VARIABLE RATE HOSPITAL REVENUE BONDS
(FLETCHER ALLEN HEALTH CARE PROJECT)
SERIES 2004B
(AUCTION RATE SECURITIES)

The Bonds are issued under and pursuant to the Act and a Trust Agreement, dated as of March 1, 2004 (the "Trust Agreement"), between the Agency and Chittenden Trust Company, as bond trustee (the "Bond Trustee"), for the purpose of providing funds, together with other available funds, to (i) pay, or reimburse Fletcher Allen Health Care, Inc. (the "Corporation") for paying, the cost of the Project (as described in the hereinafter defined Loan Agreement), (ii) pay a portion of the interest accruing on the Bonds during the construction period for the Project, and (iii) pay certain expenses incurred in connection with the authorization and issuance of the Bonds, including the premium on the municipal bond insurance policy being issued by Financial Security Assurance Inc. in connection with the issuance of the Bonds.

The Agency will lend the proceeds of the Bonds to the Corporation under a Loan Agreement, dated as of March 1, 2004 (the "Loan Agreement"), between the Agency and the Corporation. The Bonds are secured by, among other things, payments to be made by the

Corporation on its Obligation No. 9, dated as of March 1, 2004 ("Obligation No. 9"), issued by the Corporation under an Amended and Restated Master Trust Indenture, dated as of March 1, 2004 (the "Master Trust Indenture"), between the Corporation and Chittenden Trust Company, as master trustee (the "Master Trustee"), as such Master Trust Indenture is supplemented by Supplemental Indenture for Obligation No. 9, dated as of March 1, 2004 (the "Supplemental Indenture" and, together with the Master Trust Indenture, the "Master Indenture"), between the Corporation and the Master Trustee. Obligation No. 9 is being delivered to the Agency as evidence of the Corporation's obligations to repay the loan of the proceeds of the Bonds, and assigned by the Agency to the Bond Trustee as security for the payment of the Bonds. Obligation No. 9 is a direct, general and unconditional obligation of the Corporation secured by, among other things, a security interest in Pledged Assets (as defined in the Master Indenture) and a mortgage on substantially all of the real property of the Corporation at its Medical Center Campus.

The Bonds are dated and bear interest from the original issuance date thereof initially at an adjustable interest rate, can be converted from one interest rate period to a different interest rate period, are subject to redemption prior to their maturity, are issuable in fully registered form in denominations that vary according to the interest rate period in which the Bonds are situated from time to time and are subject to optional and mandatory tender for purchase, all in the manner and upon the terms and conditions set forth therein and in the Trust Agreement.

We have also examined one of the Bonds of each subseries as executed and authenticated.

Based upon such examinations, we are of the opinion that:

1. The Bonds have been duly authorized, executed and issued.

2. The Trust Agreement has been duly authorized and executed by the Agency and is a valid, binding and enforceable agreement in accordance with its terms.

3. The Bonds are valid and binding limited obligations of the Agency payable in accordance with their terms from payments to be made by the Corporation pursuant to Obligation No. 9 and the Loan Agreement, funds held by the Trustee under the Trust Agreement and money attributable to the proceeds of the Bonds and the income from the investment thereof, and, under certain circumstances, proceeds of insurance, condemnation awards and remedial action taken pursuant to the Master Indenture, the Trust Agreement or the Loan Agreement.

4. The Loan Agreement has been duly authorized and executed by the Agency and the Corporation and is a valid, binding and enforceable agreement in accordance with its terms.

5. The Master Indenture has been duly authorized and executed by the Corporation and is a valid, binding and enforceable agreement in accordance with its terms.

6. The Bonds shall not be deemed to constitute a debt or liability of the State of Vermont, and neither the faith and credit nor the taxing power of the State of Vermont is pledged for the payment of the principal of or the interest on the Bonds.

7. Based on existing law and assuming compliance by the Corporation and the Agency with their respective covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Bonds is not includible in gross income for federal income tax purposes. Interest on the Bonds will not be treated as a specific preference item in calculating the alternative minimum tax on individuals and corporations imposed by the Code; however, such interest will be included in the computation of the alternative minimum tax on corporations imposed by the Code. Failure by the Agency or the Corporation to comply with their respective covenants to comply with the provisions of the Code regarding use, expenditure, and investment of proceeds of the Bonds and the timely payment of certain investment earnings to the Treasury of the United States may cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactive to their date of issuance. The covenant of the Agency described above does not require the Agency to make any financial contribution for which it does not receive funds from the Corporation. The opinion expressed in the first sentence of this paragraph may not be relied upon to the extent that the exclusion from gross income of the interest on the Bonds for federal income tax purposes is adversely affected as a result of the taking of any action in reliance upon the opinion of counsel other than this firm. In rendering the opinion set forth in the first sentence of this paragraph, we have relied upon the representations made by the Corporation with respect to certain material facts within the knowledge of the Corporation, which we have not independently verified, and the opinion of Dinse, Knapp & McAndrew, P.C., Burlington, Vermont, counsel for the Corporation, that the Corporation is exempt from federal income taxation under Section 501(a) of the Code, as an organization described in Section 501(c)(3) of the Code. Other than as described herein, we have not addressed and we are not opining on the tax consequences to any investor of the investment in, or receipt of any interest on, the Bonds.

The Act provides that bonds of the Agency and the income therefrom shall at all times be exempt from taxation in the State of Vermont, except for transfer and estate taxes.

The enforceability of the Master Indenture, the Trust Agreement and the Loan Agreement and the obligations of the aforementioned parties with respect to such documents and the security interest and mortgage described above are subject to bankruptcy, insolvency and other laws affecting creditors' rights generally. To the extent that the remedies under the Master Indenture, the Trust Agreement and the Loan Agreement require enforcement by a court of equity, the enforceability thereof may be limited by such principles of equity as the court having jurisdiction may impose.

In rendering this opinion we have relied, without independent investigation, upon the opinion of Dinse, Knapp & McAndrew, P.C., Burlington, Vermont, counsel for the Corporation, with respect to the due organization and valid existence of the Corporation, its power and

authority with respect to the transactions contemplated by, and its due authorization, execution and delivery of, the Loan Agreement, Obligation No. 9 and the Master Indenture.

Respectfully submitted,

APPENDIX D-2

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FOUNDED 1866

May __, 2008

Vermont Educational and Health
Buildings Financing Agency
Montpelier, Vermont

Chittenden Trust Company,
as Bond Trustee
Burlington, Vermont

Fletcher Allen Health Care, Inc.
Burlington, Vermont

Re: Vermont Educational and Health Buildings Financing Agency
Hospital Revenue Bonds
(Fletcher Allen Health Care Project) Series 2004B

Ladies and Gentlemen:

We represent the Vermont Educational and Health Buildings Financing Agency in connection with the conversion of the above-captioned bonds (originally issued on April 15, 2004, the "Bonds") from the Auction Rate (as defined in the Trust Agreement hereinafter mentioned) to the Long-Term Interest Rate as described below, and we have examined Title 16, Chapter 131, Sections 3851-3862, Vermont Statutes Annotated, as amended (the "Act"), and certified copies of the proceedings of the Board of the Vermont Educational and Health Buildings Financing Agency (the "Board"), a body corporate and politic constituting a public instrumentality of the State of Vermont (the "Agency"), authorizing certain actions with respect to the revenue bonds of the Agency hereinabove described (the "Bonds") and other proofs submitted relative to such matters.

The Bonds have been issued under and pursuant to the Act and a Trust Agreement, dated as of March 1, 2004, as amended by Amendment No. 1 ("Amendment No. 1"), dated as of April 1, 2008 (collectively, the "Trust Agreement"), between the Agency and Chittenden Trust Company, as bond trustee. The Agency has loaned the proceeds of the Bonds to Fletcher Allen Health Care, Inc. (the "Hospital"), under a Loan Agreement, dated as of March 1, 2004, between the Agency and the Hospital. Capitalized terms used herein and not defined shall have the meanings ascribed thereto in the Trust Agreement. Pursuant to Section 205(k) of the Trust

Agreement, the Hospital on the date hereof has directed that the Bonds bear interest at a Long-Term Interest Rate for a period ending on the day prior to the maturity date of the Bonds.

Based upon such documents, instruments, records, certificates and matters of law as we have deemed necessary and appropriate for the purposes hereof, we are of the opinion that:

1. The adjustment of the Bonds to a Long-Term Interest Rate is authorized and permitted by the laws of the State of Vermont and the Trust Agreement and has been properly effected in accordance with the procedure therefor set forth in the Trust Agreement

2. Assuming continuing compliance by the Hospital and the Agency with their respective covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the adjustment of the Bonds to a Long-Term Interest Rate in accordance with the procedure therefor set forth in the Trust Agreement, in and of itself, will not adversely affect the exclusion from gross income for federal income tax purposes, or any exemption from Vermont income taxes, of interest on the Bonds, and

3. Based on existing law and assuming compliance by the Hospital and the Agency with their respective covenants to comply with the provisions of the Code, the interest on the Bonds is not includible in gross income for federal income tax purposes. Interest on the Bonds will not be treated as a specific preference item in calculating the alternative minimum tax on individuals and corporations imposed by the Code; however, such interest will be included in the computation of the alternative minimum tax on corporations imposed by the Code. Failure by the Agency or the Hospital to comply with their respective covenants to comply with the provisions of the Code regarding use, expenditure, and investment of proceeds of the Bonds and the timely payment of certain investment earnings to the Treasury of the United States may cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactive to their date of issuance. The covenant of the Agency described above does not require the Agency to make any financial contribution for which it does not receive funds from the Hospital. The opinion expressed in the first sentence of this paragraph may not be relied upon to the extent that the exclusion from gross income of the interest on the Bonds for federal income tax purposes is adversely affected as a result of the taking of any action in reliance upon the opinion of counsel other than this firm. In rendering the opinion set forth in the first sentence of this paragraph, we have relied upon the representations made by the Corporation with respect to certain material facts within the knowledge of the Hospital, which we have not independently verified, and the opinion of Dinse, Knapp & McAndrew, P.C., Burlington, Vermont, counsel for the Hospital, that the Hospital is exempt from federal income taxation under Section 501(a) of the Code, as an organization described in Section 501(c)(3) of the Code. Other than as described herein, we have not addressed and we are not opining on the tax consequences to any investor of the investment in, or receipt of any interest on, the Bonds.

The Act provides that bonds of the Agency and the income therefrom shall at all times be exempt from taxation in the State of Vermont, except for transfer and estate taxes.

This opinion is given as of the date hereof, and we assume no obligation to update this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in any laws or regulations which may hereafter occur.

This opinion is rendered solely in connection with the transaction contemplated hereby and is not to be relied upon by any other person, without our prior written consent; provided however, that the Auction Agent, the Market Agent, each Broker-Dealer and FSA may also rely upon this opinion.

Respectfully submitted,

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May __, 2008

Vermont Educational and Health
Buildings Financing Agency
Montpelier, Vermont

Ladies and Gentlemen:

We have examined Title 16, Chapter 131, Sections 3851-3862, Vermont Statutes Annotated, as amended (the "Act"), and certified copies of the proceedings of the Board of the Vermont Educational and Health Buildings Financing Agency (the "Board"), a body corporate and politic constituting a public instrumentality of the State of Vermont (the "Agency"), authorizing the issuance of revenue bonds of the Agency hereinafter described and other proofs submitted relative to the issuance of the following bonds (the "Bonds"):

$_____

VERMONT EDUCATIONAL AND HEALTH BUILDINGS FINANCING AGENCY
VARIABLE RATE HOSPITAL REVENUE REFUNDING BONDS
(FLETCHER ALLEN HEALTH CARE PROJECT)
SERIES 2008A

The Bonds are issued under and pursuant to the Act and a Trust Agreement, dated as of April 1, 2008 (the "Trust Agreement"), between the Agency and Chittenden Trust Company, as bond trustee (the "Bond Trustee"), for the purpose of providing funds, together with other available funds, to (i) currently refund the Agency's outstanding Variable Rate Hospital Revenue Bonds (Fletcher Allen Health Care Project) Series 2000B issued on behalf of Fletcher Allen Health Care, Inc. (the "Corporation") and (ii) pay certain expenses incurred in connection with the authorization and issuance of the Bonds.

The Agency will lend the proceeds of the Bonds to the Corporation under a Loan Agreement, dated as of April 1, 2008 (the "Loan Agreement"), between the Agency and the Corporation. The Bonds are secured by, among other things, payments to be made by the Corporation on its Obligation No. 12, dated as of April 1, 2008 ("Obligation No. 12"), issued by the Corporation under an Amended and Restated Master Trust Indenture, dated as of March 1, 2004 (the "Master Trust Indenture"), between the Corporation and Chittenden Trust Company,

as master trustee (the "Master Trustee"), as such Master Trust Indenture is supplemented by Supplemental Indenture for Obligation No. 12, dated as of April 1, 2008 (the "Supplemental Indenture" and, together with the Master Trust Indenture, the "Master Indenture"), between the Corporation and the Master Trustee. Obligation No. 12 is being delivered to the Agency as evidence of the Corporation's obligations to repay the loan of the proceeds of the Bonds, and assigned by the Agency to the Bond Trustee as security for the payment of the Bonds. Obligation No. 12 is a direct, general and unconditional obligation of the Corporation secured by, among other things, a security interest in Pledged Assets (as defined in the Master Indenture) and a mortgage on substantially all of the real property of the Corporation at its Medical Center Campus.

The Bonds are dated and bear interest from the original issuance date thereof initially at an adjustable interest rate, can be converted from one interest rate period to a different interest rate period, are subject to redemption prior to their maturity, are issuable in fully registered form in denominations that vary according to the interest rate period in which the Bonds are situated from time to time and are subject to optional and mandatory tender for purchase, all in the manner and upon the terms and conditions set forth therein and in the Trust Agreement.

We have also examined one of the Bonds as executed and authenticated.

Based upon such examinations, we are of the opinion that:

1. The Bonds have been duly authorized, executed and issued.

2. The Trust Agreement has been duly authorized and executed by the Agency and is a valid, binding and enforceable agreement in accordance with its terms.

3. The Bonds are valid and binding limited obligations of the Agency payable in accordance with their terms from payments to be made by the Corporation pursuant to Obligation No. 12 and the Loan Agreement, funds held by the Trustee under the Trust Agreement and money attributable to the proceeds of the Bonds and the income from the investment thereof, and, under certain circumstances, proceeds of insurance, condemnation awards and remedial action taken pursuant to the Master Indenture, the Trust Agreement or the Loan Agreement.

4. The Loan Agreement has been duly authorized and executed by the Agency and the Corporation and is a valid, binding and enforceable agreement in accordance with its terms.

5. The Master Indenture has been duly authorized and executed by the Corporation and is a valid, binding and enforceable agreement in accordance with its terms.

6. The Bonds shall not be deemed to constitute a debt or liability of the State of Vermont, and neither the faith and credit nor the taxing power of the State of Vermont is pledged for the payment of the principal of or the interest on the Bonds.

7. Based on existing law and assuming compliance by the Corporation and the Agency with their respective covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Bonds is not includible in gross income for federal income tax purposes. Interest on the Bonds will not be treated as a specific preference item in calculating the alternative minimum tax on individuals and corporations imposed by the Code; however, such interest will be included in the computation of the alternative minimum tax on corporations imposed by the Code. Failure by the Agency or the Corporation to comply with their respective covenants to comply with the provisions of the Code regarding use, expenditure, and investment of proceeds of the Bonds and the timely payment of certain investment earnings to the Treasury of the United States may cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactive to their date of issuance. The covenant of the Agency described above does not require the Agency to make any financial contribution for which it does not receive funds from the Corporation. The opinion expressed in the first sentence of this paragraph may not be relied upon to the extent that the exclusion from gross income of the interest on the Bonds for federal income tax purposes is adversely affected as a result of the taking of any action in reliance upon the opinion of counsel other than this firm. In rendering the opinion set forth in the first sentence of this paragraph, we have relied upon the representations made by the Corporation with respect to certain material facts within the knowledge of the Corporation, which we have not independently verified, and the opinion of Dinse, Knapp & McAndrew, P.C., Burlington, Vermont, counsel for the Corporation, that the Corporation is exempt from federal income taxation under Section 501(a) of the Code, as an organization described in Section 501(c)(3) of the Code. Other than as described herein, we have not addressed and we are not opining on the tax consequences to any investor of the investment in, or receipt of any interest on, the Bonds.

The Act provides that bonds of the Agency and the income therefrom shall at all times be exempt from taxation in the State of Vermont, except for transfer and estate taxes.

The enforceability of the Master Indenture, the Trust Agreement and the Loan Agreement and the obligations of the aforementioned parties with respect to such documents and the security interest and mortgage described above are subject to bankruptcy, insolvency and other laws affecting creditors' rights generally. To the extent that the remedies under the Master Indenture, the Trust Agreement and the Loan Agreement require enforcement by a court of equity, the enforceability thereof may be limited by such principles of equity as the court having jurisdiction may impose.

In rendering this opinion we have relied, without independent investigation, upon the opinion of Dinse, Knapp & McAndrew, P.C., Burlington, Vermont, counsel for the Corporation, with respect to the due organization and valid existence of the Corporation, its power and authority with respect to the transactions contemplated by, and its due authorization, execution and delivery of, the Loan Agreement, Obligation No. 12 and the Master Indenture.

Respectfully submitted,

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APPENDIX E

SPECIMEN BOND INSURANCE POLICY OF FINANCIAL SECURITY

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FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium: $

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment

made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 500NY (5/90)

APPENDIX F

THE LETTER OF CREDIT BANK

CERTAIN INFORMATION CONCERNING THE LETTER OF CREDIT BANK

TD Banknorth, N.A. (the "Bank") is a national banking association organized under the laws of the United States, with its principal executive offices located in Portland, Maine. The Bank is a wholly-owned subsidiary of TD Banknorth Inc. ("TD Inc.") and offers a full range of banking services and products to individuals, businesses and governments throughout its market areas, including commercial, consumer, trust, investment advisory and insurance agency services. The Bank operates banking offices in Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania and Vermont. As of December 31, 2007, the Bank had consolidated assets of $45.5 billion, consolidated deposits of $28.4 billion and stockholder's equity of $9.2 billion, based on regulatory accounting principles.

TD Inc. is a registered bank/financial holding company with its principal executive offices located in Portland, Maine, and on April 20, 2007, became an indirect wholly-owned subsidiary of The Toronto-Dominion Bank ("TD"), a Canadian chartered bank. Additional information regarding TD Inc. is set forth in its Annual Report on Form 10-K for the year ended December 31, 2006 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2007. As of July 2007, TD Inc. ceased filing periodic and other reports with the Securities and Exchange Commission (the "SEC").

On October 2, 2007, TD entered into a merger agreement with Commerce Bancorp, Inc. ("Commerce"), the holding company for Commerce Bank, N.A., Philadelphia, Pennsylvania, and Commerce Bank/North, Ramsey, New Jersey (together, the "Commerce Banks"), which provided for Commerce to be acquired by TD. The acquisition was consummated on March 31, 2008. The Commerce Banks and the Bank have filed an application with the Office of the Comptroller of the Currency for approval to merge the Commerce Banks with and into the Bank. In connection with this merger, the Bank's legal name will be changed to TD Bank, N.A. This proposed merger is expected to occur in the second quarter of 2008.

Additional information regarding the foregoing is available from the filings made by TD with the SEC, which filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. In addition, the SEC maintains a website at http://www.sec.gov, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning TD, TD Inc. and the Bank contained herein is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The Letter of Credit has been issued by the Bank and is the obligation of the Bank and not TD Inc. or TD.

The Bank will provide copies of TD Inc.'s most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q (in each case as filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended), and the publicly available portions of the most recent quarterly Call Report of

the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

TD Banknorth Inc.
P.O. Box 9540
Portland, ME 04112-9540
Attn: Corporate Communications
Mail Stop: ME 089-71

As noted above, effective July 2007, TD Inc. ceased filing periodic and other reports with the SEC. Information regarding the financial condition and results of operations of the Bank will continue to be contained in the quarterly Call Reports of the Bank delivered to the Comptroller of the Currency and available online at https://cdr.ffiec.gov/public. After the merger of the Commerce Banks with and into the Bank, quarterly Call Reports of the combined banks will be available under the name "TD Bank, N.A." General information regarding TD Inc. and the Bank may be found in periodic filings made by TD with the SEC. TD is a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare certain filings with the SEC in accordance with the disclosure requirements of Canada, its home country. Canadian disclosure requirements are different from those of the United States. TD's financial statements are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), and may be subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies prepared in accordance with United States generally accepted accounting principles ("US GAAP").

The delivery hereof shall not create any implication that there has been no change in the affairs of TD, TD Inc. or the Bank since the date hereof, or that the information contained or referred to in this Appendix F is correct as of any time subsequent to its date.

The Bank is responsible only for the information contained in this Appendix and did not participate in the preparation of, or in any way verify, the information contained in any other part of the Official Statement. Accordingly, the Bank assumes no responsibility for and makes no representation or warranty as to the accuracy or completeness of information contained in any other part of the Official Statement.

APPENDIX G

SUMMARY OF CERTAIN PROVISIONS OF THE BANK DOCUMENTS

The following is a brief description of the Letter of Credit and Letter of Credit and Reimbursement Agreement but does not purport to be complete, and reference should be made to the aforementioned documents for full and complete definitions. See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - The Letter of Credit" in the Official Statement.

The Corporation and TD Banknorth, National Association (the "Bank") are parties to the Letter of Credit and Reimbursement Agreement (the "Reimbursement Agreement"), dated as of April 1, 2008, pursuant to which the Bank has agreed, subject to the conditions contained in the Letter of Credit, to honor draws under the Letter of Credit during the period commencing on the date of issuance of the Letter of Credit and ending on the earlier of (i) April 30, 2013 (the "Stated Expiration Date"), (ii) the earlier of (A) the date which is fifteen (15) days after the Conversion Date (as defined in the Series 2008A Trust Agreement), or (B) the date on which a drawing under the Letter of Credit on or after the Conversion Date is honored, (iii) the date which is fifteen (15) days following receipt by the Trustee of a written notice from the Bank specifying the occurrence of an Event of Default under the Reimbursement Agreement, (iv) the date of receipt by the Bank of notice from the Trustee to the effect that an Alternate Credit Facility, a Liquidity Facility or a Self Liquidity Arrangement (as defined in the Series 2008A Trust Agreement) in full and complete substitution for the Letter of Credit has been accepted in accordance with the provisions of the Series 2008A Trust Agreement and has been in effect for at least one (1) Business Day; or (v) the principal balance of the Available Amount, as defined in the Reimbursement Agreement, has been reduced to zero and is not subject to reinstatement. Commencing in 2009, and for each year thereafter, the Stated Expiration Date of the Letter of Credit shall be automatically extended, without amendment to the Letter of Credit or further documentation, for additional one (1) year terms beyond the then current Stated Expiration Date, unless the Bank delivers a written notice to the Bond Trustee, with a copy to the Corporation, no later than May 1 of each year, that the Bank will not extend the Stated Expiration Date. THE BANK IS UNDER NO OBLIGATION TO EXTEND THE STATED EXPIRATION DATE.

The Bank will be entitled to exercise certain remedies (described below) available to it under the Reimbursement Agreement if any of the following events (each, an "Event of Default") shall occur and be continuing beyond any applicable periods of notice and grace: (a) a default in the payment when due of: (i) any Letter of Credit Disbursement; (ii) any interest on any Letter of Credit Disbursement; or (iii) any fees or other amounts payable under the Reimbursement Agreement; (b) any representation or warranty of the Corporation in the Reimbursement Agreement, any Bond Document or any Collateral Document or in any certificate, or instrument delivered to the Bank shall prove to have been incorrect in any material respect when made or reaffirmed; (c) the Corporation shall default in the performance or observance of certain terms or covenants contained in the Reimbursement Agreement; (d) failure by the Corporation to observe or perform any other term, condition, covenant or agreement set forth in the Reimbursement Agreement to be observed or performed by the Corporation (and not constituting an Event of Default under any of the preceding or following provisions) and such failure continues for a period of fifteen (15) or more days after (i) written notice thereof to the Corporation from the Bank or (ii) the Bank is notified of such failure, or should have been notified of such failure by the Corporation, pursuant to the terms of the Reimbursement Agreement; (e) the Corporation shall default, after giving effect to any grace period, in the performance or observance of any term under the Bond Documents or any Collateral Documents; (f) the Corporation or other Members of the Obligated Group shall default in the payment when due, after giving effect to any grace period, of any present or future Indebtedness, subject to certain exceptions; (g) a judgment for payment of money in an aggregate amount which, if

paid, would have a material adverse effect on the Corporation shall be rendered against the Corporation, and shall remain unsatisfied for thirty (30) days during which no stay of execution has been obtained; however, such a judgment shall not be considered an Event of Default provided it has been adequately reserved on the books of the Corporation, or is insured; (h) the occurrence of various insolvency or bankruptcy events with respect to the Corporation; (i) a Reportable Event or a material violation of ERISA shall have occurred with respect to any Plan or any employee benefit plan (as such term is defined by ERISA) sponsored by the Corporation or in which the Corporation is a participating employer; (j) any of the Collateral Documents (with associated financing statements), after delivery thereof, shall for any reason, except to the extent permitted by the terms thereof, cease to create a valid and perfected security interest of the priority set forth in the Reimbursement Agreement in any of the collateral purported to be covered thereby; (k) unless waived by the Bank, in writing, (i) any Event of Default, however defined, shall have occurred and be continuing under any Collateral Document or with respect to any obligation of the Corporation under any Bond Document, or (ii) the Corporation fails to comply with any covenant or financial obligation set forth in the Collateral Documents or the Bond Documents, or (iii) any representation or warranty made or deemed made by the Corporation in the Collateral Documents or the Bond Documents or which is contained in any exhibit, schedule or any other document or other statement furnished at any time under or in connection with the Collateral Documents, the Bond Documents or any of the other documents, instruments or certificates furnished by the Corporation in connection therewith shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or (l) an "Event of Default" (as defined in the Series 2008A Trust Agreement) occurs under the Series 2008A Trust Agreement or a default or event of default otherwise occurs under any other Bond Documents (subject to any applicable notice and cure provisions contained in the Bond Documents).

In the event of the occurrence of an Event of Default, and at any time during the continuance of such event, the Bank may declare all amounts under the Reimbursement Agreement to be immediately due and payable, without presentment, demand, protest, or further notice of any kind. Amounts not paid when due shall bear interest at the default rate set forth in the Reimbursement Agreement. Thereafter, the Bank may proceed to protect and enforce its rights, at law, in equity, or otherwise, against the Corporation, and may proceed to liquidate and realize upon any of its security in accordance with the rights of a secured party under the Uniform Commercial Code, or any Bond Document or Collateral Document including proceeding under the Collateral Documents.

If, at the time of the occurrence of an Event of Default, there remains any portion of the Letter of Credit Commitment undisbursed, the Corporation, upon demand, shall pay to the Bank to be held for application to drawings under the Letter of Credit, a sum which equals the entire Letter of Credit Commitment as of such date. Any amount so paid which has not been drawn on as of the expiry of the Letter of Credit shall be applied to the Corporation's other liabilities to the Bank (as applicable), and the balance, if any, shall be paid to the Corporation with interest at a rate to be determined by the Bank based upon the length of time that the Bank reasonably expects to hold the funds.

As used in the Reimbursement Agreement, the term "Bond Documents" includes the Series 2008A Trust Agreement, the Series 2008A Loan Agreement, this Official Statement, and the Remarketing Agreement for the Series 2008A Bonds. The term "Collateral Documents" means the Master Trust Indenture, any Supplemental Indentures supplementing said Master Trust Indenture, the Mortgage (as defined in the Master Trust Indenture) and any other agreement or document relating to the Mortgaged Property or the Pledged Assets that is entered into by the Corporation or is delivered by the Corporation to the Master Trustee or the Bank as security for the Series 2008A Bonds, the Corporation's obligations to repay the Series 2008A Loan, or the Corporation's obligations to the Bank under the Reimbursement Agreement. All other defined terms used herein, but not defined herein shall be as defined in the Reimbursement Agreement or in the Series 2008A Trust Agreement.

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VERMONT EDUCATIONAL AND HEALTH BUILDINGS FINANCING AGENCY (FLETCHER ALLEN HEALTH CARE PROJECT)
VARIABLE RATE HOSPITAL REVENUE BONDS SERIES 2004B AND VARIABLE RATE HOSPITAL REVENUE REFUNDING BONDS SERIES 2008A

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