

In the opinion of Bond Counsel, assuming continuing compliance with certain covenants described herein, under existing law, interest on the Bonds (a) is excludable from gross income for Federal income tax purposes and (b) is not an enumerated preference or adjustment for the purposes of computing the alternative minimum tax imposed on individuals and corporations; however, such interest may be taken into account in determining "adjusted current earnings" for the purpose of computing the alternative minimum tax imposed on corporations and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States. It is also the opinion of Bond Counsel that, by the terms of the Act (as defined herein), the principal amount of the Bonds, the interest payable thereon, their transfer, and income derived therefrom, including any profit made in the sale or transfer thereof, are and shall remain exempt from taxation by the State of Maryland and by its several counties and municipalities, but no opinion is expressed concerning estate or inheritance taxes, franchise taxes applicable to certain financial institutions or any other taxes not levied or assessed directly on the Bonds, the interest thereon, their transfer or the income derived therefrom. See "TAX MATTERS" herein.

\$65,000,000
Montgomery County, Maryland
Economic Development Revenue Bonds
(Trinity Health Credit Group)
Series 2001

Dated: October 15, 2001

Due: December 1, as set forth herein

The Bonds will be issued as fully registered bonds without coupons. When issued, the Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). So long as Cede & Co. is the registered owner of the Bonds, payments of the principal of and premium, if any, and interest on the Bonds will be made by Bank One Trust Company, N.A., as Trustee (the "Trustee"), to Cede & Co. DTC will act as securities depository for the Bonds, and individual purchases of Bonds will be made in book-entry only form, as described herein. Individual purchasers will not receive physical delivery of bond certificates. Principal of and interest on the Bonds will be payable by the Trustee to DTC. Subsequent disbursements of such principal and interest will be made to the individual purchasers of beneficial interests in the Bonds pursuant to DTC policies, as described herein. See "THE BONDS—Book-Entry System." The Bonds will mature in the years and will bear interest at the rates set forth on the inside cover hereof. Interest is payable on June 1, 2002 and semiannually thereafter on each June 1 and December 1. Purchases of Bonds will be made in book-entry form. Individual purchases of Bonds will be made in the principal amount of \$5,000 or any integral multiple thereof.

The Bonds are limited obligations of Montgomery County, Maryland (the "Issuer"). The principal of and premium, if any, and interest on the Bonds shall be payable solely from certain funds and accounts held under the Indenture and from certain payments to be made by Trinity Health Corporation ("Trinity Health") pursuant to the Loan Agreement, as described herein. The obligation of Trinity Health to make such payments is evidenced and secured by the Series 2001 Obligation issued to the Issuer under and pursuant to the terms of the Master Trust Indenture described herein. Trinity Health is obligated to make payments on the Series 2001 Obligation in amounts sufficient to permit the Issuer to pay when due the principal of and premium, if any, and interest on the Bonds.

THE BONDS AND INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, THE PRINCIPAL OF AND INTEREST ON, AND THE REDEMPTION PRICE OF, WHICH ARE PAYABLE SOLELY FROM THE REVENUES TO BE RECEIVED IN CONNECTION WITH THE FINANCING AND REFINANCING OF THE PROJECT OR FROM ANY OTHER MONEYS MADE AVAILABLE TO THE ISSUER FOR SUCH PURPOSE. NEITHER THE BONDS NOR INTEREST THEREON, NOR THE REDEMPTION PRICE THEREOF, SHALL EVER CONSTITUTE AN INDEBTEDNESS OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF MARYLAND, THE ISSUER OR ANY OTHER PUBLIC BODY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR CHARTER PROVISION OR STATUTORY LIMITATION AND NONE OF THE ABOVE SHALL EVER CONSTITUTE OR GIVE RISE TO ANY PECUNIARY LIABILITY OF THE STATE OF MARYLAND, THE ISSUER OR ANY OTHER PUBLIC BODY. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS TO WHICH THE FAITH OR CREDIT OF THE STATE OF MARYLAND, THE ISSUER OR ANY OTHER PUBLIC BODY IS PLEDGED.

The Bonds are subject to redemption prior to maturity as herein described.

This cover page contains certain information for quick reference only. It is not intended to be a summary of the security or terms of the Bonds offered hereby. Investors are instructed to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered subject to prior sale, when, as and if issued by the Issuer and accepted by the Underwriters, subject to the approval of legality by Venable, Baetjer and Howard, LLP, Baltimore, Maryland, as Bond Counsel, and to the approval of certain legal matters for Trinity Health by its counsel, Foley & Lardner, Chicago, Illinois, and for the Underwriters by their counsel, Sidley Austin Brown & Wood LLP, San Francisco, California. It is expected that the Bonds will be available for delivery to DTC on or about November 8, 2001.

MORGAN STANLEY
BEAR, STEARNS & CO., INC. **GOLDMAN, SACHS & CO.**

Dated: October 31, 2001

† For an explanation of ratings, see "RATINGS" herein.

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

\$65,000,000
Montgomery County, Maryland
Economic Development Revenue Bonds
(Trinity Health Credit Group)
Series 2001

\$9,765,000 Serial Bonds

Maturity Date (December 1)	Amount	Interest Rate	Price or Yield	Maturity Date (December 1)	Amount	Interest Rate	Price or Yield
2005	\$1,255,000	3 1/8%	100	2009	\$1,440,000	3 7/8%	3.97%
2006	1,295,000	3 3/8	100	2010	1,495,000	4	4.07
2007	1,340,000	3.6	100	2011	1,555,000	4 1/8	4.17
2008	1,385,000	3 3/4	3.84%				

\$9,030,000 5 1/2% Term Bonds due December 1, 2016 - Priced to Yield 4.77%
\$14,420,000 5 1/8% Term Bonds due December 1, 2022 - Priced to Yield 5.2%
\$31,785,000 5 1/4% Term Bonds due December 1, 2031 - Priced to Yield 5.33%
(plus accrued interest from October 15, 2001)

The information relating to the Issuer contained herein under the heading “THE ISSUER” has been furnished by the Issuer. All other information contained herein has been obtained from Trinity Health, DTC and other sources (other than the Issuer) that are believed to be reliable. Such other information is not guaranteed as to accuracy or completeness by and is not to be relied upon or construed as a promise or representation by the Issuer. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their respective responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesperson or other person has been authorized by the Issuer, Trinity Health, or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such information or representation 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. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any statement nor any sale made hereunder shall create under any circumstances any implication that there has been no change in the affairs of the Issuer, Trinity Health, or DTC since the date hereof. This Official Statement is submitted in connection with the issuance of securities referred to herein and may not be used, in whole or in part, for any other purpose.

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

CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN
THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements generally are identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information under the captions “OUTSTANDING INDEBTEDNESS — Anticipated Financings,” “PLAN OF FINANCING,” and “BONDHOLDERS’ RISKS” in the forepart of this Official Statement and the statements under the caption “FINANCIAL AND OPERATING INFORMATION — Management’s Discussion and Analysis of Recent Financial Performance” in APPENDIX A to this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Trinity Health does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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OFFICIAL STATEMENT

\$65,000,000
Montgomery County, Maryland
Economic Development Revenue Bonds
(Trinity Health Credit Group)
Series 2001

INTRODUCTORY STATEMENT

The following introductory statement is subject in all respects to the more complete information set forth in this Official Statement.

Purpose of Official Statement

The purpose of this Official Statement, including the cover page and the appendices, is to set forth information in connection with the offering of \$65,000,000 aggregate principal amount of the Economic Development Revenue Bonds (Trinity Health Credit Group) Series 2001 (the “Bonds”) of Montgomery County, Maryland (the “Issuer”).

The Bonds

The Bonds will be issued pursuant to a Bond Indenture, dated as of October 15, 2001 (the “Indenture”), by and between the Issuer and Bank One Trust Company, N.A., as Trustee (the “Trustee”). The proceeds of the Bonds will provide funds to be loaned by the Issuer to Trinity Health Corporation (“Trinity Health”) pursuant to the terms of a Loan Agreement, dated as of October 15, 2001 (the “Loan Agreement”), between the Issuer and Trinity Health. The proceeds of such loan will be used (i) to finance or refinance the construction of certain improvements and the renovation of certain existing facilities at Holy Cross Hospital in Silver Spring, Maryland (“Holy Cross Hospital”), and (ii) to pay certain costs of issuing the Bonds. See “PLAN OF FINANCING” herein.

The Issuer

For a description of the Issuer, see “THE ISSUER” herein.

Trinity Health

Trinity Health is an Indiana nonprofit corporation that is the “parent” organization of a national health care system formed under the joint sponsorship of the Congregation of the Sisters of the Holy Cross, Notre Dame, Indiana (the “Holy Cross Sisters”), and the Sisters of Mercy, Regional Community of Detroit (the “Sisters of Mercy”), both religious congregations of women established according to the Canon Law of the Roman Catholic Church. On May 1, 2000, Holy Cross Health System Corporation (“Holy Cross”) and Mercy Health Services (“Mercy”) entered into a System Consolidation Agreement (the “System Consolidation Agreement”), pursuant to which Holy Cross changed its name to Trinity Health Corporation (“Trinity Health”) and became the direct controlling corporate member of Mercy, which changed its name to Trinity Health – Michigan (“Trinity Health – Michigan”). As a consequence of its direct membership in Trinity Health – Michigan, Trinity Health became the indirect controlling corporate member of the various nonprofit corporations affiliated with Trinity Health – Michigan (the “Trinity Health – Michigan Affiliates”). Trinity Health was and remains the direct or indirect controlling corporate member or shareholder of the various nonprofit and for-profit corporations affiliated with Holy Cross (the “Holy Cross Affiliates”).

In addition to Trinity Health and Trinity Health-Michigan, several other organizations that are in the business of delivering health care or related services in various parts of the country have names that include the term “Trinity” or “Trinity Health.” These organizations are not associated with the Credit Group (as defined in the following section). Only the organizations described in Appendix A hereto or any of their subsidiaries are affiliated with Trinity Health.

Holy Cross (now named Trinity Health) was incorporated as an Indiana nonprofit corporation in 1978 to coordinate the health care activities of the Holy Cross Sisters. In 1998, Holy Cross amended and restated its existing master indenture pursuant to the Master Trust Indenture (Amended and Restated) as of July 1, 1998 (the “Master Indenture”), between Holy Cross and Chase Manhattan Trust Company, National Association, as successor master trustee (the “Master Trustee”), pursuant to which Holy Cross became (and continues to be) the sole member of the Obligated Group established thereunder (the “Trinity Obligated Group,” with the members of the Trinity Obligated Group collectively being referred to herein as the “Members” and individually being referred to as a “Member”). In addition, Holy Cross designated certain of the Holy Cross Affiliates as Designated Affiliates under (and as defined in) the Master Indenture. As of the date of this Official Statement, Trinity Health is the only member of the Trinity Obligated Group and is the only entity contractually obligated to make payments on Obligations issued under the Master Indenture.

Mercy (now named Trinity Health – Michigan) was incorporated as a Michigan nonprofit corporation in 1976 to assume ownership of the health care facilities sponsored by the Sisters of Mercy. Trinity Health – Michigan is the controlling member or owner of a number of nonprofit and for-profit corporations. Trinity Health – Michigan and four of those nonprofit affiliates, Mercy Health Services - Iowa (“Mercy - Iowa”), Mercy Medical Center – Clinton (“Clinton”), Battle Creek Health System (“Battle Creek”) and Trinity Continuing Care Services (“Continuing Care”), are the only members of the Trinity Health – Michigan Obligated Group (the “Trinity Health – Michigan Obligated Group”) established under the Master Trust Indenture, dated as of June 1, 1991 (as supplemented and amended, the “Trinity Health – Michigan Master Indenture”), by and among the members of the Trinity Health – Michigan Obligated Group and Bank One Trust Company, N.A., as Master Trustee (the “Trinity Health – Michigan Master Trustee”). All debt secured by obligations issued under the Trinity Health – Michigan Master Indenture (the “Trinity Health – Michigan Obligations”) are the joint and several obligations of all members of the Trinity Health – Michigan Obligated Group. Until the Trinity Health – Michigan Master Indenture is discharged, holders of Trinity Health – Michigan Obligations and the debt secured thereby will have the right to proceed directly against the members of the Trinity Health – Michigan Obligated Group to receive payment on such debt. See “OUTSTANDING INDEBTEDNESS — Outstanding Parity Indebtedness” herein. Neither Trinity Health nor the Holy Cross Affiliates are members of the Trinity Health – Michigan Obligated Group.

As a consequence of the corporate reorganization and consolidation that occurred in May 2000, Trinity Health controls or owns, directly or indirectly, various nonprofit and for-profit corporations and other organizations originally controlled or owned by Holy Cross or Mercy, which corporations and organizations own and operate 30 hospitals and a number of health care facilities in the States of California, Idaho, Indiana, Iowa, Maryland, Michigan and Ohio.

Trinity Health and certain of the Affiliates (hereinafter defined), including all of the current Designated Affiliates, are exempt from federal taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended (the “Code”), as organizations described in Section 501(c)(3) of the Code.

Trinity Health Credit Group

The Trinity Health Credit Group (the “Credit Group”) is composed of Trinity Health, any future Trinity Obligated Group Members, all Designated Affiliates and all Affiliates. “Affiliates” are those entities that are controlled, directly or indirectly, by Trinity Health. Designated Affiliates are those entities, which need not be Affiliates, which have been designated as such by Trinity Health pursuant to the Master Indenture. The members of the Trinity Health – Michigan Obligated Group are Designated Affiliates under the Master Indenture.

Trinity Health, as the only current Trinity Obligated Group Member, is the only entity directly obligated to make payments on Obligations issued under the Master Indenture. Under the Master Indenture, Trinity Health is obligated to cause its Designated Affiliates, and use reasonable efforts to cause its Affiliates, subject (in each case) to contractual and organizational limitations, to pay, loan or otherwise transfer to Trinity Health such moneys as are necessary to pay principal, premium or interest on Obligations issued thereunder.

At the time of the consolidation, Trinity Health issued Obligations in an aggregate principal amount of \$684,370,000 under the Master Indenture (the “Consolidation Obligations”), assuming the payment obligation of the Trinity Health – Michigan Obligated Group on Trinity Health – Michigan Obligations and the debt secured thereby. Notwithstanding the issuance of the Consolidation Obligations, the Trinity Health – Michigan Obligations remain the joint and several obligations of the members of the Trinity Health – Michigan Obligated Group.

Security for the Bonds

As security for the repayment obligation of Trinity Health under the Loan Agreement, Trinity Health will issue and deliver to the Issuer the Obligation 2001 (Montgomery County, Maryland) (the “Series 2001 Obligation”) in a principal amount equal to the aggregate principal amount of the Bonds. The Series 2001 Obligation will be issued by Trinity Health under and will be secured by the Master Indenture, as supplemented by Supplemental Master Indenture Number Six, dated as of October 15, 2001 (“Supplement Number Six”), between Trinity Health and the Master Trustee. The Series 2001 Obligation will be the general unsecured joint and several obligation of Trinity Health and any future Members of the Trinity Obligated Group.

The terms of the Loan Agreement and the Series 2001 Obligation require payments by Trinity Health sufficient to provide for the timely payment of the principal of, premium, if any, and interest on the Bonds. Neither the Designated Affiliates nor the Affiliates will be obligated to make any debt service payments on the Series 2001 Obligation. However, Trinity Health covenants in the Master Indenture to cause its Designated Affiliates and to use reasonable efforts to cause its Affiliates to pay, loan or otherwise transfer to Trinity Health such moneys as are necessary, in the aggregate, to enable Trinity Health to pay the debt service on all outstanding Obligations, including the Series 2001 Obligation, subject in each case to contractual and organizational limitations. See “BONDHOLDERS’ RISKS — Factors Concerning the Enforceability of Obligations Under the Master Indenture” herein.

For a more complete description of the security for the Bonds, see “OUTSTANDING INDEBTEDNESS” and “THE BONDS — Security for the Bonds — The Master Indenture” herein.

THE BONDS AND INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, THE PRINCIPAL OF AND INTEREST ON, AND THE REDEMPTION PRICE OF, WHICH ARE PAYABLE SOLELY FROM THE REVENUES TO BE RECEIVED IN CONNECTION WITH THE FINANCING AND REFINANCING OF THE PROJECT OR FROM ANY OTHER MONEYS MADE

AVAILABLE TO THE ISSUER FOR SUCH PURPOSE. NEITHER THE BONDS NOR INTEREST THEREON, NOR THE REDEMPTION PRICE THEREOF, SHALL EVER CONSTITUTE AN INDEBTEDNESS OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF MARYLAND, THE ISSUER OR ANY OTHER PUBLIC BODY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR CHARTER PROVISION OR STATUTORY LIMITATION AND NONE OF THE ABOVE SHALL EVER CONSTITUTE OR GIVE RISE TO ANY PECUNIARY LIABILITY OF THE STATE OF MARYLAND, THE ISSUER OR ANY OTHER PUBLIC BODY. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS TO WHICH THE FAITH OR CREDIT OF THE STATE OF MARYLAND, THE ISSUER OR ANY OTHER PUBLIC BODY IS PLEDGED.

Bondholders' Risks

An investment in the Bonds involves the assumption of certain risks that relate primarily to the ability of Trinity Health and the other members of the Credit Group to generate revenues from operations that will be sufficient to pay debt service on the Bonds and other Indebtedness of the Credit Group. The disclosure of risks contained herein under the caption, "BONDHOLDERS' RISKS," is based upon Trinity Health management's assessment of the impact that such risks might have on Trinity Health and the other members of the Credit Group, taken as a whole. In the event that the identity or composition of the Credit Group changes, the impact of such risks might differ from Trinity Health management's present assessment of the impact of such risks.

Defined Terms

All capitalized terms used in this Official Statement with respect to discussions of particular documents, unless otherwise defined or the context otherwise indicates, have the same meaning as in the Master Indenture or the Indenture, as applicable. See "Definitions of Certain Terms" in APPENDIX C – "SUMMARY OF INDENTURE AND LOAN AGREEMENT" and "Definitions" in APPENDIX D – "SUMMARY OF THE MASTER INDENTURE" hereto.

Underlying Documents

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document. Copies of the Master Indenture, Supplement Number Six, the Loan Agreement, and the Indenture will be available on and after the date of delivery of the Bonds in reasonable quantities upon request to the Trustee.

THE ISSUER

The Issuer is a body politic and corporate and a political subdivision of the State of Maryland (the "State"). Pursuant to the provisions of the Maryland Economic Development Revenue Bond Act, as amended (the "Act"), the Issuer is authorized to issue revenue bonds for the purpose of financing or refinancing the cost of acquisition of one or more facilities. The term "facilities," as defined in the Act, means any land or interest in land, buildings, structures, machinery, equipment, furnishings, or other real or personal property or interest in them, or any combination of them, the acquisition of which the legislative body of a county, in its sole and absolute discretion, finds and determines by resolution will accomplish one or more of the legislative purposes set forth in the Act. Pursuant to the Act, and by proper resolutions of the Issuer, the Issuer is authorized and empowered to issue the Bonds, to loan the

proceeds thereof to Trinity Health and to secure the Bonds by a pledge of the amounts payable by Trinity Health under the Loan Agreement.

The Bonds are *not* a general obligation of the Issuer or any other public body and are payable only from the sources described herein.

The Issuer has not participated in the preparation of this Official Statement and makes no representation with respect to the accuracy or completeness of any of the material contained in this Official Statement, except for the information relating to the Issuer under the headings “THE ISSUER” and “PENDING LITIGATION – The Issuer.” The Issuer is not responsible for providing any purchaser of the Bonds with any information relating to the Bonds or any of the parties or transactions referred to in this Official Statement or for the accuracy or completeness of any such information obtained by any purchaser.

THE TRINITY HEALTH CREDIT GROUP

Master Indenture

The Credit Group established under the Master Indenture is composed of the Trinity Obligated Group Members (currently consisting of only Trinity Health), their Affiliates and the Designated Affiliates described in clauses (i) and (ii) below. The Master Indenture permits Trinity Health to designate a Person (which need not be an Affiliate) as a “Designated Affiliate,” provided that Trinity Health either (i) maintains, directly or indirectly, control of such Designated Affiliate to the extent required to cause such Designated Affiliate to comply with the terms of the Master Indenture that are applicable to it or (ii) has in effect contracts or other agreements that are sufficient to cause such Designated Affiliate to comply with the terms of the Master Indenture that are applicable to it. At September 30, 2001, there were 19 Designated Affiliates, all of which are Affiliates of Trinity Health. See APPENDIX A – “TRINITY HEALTH CREDIT GROUP” for a list of the current Designated Affiliates.

Neither the Designated Affiliates nor the Affiliates are obligated to make any debt service payments on any Obligation issued under the Master Indenture.

Admissions to and Withdrawals from Trinity Obligated Group

Other organizations may become Members of the Trinity Obligated Group, and Members (other than Trinity Health) may withdraw from the Trinity Obligated Group in accordance with the provisions of the Master Indenture, without satisfying any financial conditions. See APPENDIX D – “SUMMARY OF THE MASTER INDENTURE – Covenants.”

Designated Affiliates

The current Designated Affiliates generated, in fiscal year ended June 30, 2001, approximately 83.9% of the total operating revenues and 154.8% of the excess of revenue over expenses of Trinity Health and, at June 30, 2001, owned or controlled, in the aggregate, approximately 87.3% of the total assets and 95.2% of the unrestricted net assets of the Trinity Health Credit Group.

The Designated Affiliates that also are members of the Trinity Health – Michigan Obligated Group under the Trinity Health – Michigan Master Indenture remain subject to the covenants and limitations of the Trinity Health – Michigan Master Indenture so long as any Trinity Health – Michigan Obligations remain outstanding. Such Designated Affiliates are directly, jointly and severally liable on

the Trinity Health – Michigan Obligations, of which \$186,810,000 were outstanding as of June 30, 2001. The obligation of these Designated Affiliates to transfer funds to Trinity Health for the purposes described herein is limited by the covenants in the Trinity Health – Michigan Master Indenture regarding the transfer of property. Management of Trinity Health has determined that the Trinity Health – Michigan Master Indenture permits such Designated Affiliates collectively to transfer amounts not exceeding \$233,823,000 through and including the date on which audited financial statements for the Trinity Health – Michigan Obligated Group for the fiscal year ending June 30, 2002 are available. Management of Trinity Health anticipates that some portion of the Trinity Health – Michigan Obligations will remain outstanding for the next several years. See “OUTSTANDING INDEBTEDNESS — Outstanding Parity Indebtedness — Trinity Health – Michigan” herein.

Any Designated Affiliate whose total revenues for any fiscal year exceed 5% of the combined total revenues of the Credit Group for such fiscal year is a Material Designated Affiliate (collectively, “Material Designated Affiliates”) under the Master Indenture. Four of the Designated Affiliates are Material Designated Affiliates. Trinity Health has covenanted and any future Members of the Trinity Obligated Group will covenant in the Master Indenture to cause the Material Designated Affiliates to comply with certain covenants that otherwise are not applicable to Designated Affiliates that are not Material Designated Affiliates. See “THE BONDS — Security for the Bonds — Master Indenture — Operational and Financial Covenants,” for a description of certain of the covenants that are applicable to all Designated Affiliates and others that are applicable only to Material Designated Affiliates.

Trinity Health may, at any time and without satisfying any financial or other conditions, declare that a Designated Affiliate shall no longer be a Designated Affiliate under the Master Indenture, as long as no event of default or an event that, with the passage of time or giving of notice or both, would constitute an event of default has occurred and is continuing under the Master Indenture or would result from the withdrawal of such designation. Accordingly, there can be no assurance that the current Designated Affiliates will continue as such or that other organizations will or will not be so designated. Trinity Health has covenanted in the Continuing Disclosure Agreement (as hereinafter defined) to include a current list of the Designated Affiliates in each Annual Report (as hereinafter defined) to be prepared by Trinity Health pursuant to the Continuing Disclosure Agreement. See “CONTINUING DISCLOSURE,” herein.

Designated Affiliates and Affiliates Not Liable on Obligations

The Series 2001 Obligation will be a general unsecured obligation of Trinity Health (and any future Trinity Obligated Group Members), and neither the Designated Affiliates nor the Affiliates will be obligated to pay any debt service thereon. However, Trinity Health covenants and any future Trinity Obligated Group Members will covenant to cause their respective Designated Affiliates and to use reasonable efforts to cause their respective Affiliates to pay, loan or otherwise transfer to Trinity Health such amounts as are necessary, in the aggregate, to enable Trinity Health or such future Trinity Obligated Group Member to pay the debt service on any Obligation issued pursuant to the Master Indenture, including the Series 2001 Obligation, subject (in each case) to contractual and organizational limitations. See “BONDHOLDERS’ RISKS — Factors Concerning the Enforceability of Obligations Under the Master Indenture” herein.

Covenants of the Trinity Obligated Group

Certain covenants in the Master Indenture apply only to Trinity Health and any future Members of the Trinity Obligated Group. Trinity Health and any future Trinity Obligated Group Members are obligated not only to comply with certain other covenants but also to cause their respective Designated Affiliates (or, in some instances, their Material Designated Affiliates only) to comply with such

covenants. In addition, Trinity Health and any future Trinity Obligated Group Members are obligated to use reasonable efforts to cause those of their respective Affiliates that are not Designated Affiliates to comply with such provisions. See “THE BONDS — Security for the Bonds — Master Indenture — Operational and Financial Covenants,” herein.

No Limitation on Incurrence of Debt or Transfer of Assets

The Master Indenture does not limit the ability of any Trinity Obligated Group Member, any Designated Affiliate or any Affiliate to incur Indebtedness or to sell, lease or otherwise dispose of its assets, except that, in the case of Trinity Health and any future Trinity Obligated Group Member, the Master Indenture limits their ability to sell or convey substantially all of their assets. See “THE BONDS — Security for the Bonds — Master Indenture — Operational and Financial Covenants,” herein.

OUTSTANDING INDEBTEDNESS

Outstanding Parity Indebtedness

Trinity Health. As of June 30, 2001, there were \$1,222,680,000 of bonds previously issued for the benefit of Trinity Health and its Affiliates (collectively, the “Outstanding Bonds”), in addition to the Bonds described below. The Outstanding Bonds are secured by Obligations issued under the Master Indenture, which Obligations will be outstanding on the date of delivery of the Bonds and the Series 2001 Obligation.

In 1995, Trinity Health began issuing its Commercial Paper Notes (the “CP Notes”) under the Master Indenture. The CP Notes are outstanding from time to time in various principal amounts not exceeding \$70,000,000 in available commitments from liquidity banks and, as of June 30, 2001, were outstanding in the aggregate principal amount of \$69,798,000. Management of Trinity Health anticipates retiring a significant portion of the CP Notes from internally generated funds during fiscal year 2002. However, there can be no assurance that any of the CP Notes will be retired within this timeframe. Trinity Health also issued promissory notes under the Master Indenture to banks providing liquidity facilities for certain revenue bonds (outstanding in the principal amount of \$545,450,000, as of June 30, 2001) in order to evidence and secure its obligations under credit agreements entered into with such banks with respect to such liquidity facilities.

At the time of the consolidation, Trinity Health issued the Consolidation Obligations in separate series evidencing Trinity Health’s obligation to pay the debt service on the several series of Trinity Health – Michigan Obligations. Each series of Consolidation Obligations will remain outstanding until the corresponding Trinity Health – Michigan Obligation is retired.

Trinity Health – Michigan. As of June 30, 2001, the Trinity Health – Michigan Obligations secured six bond issues, of which \$186,810,000 in aggregate principal amount was then outstanding (the “Trinity Health – Michigan Bonds”).

All outstanding Trinity Health – Michigan Bonds are secured by Trinity Health – Michigan Obligations issued under the Trinity Health – Michigan Master Indenture and the Consolidation Obligations. Management of Trinity Health anticipates refinancing or redeeming portions of such bonds over the next several years as financial conditions warrant. However, there can be no assurance that such bonds will be refinanced or redeemed or that the Trinity Health – Michigan Master Indenture will be discharged within this timeframe. Additionally, there can be no assurance that such bonds will be refinanced at any time and, thus, that the Trinity Health – Michigan Master Indenture will be discharged

before such bonds mature. Trinity Health does not expect to issue debt secured by Trinity Health – Michigan Obligations in the future.

Other Outstanding Indebtedness

As of June 30, 2001, Trinity Health was obligated on approximately \$91,541,000 of additional Long-Term Indebtedness, none of which is secured by any Obligations.

Anticipated Financings

Trinity Health expects to incur additional indebtedness in the future, which may or may not be secured by Obligations issued under the Master Indenture. There is no limit on the amount of indebtedness that may be incurred by Trinity Health under the Master Indenture.

PLAN OF FINANCING

Certain proceeds of the Bonds will be applied to finance or refinance a portion of facilities improvement programs (the “Project”) at Holy Cross Hospital. The Project will include (i) construction of and acquisition of furnishings, fixtures and equipment for two new patient care floors, a new emergency department, a four-story physician specialty wing, a community education center, and a parking structure; (ii) renovation of and acquisition of furnishings, fixtures and equipment for certain existing patient care floors, an existing parking structure and all facility entrances; and (iii) landscaping, construction of roads or other rights of access, and installation of utilities and other site facilities as may be necessary or suitable for the foregoing. In total, the Project will add approximately 215,000 square feet of new construction and will renovate approximately 196,000 square feet of space in existing facilities. The total cost of the facilities improvement program is expected to be approximately \$66,142,000. Trinity Health has obtained all necessary permits and approvals required to date for the Project and expects to obtain in due course any additional permits or approvals that may be required in the future for completion of the Project.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses (exclusive of accrued interest) of funds related to the Bonds.

Sources of Funds	
Par Amount of Bonds	\$65,000,000
Net Original Issue Discount	(27,555)
TOTAL SOURCES	<u>\$64,972,445</u>
Uses of Funds	
The Project	\$61,863,978
Capitalized Interest	2,347,039
Issuance Costs ⁽¹⁾	761,428
TOTAL USES	<u>\$64,972,445</u>

⁽¹⁾ Includes legal, printing, Issuer's and rating agency fees, Underwriters' discount and other miscellaneous fees and expenses.

THE BONDS

Security for the Bonds

General. The Bonds are limited obligations of the Issuer, payable from Loan Repayments required to be paid under the Loan Agreement, from payments required to be made by Trinity Health on the Series 2001 Obligation and from other funds held under the Indenture. In the Loan Agreement, Trinity Health agrees to make payments to the Issuer, which payments, in the aggregate, will be in an amount sufficient, together with other available funds, for the payment in full of all amounts payable with respect to the Bonds, including the total interest payable on such Bonds to their respective dates of maturity, the principal amount of such Bonds, any redemption premiums and certain other fees and expenses (the "Additional Payments"), less any amounts available for such payments, as provided in the Indenture. The Bonds also are payable from bond proceeds and investment earnings thereon, in the manner and to the extent set forth in the Indenture.

The Master Indenture. Under the Master Indenture, only Trinity Health and future Trinity Obligated Group Members, if any, will be obligated to make payments on the Series 2001 Obligation. However, Trinity Health has agreed and any future Trinity Obligated Group Members will agree to cause their respective Designated Affiliates and to use reasonable efforts to cause their Affiliates (subject, in each case, to contractual and organizational limitations) to pay, loan or otherwise transfer to Trinity Health moneys in an amount necessary, in the aggregate, to pay debt service on Obligations, including the Series 2001 Obligation. This agreement is subject to legal limitations that may render Trinity Health and any future Trinity Obligated Group Members unable to cause a Designated Affiliate or an Affiliate to make such payments or transfer such amounts. The Master Indenture does not contain any specific requirements for the type of powers Trinity Health or any future Trinity Obligated Group Members must have over the Designated Affiliates or Affiliates or the type of contractual rights or form of contract Trinity Health or any future Trinity Obligated Group Members must have with the Designated Affiliates or Affiliates. Accordingly, no assurance can be given that Trinity Health or any future Trinity Obligated Group Members will be able to exercise such powers over the Designated Affiliates or Affiliates. See

“BONDHOLDERS’ RISKS — Factors Concerning the Enforceability of Obligations Under the Master Indenture” herein.

The Designated Affiliates that also are members of the Trinity Health – Michigan Obligated Group remain subject to the covenants and limitations of the Trinity Health – Michigan Master Indenture so long as any Trinity Health – Michigan Obligations remain outstanding. Such Designated Affiliates are directly, jointly and severally liable on the outstanding Trinity Health – Michigan Obligations. The obligation of these Designated Affiliates to transfer funds to Trinity Health for the purposes described herein is limited by the covenants in the Trinity Health – Michigan Master Indenture regarding the transfer of property. Management of Trinity Health has determined that the Trinity Health – Michigan Master Indenture permits such Designated Affiliates collectively to transfer amounts not exceeding \$233,823,000 through and including the date on which audited financial statements for the Trinity Health – Michigan Obligated Group for the fiscal year ending June 30, 2002 are available.

The Series 2001 Obligation. Concurrently with the issuance of the Bonds and to secure Trinity Health’s obligation to make Loan Repayments pursuant to the Loan Agreement, Trinity Health will issue and deliver the Series 2001 Obligation to the Issuer. The Series 2001 Obligation will obligate Trinity Health and any future Trinity Obligated Group Member to make payments to the Issuer in such amounts and prior to such times as the Trustee is required to make debt service payments on the Bonds. **The Series 2001 Obligation will be a general unsecured joint and several obligation of Trinity Health and any future Members of the Trinity Obligated Group.**

Operational and Financial Covenants. The Master Indenture imposes certain limited operational and financial restrictions upon Trinity Health and any future Obligated Group Members for the benefit of the holders of the Series 2001 Obligation, including covenants, among others, relating to (i) the admission of a Member into and the withdrawal of a Member from the Trinity Obligated Group, (ii) limitations on mergers involving Trinity Health or any future Trinity Obligated Group Member, (iii) limitations on sales of all or substantially all of the assets of Trinity Health or any future Trinity Obligated Group Member and (iv) limitations on the creation of Liens by Trinity Health, any future Trinity Obligated Group Member and any Material Designated Affiliate in order to secure their respective Indebtedness. (Affiliates and Designated Affiliates that are not Material Designated Affiliates are not subject to the aforementioned covenants respecting limitations on the creation of Liens, and Affiliates and Designated Affiliates are not subject to the aforementioned covenant respecting limitations on mergers.) However, there are no financial covenants that must be satisfied in the case of a merger involving Trinity Health or any future Trinity Obligated Group Members, the sale of all or substantially all of the assets of Trinity Health or any future Trinity Obligated Group Members, the admission of a Member into the Trinity Obligated Group or the withdrawal of a Member from the Trinity Obligated Group. Additionally, there are no restrictions on the designation or the discontinuation of the designation of a Designated Affiliate by a Member of the Trinity Obligated Group, other than restrictions applicable upon the occurrence of an Event of Default under the Master Indenture or the occurrence of an event that, with the passage of time or the giving of notice or both, would constitute an Event of Default under the Master Indenture.

The Master Indenture does not limit the amount of debt that may be issued or incurred by the members of the Credit Group or restrict the ability of the members of the Credit Group to transfer property (other than all or substantially all of the assets of Trinity Health or any future Trinity Obligated Group Members), including cash, marketable securities or receivables, to anyone, including to organizations that are not Affiliates. Pursuant to the Master Indenture, Trinity Health, any future Trinity Obligated Group Members and any Material Designated Affiliates (the financial statements of which are not consolidated into those of Trinity Health) are required, among other things, to prepare certain audited and unaudited financial statements and to cause their respective Designated Affiliates to comply with and to use reasonable efforts to cause their respective Affiliates to comply with recommendations relating to

rates, fees and charges made by any Consultant that Trinity Health is required to retain in the event that the Historical Debt Service Coverage Ratio of the Credit Group for any Fiscal Year is less than 1.10 to 1.00.

Certain Amendments of the Master Indenture Without Consent. The Master Indenture may be amended without the consent of or notice to the holders of the Obligations to make any changes thereto (other than changes resulting in (i) an extension of the stated maturity or reduction of the principal amount of or reduction in the rate or extension of the time of paying of interest on or reduction of any premium payable on the redemption of, any Obligation, (ii) a reduction of the aggregate principal amount of Obligations the holders of which are required to consent to any Supplemental Master Indenture requiring the consent of holders of the Obligations at the time outstanding which would be affected by the action to be taken, (iii) the creation of any Lien ranking prior to or on a parity with the Lien of the Master Indenture with respect to the trust estate, if any, subject to the Master Indenture or termination of the Lien of the Master Indenture on any Property at any time subject thereto or the deprivation of the holder of any Obligation of the security afforded by the Lien of the Master Indenture, except as otherwise thereby permitted, or (iv) modifications of the rights, duties or immunities of the Master Trustee, without the written consent of the Master Trustee), as long as the Historical Debt Service Coverage Ratio of the Credit Group for the immediately preceding Fiscal Year was not less than 1.50 to 1.00; provided, however, that no such amendment may (a) lower the Historical Debt Service Coverage Ratio required to be maintained by the Credit Group below 1.10 to 1.00 or (b) increase the percentages set forth in subparagraphs (h) and (m) of the definition of “Permitted Encumbrances” (as set forth in the Master Indenture and defined in APPENDIX D hereto), which subparagraphs prescribe the extent to which Trinity Health, any future Trinity Obligated Group Members and any Material Designated Affiliates may create Liens on accounts receivable and other property of such persons to secure Indebtedness, or otherwise alter the covenants in the Master Indenture relating to limitations on Liens on Property of Trinity Obligated Group Members and Material Designated Affiliates. See APPENDIX D – “SUMMARY OF THE MASTER INDENTURE – Supplemental Master Indentures.”

Trustee as Holder of the Series 2001 Obligation. Under the Master Indenture, the Trustee is deemed to be the holder of the Series 2001 Obligation. The Trustee may exercise any and all of the rights granted to the holders of Obligations under the Master Indenture, including the right to consent to amendments of the Master Indenture and the right, under certain circumstances, to direct the Master Trustee to exercise remedies and grant waivers upon the occurrence of an event of default thereunder.

Additional Debt. The Master Indenture does not limit the amount of indebtedness that may be incurred by Trinity Health or the other members of the Credit Group.

Permitted Senior Indebtedness. Pursuant to the Master Indenture, Trinity Health agrees that it will not, and that it will not permit any of its Material Designated Affiliates to create or incur or permit to be created or incurred or to exist any Lien on any of their Property to secure Indebtedness, except for Permitted Encumbrances. Permitted Encumbrances include, among other things, (i) Liens on Property existing as of the effective date of the Master Indenture, (ii) with respect to an entity becoming an Obligated Group Member, Liens on Property existing on the date such entity becomes an Obligated Group Member, (iii) with respect to an entity becoming a Designated Affiliate, Liens on Property existing on the date such entity becomes a Designated Affiliate, but only if, at the time such entity became a Designated Affiliate, such entity constitutes a Material Designated Affiliate, and (iv) any other Liens on Property securing Indebtedness, provided that the aggregate Book Value (or at the option of Trinity Health, Current Value) of the Credit Group’s Property subject to Liens securing Indebtedness does not exceed twenty-five percent (25%) of the combined value of the total net assets of the Credit Group (as shown on the financial statements for the Credit Group for the most recently completed fiscal year). See

APPENDIX D – “SUMMARY OF THE MASTER INDENTURE – Definitions – Permitted Encumbrances (subparagraph (m))” and “Covenants – Liens on Property.”

The Indenture, Loan Agreement and Series 2001 Obligation. The Bonds are special limited obligations of the Issuer, payable solely from Revenues pledged under the Indenture for such payment. Revenues consist primarily of Loan Repayments required to be made by Trinity Health under the Loan Agreement. The Issuer will assign its right, title and interest in the Loan Agreement (except for the right to receive administrative fees and expenses to the extent payable to the Issuer, the right of the Issuer to be indemnified, and the obligation of Trinity Health to make payments pursuant to the Tax Agreement) and the Series 2001 Obligation. The Indenture does not establish a debt service reserve fund for the Bonds.

The obligation of Trinity Health to make payments under the Loan Agreement at the times and in the amounts necessary to pay the principal of and premium, if any, and interest on the Bonds is the general obligation of Trinity Health, which obligation is evidenced and secured by the Series 2001 Obligation.

The Series 2001 Obligation will be a general unsecured joint and several obligation of the Trinity Obligated Group Members. Upon the issuance of the Bonds, Trinity Health will be the only Member of the Trinity Obligated Group.

THE BONDS AND INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, THE PRINCIPAL OF AND INTEREST ON, AND THE REDEMPTION PRICE OF, WHICH ARE PAYABLE SOLELY FROM THE REVENUES TO BE RECEIVED IN CONNECTION WITH THE FINANCING AND REFINANCING OF THE PROJECT OR FROM ANY OTHER MONEYS MADE AVAILABLE TO THE ISSUER FOR SUCH PURPOSE. NEITHER THE BONDS NOR INTEREST THEREON, NOR THE REDEMPTION PRICE THEREOF, SHALL EVER CONSTITUTE AN INDEBTEDNESS OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF MARYLAND, THE ISSUER OR ANY OTHER PUBLIC BODY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR CHARTER PROVISION OR STATUTORY LIMITATION AND NONE OF THE ABOVE SHALL EVER CONSTITUTE OR GIVE RISE TO ANY PECUNIARY LIABILITY OF THE STATE OF MARYLAND, THE ISSUER OR ANY OTHER PUBLIC BODY. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS TO WHICH THE FAITH OR CREDIT OF THE STATE OF MARYLAND, THE ISSUER OR ANY OTHER PUBLIC BODY IS PLEDGED;

Amendment of Documents. The Indenture and the Loan Agreement may be amended with the consent of a majority of the Bondholders under the conditions described herein. See “Indenture – Amendment of Loan Agreement” and “– Amendment of Indenture” in APPENDIX C – “SUMMARY OF INDENTURE AND LOAN AGREEMENT.”

Description of the Bonds

The Bonds will be dated October 15, 2001 and will mature, subject to the redemption provisions set forth below, in the amounts and on the dates set forth on the inside cover page hereof. Interest on the Bonds will be payable on each June 1 and December 1, commencing June 1, 2002, at the rates set forth on the inside cover page hereof. Ownership interests in the Bonds will be in \$5,000 denominations or any integral multiple thereof.

The regular record date for each interest payment date for the Bonds will be the fifteenth day of each month immediately preceding the month in which an interest payment date falls. So long as Cede & Co. is the registered owner of the Bonds, principal of and premium, if any, and interest on the Bonds are

payable by wire transfer by the Trustee to Cede & Co., as nominee for The Depository Trust Company (“DTC”), which, in turn, will remit such amounts to DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See APPENDIX E – “BOOK-ENTRY SYSTEM.”

If the book-entry system for the Bonds is ever discontinued, payment of interest on the Bonds will be made by check mailed on each interest payment date to each Holder at its address as it appears on the bond registration books or, at the written request of any Holder of at least one million dollars (\$1,000,000) in aggregate principal amount of the Bonds, by wire transfer to an account within the United States designated by the Holder not later than the Record Date. Payment of the principal or Redemption Price of the Bonds will then be payable upon presentation and surrender thereof at the corporate trust office of the Trustee.

Book-Entry System

The Bonds will be delivered in fully registered form only, will be transferable and exchangeable as set forth in the Indenture, and initially will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in the denominations set forth herein. Principal of and interest on the Bonds will be payable by the Trustee to DTC, which is obligated, in turn, to remit principal and interest to DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. One fully-registered Bond will be executed and delivered for each maturity in the total aggregate principal amount due on such maturity date and will be deposited with DTC. See APPENDIX E – “BOOK-ENTRY SYSTEM.”

Trinity Health and the Issuer cannot and do not give any assurances that DTC will distribute to DTC Participants or that DTC Participants or others will distribute to the Beneficial Owners payments of principal of and interest and premium, if any, on the Bonds or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither Trinity Health nor the Issuer is responsible or liable for the failure of DTC or any DTC Participant or DTC Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

Redemption

Optional Redemption. The Bonds maturing on or after December 1, 2012 will be redeemable at the option of the Issuer, upon request of Trinity Health, as Obligated Group Agent, in whole or in part (in such amounts and maturities as may be specified by the Obligated Group Agent or, if the Obligated Group Agent fails to specify such maturities, in inverse order of maturity and by lot within a maturity), on any date on and after December 1, 2011 at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption.

Mandatory Redemption. The Bonds maturing on December 1, 2016, December 1, 2022 and December 1, 2031 (the “Term Bonds”) are subject to redemption in part prior to their respective stated maturities from Sinking Fund Installments on any December 1 on or after December 1, 2012, December 1, 2017 and December 1, 2023, respectively, in the amounts set forth below, together with interest accrued thereon to the date fixed for redemption, without premium.

Term Bonds due December 1, 2016

December 1	Amount	December 1	Amount
2012	\$1,620,000	2015	\$1,900,000
2013	1,705,000	2016†	2,005,000
2014	1,800,000		

Term Bonds due December 1, 2022

December 1	Amount	December 1	Amount
2017	\$2,115,000	2020	\$2,455,000
2018	2,220,000	2021	2,580,000
2019	2,335,000	2022†	2,715,000

Term Bonds due December 1, 2031

December 1	Amount	December 1	Amount
2023	\$2,855,000	2028	\$3,685,000
2024	3,005,000	2029	3,880,000
2025	3,160,000	2030	4,080,000
2026	3,325,000	2031†	4,295,000
2027	3,500,000		

† Final maturity.

Extraordinary Redemption. The Bonds are subject to redemption prior to their respective stated maturities, at the option of the Issuer (upon the request of Trinity Health, as Obligated Group Agent), in whole or in part, in such amounts and maturities as may be specified by the Obligated Group Agent (or, if Trinity Health, as Obligated Group Agent, fails to designate the maturities, in inverse order of maturity, and by lot among Bonds with the same maturity) on any date, from hazard insurance or condemnation proceeds with respect to the facilities of any member of the Credit Group deposited in the Special Redemption Account, at a Redemption Price equal to the principal amount thereof, without premium.

The Bonds are also subject to redemption prior to their respective stated maturities at the option of the Issuer (upon request of the Obligated Group Agent) as a whole (but not in part) on any date at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, if (i) any member of the Credit Group, by reason of final judicial, legislative or administrative action, either is legally required, by reason of being party to the Master Indenture or a member of the Credit Group or as a condition of continued eligibility for reimbursement under a federal or state program, to operate in any manner that such member of the Credit Group in good faith believes to be contrary to the Ethical and Religious Directives or (ii) any member of the Credit Group in good faith believes that there is a substantial threat of its being required to operate contrary to the Ethical and Religious Directives or the principles and beliefs of the Roman Catholic Church.

Notice of Redemption; Effect of Redemption; Rescission of Notice of Redemption. Notice of redemption will be mailed by first-class mail by the Trustee, not less than 30 days and not more than 60 days prior to the redemption date, to the Holders of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee. The failure of the Trustee to mail notice of redemption to any one or more of the Holders of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for the redemption of the Bonds with respect to the Holder or Holders to whom such notice was mailed. The Bonds so called for redemption shall become due and payable at the

Redemption Price (and accrued interest) specified in such notice, interest on such Bonds shall cease to accrue from and after the redemption date, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Trustee for such payment. Any notice of redemption may be rescinded by written notice to the Trustee by the Obligated Group Agent not later than five (5) Business Days prior to the redemption date.

ANNUAL DEBT SERVICE REQUIREMENTS

The amounts required to be set aside each year ending December 1 for principal and interest relating to the Bonds (interest payable on each June 1 and December 1, commencing June 1, 2002, and principal payable on December 1), are as follows:

Bond Year Ending December 1	Principal	Interest	Total Debt Service
2002		\$ 3,684,714	\$ 3,684,714
2003		3,267,234	3,267,234
2004		3,267,234	3,267,234
2005	\$ 1,255,000	3,267,234	4,522,234
2006	1,295,000	3,228,015	4,523,015
2007	1,340,000	3,184,309	4,524,309
2008	1,385,000	3,136,069	4,521,069
2009	1,440,000	3,084,131	4,524,131
2010	1,495,000	3,028,331	4,523,331
2011	1,555,000	2,968,531	4,523,531
2012	1,620,000	2,904,388	4,524,388
2013	1,705,000	2,815,287	4,520,287
2014	1,800,000	2,721,513	4,521,513
2015	1,900,000	2,622,512	4,522,512
2016	2,005,000	2,518,013	4,523,013
2017	2,115,000	2,407,737	4,522,737
2018	2,220,000	2,299,344	4,519,344
2019	2,335,000	2,185,568	4,520,568
2020	2,455,000	2,065,900	4,520,900
2021	2,580,000	1,940,081	4,520,081
2022	2,715,000	1,807,856	4,522,856
2023	2,855,000	1,668,712	4,523,712
2024	3,005,000	1,518,825	4,523,825
2025	3,160,000	1,361,063	4,521,063
2026	3,325,000	1,195,162	4,520,162
2027	3,500,000	1,020,600	4,520,600
2028	3,685,000	836,850	4,521,850
2029	3,880,000	643,388	4,523,388
2030	4,080,000	439,687	4,519,687
2031	4,295,000	225,488	4,520,488

PENDING LITIGATION

The Issuer

There is no pending litigation served upon the Issuer or, to the knowledge of the Issuer, threatened against the Issuer restraining or enjoining the issuance or sale of the Bonds or contesting the validity of the Bonds, the Indenture or the Loan Agreement or the applicable powers of the Issuer or the creation, organization or existence of the Issuer or the title of any of the present members or officers of the Issuer to their respective offices or affecting the pledge or application of any moneys or security provided for the payment of the Bonds.

Trinity Health and the Members of the Credit Group

Trinity Health has advised that there is no litigation or proceedings pending or threatened against it or any member of the Credit Group, except litigation or proceedings in which the estimated probable ultimate recoveries and the costs and expenses of defense, in the opinion of management of Trinity Health, (i) will be entirely within applicable commercial insurance policy limits (subject to applicable deductibles), or (ii) are not in excess of the total available accounting reserves held under applicable self-insurance programs, or (iii) will not have a material adverse effect on the operation or financial condition of the Credit Group, taken as a whole.

Trinity Health has implemented a compliance program (the “Compliance Program”) that is intended to identify events and circumstances involving the operations of its Designated Affiliates and Affiliates that may not comply with applicable laws and regulations. As a consequence of a review of a facility owned and operated by a Designated Affiliate, management of Trinity Health has determined that certain activities at that facility may not comply with certain federal laws respecting and prohibiting fraud and abuse and self-referral. Management has taken affirmative steps to address the situation and anticipates taking further actions, and has concluded that the activities at this facility do not reflect any deficiency in the Compliance Program or any issues involving Trinity Health management and governance. Management also has brought such activities and possible noncompliance to the attention of the federal government and expects to work with the federal government in addressing the situation. While management believes that appropriate actions are being undertaken, management cannot at this time predict the final response of the federal government to the reported matters. While such potential noncompliance and possible governmental action may materially and adversely affect the facility in question, management of Trinity Health believes that such potential noncompliance and possible governmental action will not have a material adverse effect on the Credit Group.

Iowa Health System, Trinity Health Systems, Inc. and Trinity Regional Health System, all affiliated entities (“Plaintiffs”), filed an action in the United States District Court for the Northern District of Iowa against Trinity Health, Trinity Health-Michigan, Mercy Health Network and Catholic Health Initiatives (“Defendants”), alleging unfair competition and various trademark infringement actions arising out of Trinity Health’s use of the name “Trinity Health” in Iowa. The Plaintiffs demanded a permanent injunction prohibiting the Defendants’ use of “Trinity” or “Trinity Health,” damages (including Defendants’ profits in Iowa), costs and attorneys’ fees. The Defendants have answered the complaint, denying all material allegations, and Trinity Health filed a counterclaim against the Plaintiffs, alleging infringement of a registered trademark for “Trinity Healthcare Services,” which Trinity had obtained by assignment. The Plaintiffs filed counterclaims in reply against all Defendants, alleging unfair competition and seeking cancellation of the Trinity Healthcare Services mark. The case is now in discovery, and a trial date has been set for July 29, 2002. Management of Trinity Health is unable to assess what impact, if any, this litigation may have on the operations or financial condition of the Defendants.

CONTINUING DISCLOSURE

Trinity Health

Pursuant to a Master Continuing Disclosure Agreement (Amended and Restated) (the “Disclosure Agreement”) with Chase Manhattan Trust Company, National Association, as Dissemination Agent, dated as of November 1, 2000, Trinity Health, for the benefit of the holders and beneficial owners of the Bonds, will provide certain financial statements and updated financial information and operating data annually, and timely notices of specified material events to each nationally recognized municipal securities information repository (“NRMSIR”) and to the state information depository (“SID”) for the State of Maryland, if any. The Disclosure Agreement also requires Trinity Health to provide to the NRMSIRs and the SIDs, on a timely basis, notice of its failure to provide such financial information and operating data within the time period specified in the Disclosure Agreement. Financial information and operating data will be available to securities brokers and others who subscribe to receive the information from the NRMSIR or the SID. Trinity Health will comply with the Disclosure Agreement as long as the Bonds remain outstanding.

Trinity Health may provide certain financial statements and updated financial information and operating data (collectively, the “Annual Report”) in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

The financial statements included in the Annual Report will consist of the audited consolidated financial statements of Trinity Health, the audited financial statements of any Material Designated Affiliate, the financial statements of which are not consolidated into those of Trinity Health, and such other financial statements, which may be unaudited, as are required to be delivered by Trinity Health pursuant to the Disclosure Agreement. If any such audited financial statements are not available at the time Trinity Health is required to provide the Annual Report to the NRMSIRs and the SIDs, Trinity Health will file such financial statements in unaudited form and will file such financial statements in audited form promptly upon their becoming available. All such financial statements will be prepared in accordance with generally accepted accounting principles.

The information included in each Annual Report will consist of (i) all quantitative financial information and operating data for the relevant fiscal year with respect to Trinity Health and the Designated Affiliates of the general type included in APPENDIX A to this Official Statement under the captions “FINANCIAL AND OPERATING INFORMATION — Sources of Net Patient Service Revenue,” “— Capitalization” and “— Utilization Statistics”; (ii) a calculation of the Historical Debt Service Coverage Ratio for the relevant fiscal year; and (iii) a current list of the Designated Affiliates. Trinity Health will provide the Annual Report to the NRMSIRs and the SIDs within 150 days after the end of each fiscal year of Trinity Health, commencing with the fiscal year ending June 30, 2002.

The Disclosure Agreement also requires Trinity Health to provide to the NRMSIRs and the SIDs notice of the occurrence of any of the following events:

- (i) Principal and interest payment delinquencies on the Bonds;
- (ii) Non-payment related defaults under the Loan Agreement or the Indenture;
- (iii) Unscheduled draws on debt service reserves securing the Bonds reflecting financial difficulties;

- (iv) Unscheduled draws on credit enhancements for the Bonds, if any, reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers securing the Bonds, 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 holders of the Bonds;
- (viii) Bond calls (other than scheduled mandatory sinking fund redemptions);
- (ix) Defeasances of the Bonds;
- (x) Release, substitution or sale of property, if any, securing repayment of the Bonds; and
- (xi) Changes in or withdrawals of any ratings affecting the Bonds.

In addition to the Annual Report, Trinity Health will provide to the NRMSIRs and the SIDs quarterly unaudited financial information for the first three quarters of each fiscal year (beginning with the quarter commencing October 1, 2001) not later than 90 days after the end of each such quarter. Trinity Health also will provide such unaudited financial information at the same time as the filing with the NRMSIRs to any beneficial owner of the Bonds who requests such information within 75 days after the end of each such quarter (such request to remain in effect for subsequent filings until changed or revoked by such Bondholders). The unaudited financial information will include a condensed balance sheet and a consolidated statement of operations presented on a basis substantially consistent with the format of the respective financial statements included in APPENDIX A to this Official Statement. Quarterly information will be conveyed via mail, facsimile, electronic transfer or such other alternate means of communication acceptable to Trinity Health. Beneficial owners of the Bonds should direct their requests for such quarterly financial information to Manager, Debt Administration, (248) 489-6000.

These covenants have been made in order to assist the Underwriters in complying with the Rule. Trinity Health currently provides its Annual Report and quarterly unaudited financial information for the first three quarters of each fiscal year to the NRMSIRs and to certain SIDs pursuant to the Disclosure Agreement. Trinity Health and Trinity Health – Michigan have never failed to comply in all material respects with any previous undertakings with regard to the provision of reports or notices of material events.

The Issuer

The Issuer has determined that no financial or operating data concerning it is material to any decision to purchase, hold or sell the Bonds, and the Issuer will not provide any such information. Trinity Health, on behalf of itself and the Credit Group, has undertaken all responsibilities for any continuing disclosure to holders of the Bonds as described above, and the Issuer shall have no liability to the holders or any other person with respect to such disclosures.

BONDHOLDERS' RISKS

General

The purchase of the Bonds involves certain investment risks that are discussed throughout this Official Statement. Accordingly, each prospective purchaser of the Bonds should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision. Certain of these risks are described below.

Except as noted herein, the Bonds are a limited obligation of the Issuer and are payable solely from Revenues, which consist primarily of the payments to be made by Trinity Health under the Loan Agreement and on the Series 2001 Obligation. No representation or assurance can be made that revenues will be realized by the Credit Group in amounts sufficient to pay the principal of or premium, if any, or interest on the Bonds when due. **THERE CAN BE NO ASSURANCE THAT THE REVENUES OF THE CREDIT GROUP OR THE UTILIZATION OF THEIR FACILITIES WILL NOT DECREASE.**

In addition, it should be noted that the operations and financial condition of the Credit Group may be affected by factors other than those described below. No assurance can be given as to the nature of such factors or the potential effects thereof upon the Credit Group.

No assurance can be given that the financial obligations of Trinity Health will be paid as and when due, if the financial condition of the Credit Group deteriorates to a point where members of the Credit Group are unable to pay their debts as they come due or members of the Credit Group otherwise become insolvent. The practical realization of any rights upon any default under the Loan Agreement and the Master Indenture will depend upon the exercise of various remedies specified in such instruments, as restricted by federal and state laws. The federal bankruptcy laws may have an adverse effect on the ability of the Trustee and the holders of the Bonds to enforce their claims under the Indenture.

The future financial condition of the Credit Group, taken as a whole, and the ability of the Credit Group to generate revenues in an amount sufficient to satisfy principal and interest requirements on the Bonds could be affected adversely by, among other things, legislation, regulatory actions, federal and state policies affecting the health care industry, changes in the method and amount of payments to the members of the Credit Group by nongovernmental third-party payors, the financial viability of third-party payors, increased competition from other health care providers, demand for health care, long-term convalescent care and nursing home services, changes in the methods by which employers purchase health care for employees, capability of management, future changes in the economy, demographic changes and malpractice claims and other litigation.

Trinity Health and certain other members of the Credit Group are subject to federal and state regulatory actions, legislative and policy changes by those governmental and private agencies that administer Medicare, Medicaid, and Blue Cross and Blue Shield programs, other third-party payors and governmental payors and are subject to actions by, among others, the National Labor Relations Board, the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO"), the Centers for Medicare and Medicaid Services ("CMS"), formerly known as the Health Care Financing Administration, of the U.S. Department of Health and Human Services ("DHHS"), and other federal, state and local government agencies.

Factors Concerning the Enforceability of Obligations Under the Master Indenture

The Master Indenture. Trinity Health does not have sufficient assets or revenues of its own to pay debt service on the Obligations issued under the Master Indenture, including the Series 2001

Obligation. Trinity Health is dependent on the Designated Affiliates and Affiliates to provide it with revenues sufficient to meet such debt service obligations, and only Trinity Health and any future Members of the Trinity Obligated Group are under any legal obligation to do so under the Master Indenture. In addition, as provided in the Master Indenture, the ability of the other members of the Credit Group to transfer funds to Trinity Health and any future Members of the Trinity Obligated Group in amounts sufficient to enable Trinity Health and any future Members of the Trinity Obligated Group to meet their debt service obligations is subject to contractual and organizational limitations. The Trinity Health – Michigan Master Indenture currently limits the ability of the members of the Trinity Health – Michigan Obligated Group to transfer liquid assets. See “The Trinity Health – Michigan Master Indenture” below.

In calculating the Historical Debt Service Coverage Ratio under the Master Indenture, the accounts of the Credit Group will be combined, notwithstanding uncertainties as to the ability of Trinity Health to compel the Designated Affiliates and other Affiliates to provide funds to Trinity Health and any future Members of the Trinity Obligated Group for the payment of debt service on the Obligations, including the Series 2001 Obligation.

The joint and several obligation described herein of each Member of the Trinity Obligated Group to pay debt service on the Series 2001 Obligation may not be enforceable against a Member, and the ability of Designated Affiliates or other Affiliates to transfer funds to Trinity Health for the purpose of paying debt service on the Series 2001 Obligation, may be limited or proscribed to the extent that (i) such payments will be made on an Obligation issued for the benefit of an entity other than such Member, Designated Affiliate or Affiliate and for a purpose that is not consistent with the charitable purposes of the organization from which such payment or transfer is requested; (ii) the transfer of funds from a Designated Affiliate or other Affiliate to provide for such payment, or the payment of such Obligation by another Member of the Trinity Obligated Group may violate charitable trust principles, which vary from jurisdiction to jurisdiction, that are applicable to such Designated Affiliate, other Affiliate or Member; (iii) such payment is requested to be made from any property that is donor restricted or that is subject to a direct or express trust that does not permit the use of such property for such payments or transfers; (iv) such payments would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the organization from which such payment or transfer is requested; or (v) such payment is made from the proceeds of any loan violating applicable usury laws. The ability of Trinity Health to cause its Designated Affiliates and its Affiliates to transfer funds to Trinity Health for the purpose of paying debt service on the Series 2001 Obligation additionally may be limited by contractual and organizational limitations imposed on the Designated Affiliates or Affiliates, as the case may be. Due to the absence of clear legal precedent in this area, the extent to which the property of any future Member of the Trinity Obligated Group, the Designated Affiliates or the Affiliates may be applied or transferred as described above cannot be determined.

A future Member of the Trinity Obligated Group may not be required to make payments on an Obligation, and neither a Designated Affiliate nor an Affiliate may be required to transfer funds to Trinity Health or any future Member of the Trinity Obligated Group for the purpose of making debt service payments on an Obligation, in either case, if such Obligation is issued by or for the benefit of another organization, to the extent that any such payment or transfer would render such Member, Designated Affiliate or Affiliate insolvent or would conflict with, not be permitted by or be subject to recovery for the benefit of other creditors of such Member, Designated Affiliate or Affiliate under applicable fraudulent conveyance, bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors’ rights. There is no clear legal precedent as to whether such payments or transfers may be voided by a trustee in bankruptcy in the event of a bankruptcy of such Member, Designated Affiliate or Affiliate or by third party creditors in an action brought pursuant to fraudulent conveyance statutes of the states in which such Member, Designated Affiliate or Affiliate is incorporated or doing business. Under

the United States Bankruptcy Code, a trustee in bankruptcy and, under fraudulent conveyance statutes of the states in which the Trinity Obligated Group Members, Designated Affiliates and Affiliates are incorporated or doing business, a creditor of a guarantor may avoid any obligation incurred by a guarantor, if, among other bases therefor, (i) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty, and (ii) the guarantor is insolvent or the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or fraudulent conveyance statutes of such states, or the guarantor is undercapitalized.

Application by courts of the tests of “insolvency,” “reasonably equivalent value” and “fair consideration” has resulted in a conflicting body of case law. It is possible that, in an action to compel any Member of the Trinity Obligated Group to pay debt service on an Obligation issued by or for the benefit of another organization or to compel a Designated Affiliate or Affiliate to transfer funds for such purposes, a court might not enforce such obligation in the event that it is determined that such Member, Designated Affiliate or Affiliate is analogous to a guarantor, that fair consideration or reasonably equivalent value for such guaranty was not received and that the incurrence of such obligation has rendered or will render such Member, Designated Affiliate or Affiliate insolvent or that such Member, Designated Affiliate or Affiliate is or will thereby become undercapitalized.

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

The legal right and practical ability of the Trustee to enforce its rights and remedies against Trinity Health under the Loan Agreement and the Series 2001 Obligation and of the Master Trustee to enforce its rights and remedies against Trinity Health under the Master Indenture may be limited by laws relating to bankruptcy, insolvency, reorganization, fraudulent conveyance or moratorium and by other similar laws affecting creditors’ rights. In addition, the Trustee’s and the Master Trustee’s ability to enforce such terms will depend upon the exercise of various remedies specified by such documents, which in many instances may require judicial actions that are often subject to discretion and delay or that otherwise may not be readily available or may be limited. See “THE BONDS – Security for the Bonds – The Master Indenture.”

The Trinity Health – Michigan Master Indenture. Until all currently outstanding Trinity Health – Michigan Obligations and Trinity Health – Michigan Bonds secured thereby are refinanced and the Trinity Health – Michigan Master Indenture is discharged, all such Trinity Health – Michigan Bonds will continue to be secured by Trinity Health – Michigan Obligations. Accordingly, the holders of such Trinity Health – Michigan Obligations and the bonds secured thereby will have the right to proceed directly against the members of the Trinity Health – Michigan Obligated Group to receive payment on such debt. Holders of Obligations issued under the Master Indenture and the debt secured thereby do not have the right to proceed directly against the members of the Trinity Health – Michigan Obligated Group or any other members of the Credit Group. There can be no assurance that such remaining Trinity Health – Michigan Obligations and Trinity Health – Michigan Bonds secured thereby will be refinanced and, thus, that the Trinity Health – Michigan Master Indenture will be discharged prior to the final maturity of such obligations and bonds.

While the Trinity Health – Michigan Master Indenture is outstanding, those of the Trinity Health Credit Group that are members of the Trinity Health – Michigan Obligated Group, including Trinity Health – Michigan, will continue to be bound by the terms and conditions of the Trinity Health – Michigan Master Indenture. The Trinity Health – Michigan Master Indenture contains provisions that limit the ability of the Trinity Health – Michigan Obligated Group Members to transfer assets and, accordingly, limit the ability of those particular Designated Affiliates to transfer amounts to Trinity Health to enable Trinity Health to pay the debt service on any Obligation issued pursuant to the Master Indenture. In essence, Trinity Health – Michigan Obligated Group Members, in any fiscal year, cannot sell, lease or otherwise dispose of any “Property,” including liquid assets, the book value of which would cause the aggregate book value of property so transferred by Trinity Health – Michigan Obligated Group Members in such year to exceed 5% (or 10% if it is certified that the ratio of “Income Available for Debt Service” to “Debt Service Requirement” for the most recent fiscal year for which financial statements are available is not less than 1.75) of the book value of the “Property” of the Trinity Health – Michigan Obligated Group (excluding restricted assets), subject to certain exceptions. The relevant exceptions are based on either historical or projected debt service coverage ratios. In light of these limitations, management of Trinity Health has determined that the Trinity Health – Michigan Master Indenture permits the Designated Affiliates formerly comprising the Trinity Health – Michigan Obligated Group collectively to transfer to Trinity Health amounts not exceeding \$233,823,000 until the date on which audited financial statements of the Trinity Health – Michigan Obligated Group for the fiscal year ending June 30, 2002 are available. Future transfers of cash to Trinity Health will depend on future financial results of the Trinity Health – Michigan Obligated Group.

Fraud and Abuse Enforcement

Health care fraud and abuse laws have been enacted at the federal and state levels to regulate both the provision of services to government program beneficiaries and the methods and requirements for submitting claims for services rendered to such beneficiaries. Under these laws, individuals and organizations can be punished for submitting claims for services that are not provided, billed in a manner other than as actually provided, not medically necessary, provided by an improper person, accompanied by an illegal inducement to utilize or refrain from utilizing a service or product, or billed in a manner that does not comply with applicable government requirements. Congress has extended the scope of certain fraud and abuse laws to include non-governmental private health care plans.

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

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

Criminal Fraud and Abuse Liability of Health Care Providers. Both individuals and organizations are subject to prosecution under the criminal fraud and abuse statutes. The prosecutions usually focus on individuals, but corporations sometimes are prosecuted, as well. Many cases against

corporations are settled without indictment. The sentencing of organizations for federal health care crimes is governed by the U.S. Sentencing Guidelines, which permit the imposition of large fines but which permit the fine to be reduced significantly if the provider had in place at the time of the crime an effective corporate compliance program and/or accepts responsibility for its actions. The exposure of a health care provider is likely to be quadrupled if it does not have an effective compliance program. Criminal conviction for an offense related to a health care provider's participation in the Medicare program results in the provider's exclusion and debarment from all government programs. While many large health care organizations may be able to survive the large fines associated with violation of the various criminal statutes, exclusion from the Medicare program would have a material adverse effect on the organization's financial condition.

Criminal False Claims Act. The criminal False Claims Act ("criminal FCA") makes it illegal to submit or present a false, fictitious or fraudulent claim to the federal government. There are numerous specific rules that the provider must follow with respect to the submission of claims. The failure to follow these rules may be found in the admitting process, the care delivery process, the coding process or the billing process. Violation of the criminal FCA can result in imprisonment for up to five years and/or a fine of the greater of twice the gross gain or loss from the offense, or \$250,000 for an individual or \$500,000 for an organization.

Prosecution of health care providers under the criminal FCA is infrequent because of the difficulty of proving criminality beyond a reasonable doubt. However, the same charges can be prosecuted under other statutes, notably the civil FCA (described below), with greater likelihood that the result could have a material adverse impact on a health care provider's financial condition.

Anti-Kickback Law. The federal Anti-Kickback Law is a criminal statute that prohibits anyone from knowingly or willfully soliciting, receiving, offering or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in return for a referral (or to induce a referral) for any item or service that is covered by any federal or state health care program. The Anti-Kickback Law applies to virtually every person and entity with which a hospital does business. In recent years, it has been aggressively enforced. Many Anti-Kickback prosecutions arise out of facts that were formerly viewed by health care providers and Medicare agencies as disputes regarding reimbursement for provision of services to Medicare beneficiaries. Numerous hospitals and physicians have been subject to prosecution under the Anti-Kickback Law for billing irregularities. Another major area of recent Anti-Kickback enforcement has been non-hospital health care providers such as nursing homes, home health agencies, hospices and other ancillary service providers with respect to their relationships with each other, with hospitals and with third party payors, including HMOs.

Violation of the Anti-Kickback Law is a felony, subject to a fine of \$25,000 per violation (\$50,000 in some cases), imprisonment for up to five years and exclusion from the Medicare and Medicaid programs. The Office of the Inspector General ("OIG"), the enforcement arm of DHHS, also can initiate an administrative exclusion of a provider from the Medicare and Medicaid programs. In addition, civil monetary penalties of \$10,000 per item or service in noncompliance or an "assessment" of three times the amount claimed may be imposed for some violations.

Health care providers, their subsidiaries and affiliates, including physicians, all have some exposure relating to the Anti-Kickback Law. Because of the government's vigorous enforcement efforts, there is a high probability that a health care provider will be subjected to some type of government investigation for alleged Anti-Kickback violations in the area of claims processing. There also is some risk that the government will investigate relationships between hospitals, physicians and the operations of any nursing homes, home health agencies, hospices and ancillary service providers owned or operated by a hospital. The health care industry is working with government at all levels to focus enforcement efforts

more narrowly on deliberate wrongdoers as opposed to providers who have made good faith efforts to comply with unclear laws, regulations and directives. If the health care industry is successful in this effort, the risk to health care providers of enforcement actions would be reduced.

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

Trinity Health and its Designated Affiliates and Affiliates have in place policies and the Compliance Program, which Trinity Health management believes will effectively reduce its exposure for Anti-Kickback violations. However, because the government's enforcement efforts presently are widespread within the industry, there can be no assurance that the Compliance Program will significantly reduce or eliminate the Affiliates' exposure.

Civil Fraud and Abuse Liability of Health Care Providers. Unlike criminal statutes, which require the government to prove that the health care provider intended to violate the law, civil statutes may be violated simply by the provider's participation in a prohibited financial arrangement or knowledge that its claims procedures are not in full compliance with the law.

Civil False Claims Act. The civil False Claims Act ("civil FCA") allows the United States government to recover significant damages from persons or entities that submit fraudulent claims for payment to any federal agency. It also permits individuals to initiate actions on behalf of the government in lawsuits called qui tam actions. These qui tam plaintiffs, or "whistleblowers," can recover a significant portion of any damages recovered by the government. The government, through the United States Attorney's Office or the Department of Justice, also may file a civil FCA action. The civil FCA has become one of the government's primary weapons against health care fraud.

Under the civil FCA, health care providers may be liable if they take steps to obtain improper payments from the government by submitting false claims. In several cases, FCA violations have been alleged solely on the existence of alleged kickback or self-referral arrangements, even in the absence of evidence that false claims had been submitted. Most of these cases have not yet been resolved by the courts, and, at the present time, it is not possible to predict with certainty whether anti-kickback and self-referral violations will be subject to prosecutions as false claims. If the courts ultimately determine that the FCAs apply to alleged anti-kickback or self-referral violations, the expenditures necessary for even an innocent health care provider to fight or settle the matter could have a material adverse impact on that provider and, potentially, its affiliates.

If a health care provider is found to have violated the civil FCA, the potential liability is substantial. The violator can be held liable for up to triple the actual damages incurred by the government and can also be fined a penalty of \$5,500 to \$11,000 for each violation of the civil FCA. To avoid or reduce civil FCA liability, health care providers may choose to maintain a corporate culture of compliance with all applicable legal requirements, establish systems that enable them to learn of potential problems before a qui tam plaintiff files suit, consider making voluntary disclosures of information to the government if they discover wrongdoing or attempt to persuade the government not to proceed by cooperating with the government's investigation.

The Compliance Program encourages awareness of and compliance with, among others, billing and coding regulations. While there can be no assurance that the Compliance Program will eliminate all

bases for qui tam actions, the existence of the Compliance Program may mitigate civil FCA liability brought against an Affiliate.

Stark Referral Law. The federal Stark statute prohibits the referral of Medicare and Medicaid patients for certain health services to entities with which the referring physician (or immediate family member) has a financial relationship. Most health care entities with physician relationships have some exposure to liability under the Stark referral law. Although the statute exempts numerous types of financial relationships from the ban if they meet certain requirements, many ordinary business practices and economically desirable financial relationships would violate the statute and result in illegal referrals.

Upon determination that there is a Stark violation, a Medicare carrier or intermediary must deny payment of claims, and the physician and entity must refund any amounts collected from any individual. Further, DHHS may seek civil sanctions of up to \$15,000 for each service rendered for an illegal referral or claim and up to \$100,000 for any scheme designed to circumvent the Stark requirements. If Stark violations are prosecuted under the civil FCA, the potential liability would become far greater, as would the possibility that fines imposed in a Stark-based civil FCA enforcement action would have a material adverse impact on the financial condition of the affected health care provider. Providers may act to reduce their exposure for Stark violations by establishing an effective corporate compliance program that periodically reviews hospital-physician relationships for compliance with Stark, promptly returning to the government any payments received by way of illegal referrals, and responding in an effective manner to complaints regarding potentially illegal financial arrangements.

The Compliance Program may reduce the exposure of the Trinity Health Credit Group for Stark violations, but no assurance can be given that, as a result of the existence of the Compliance Program, their potential liability is eliminated. Despite the existence of the Compliance Program, liability for a Stark violation may have a material adverse impact on the financial condition of the Trinity Health Credit Group.

Administrative Enforcement. As with civil laws, administrative regulations require a relatively low standard of proof of a violation, and, thus, health care providers have a high risk of imposition of monetary penalties as a result of an administrative enforcement action.

Civil Monetary Penalty Act. The federal Civil Monetary Penalty Act (“CMPA”) provides for administrative sanctions against health care providers for a broad range of billing and other abuses. A health care provider is liable under the CMPA if it knowingly presents, or causes to be presented, improper claims for reimbursement under Medicare, Medicaid and the Child Health Services Block programs. A hospital that participates in arrangements known as “gainsharing” and pays a physician to limit or reduce services to Medicare fee-for-service beneficiaries also would be subject to CMPA penalties. The CMPA authorizes imposition of a civil money penalty (“CMP”) of up to \$10,000 for each item or service improperly claimed.

Health care providers may be found liable under the CMPA even when they did not have actual knowledge of the impropriety of the claim. It is sufficient that the provider knew or “should have known” that the claim was false. Ignorance of the Medicare regulations is no defense. Under some circumstances, the imposition of CMPs on a health care provider could have a material adverse impact on the provider’s financial condition.

Exclusions from Medicare or Medicaid Participation. The term “exclusion” means that no Medicare or state health care program payment (including Medicaid and the Maternal and Child Health programs) will be made for any services rendered by the excluded party or for any services rendered on the order or under the supervision of an excluded physician. The Secretary of DHHS is required to

exclude from program participation for not less than five years any individual or entity convicted of a criminal offense relating to the delivery of any item or service reimbursed under Medicare or a state health care program, any criminal offense relating to patient neglect or abuse in connection with the delivery of health care, fraud against any federal, state or locally financed health care program or an offense relating to the illegal manufacture, distribution, prescription, or dispensing of a controlled substance. The Secretary also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud, theft, embezzlement, breach of fiduciary duty, or other financial misconduct relating either to the delivery of health care in general, or to participation in a federal, state or local government program.

Enforcement Activity. Enforcement activity against health care providers appears to be increasing, and enforcement authorities may be adopting more aggressive approaches. In the current regulatory climate, it is anticipated that many hospitals and physician groups will be subject to an investigation, audit or inquiry regarding billing practices or false claims. As with other major health care systems, Trinity Health Designated Affiliates and Affiliates have been and are the subject of OIG, U.S. Attorney General and/or Justice Department investigations, audits or inquiries on an intermittent basis, and any Affiliate likely will be the subject of such investigations, audits or inquiries in the future. Because of the complexity of these laws, the instances in which an alleged violation may arise to trigger such investigations, audits or inquiries is increasing and could result in enforcement action against any Trinity Health Designated Affiliates or Affiliate.

Enforcement authorities are in a position to compel settlements by providers charged with false claims violations by withholding or threatening to withhold Medicare, Medicaid and/or similar payments and/or by threatening criminal action. In addition, the cost of defending such an action, the time and management attention consumed thereby and the facts of a particular case may dictate settlement. Therefore, regardless of the merits of a particular case or cases, the affected Affiliate could experience materially adverse settlement costs. Prolonged and publicized investigations could be damaging to the reputation, business and credit of the Trinity Health Credit Group, regardless of the outcome, and could have material adverse consequences on the financial condition of the Trinity Health Credit Group.

From time to time, Trinity Health Designated Affiliates and Affiliates are contacted by governmental agencies regarding alleged violations of Medicare billing practices for certain services. Trinity Health management has performed, with the advice and assistance of outside legal counsel, an evaluation of billing practices and compliance with related laws and regulations. Trinity Health management believes, after consultation with outside legal counsel, that the ultimate outcome of the matters involving alleged violations will not have a material adverse effect on the financial condition of the Trinity Health Credit Group.

The Compliance Program may reduce future exposure of the Trinity Health Credit Group for violations of law concerning billing practices or false claims, but no assurance can be given that, as a result of the existence of the Compliance Program, their potential liability will be reduced or eliminated. Despite the existence of the Compliance Program, liability for such violations in the future may have a material adverse impact on the financial condition of the Trinity Health Credit Group.

Other Statutory and Regulatory Sources of Liability for Health Care Providers

Health care providers are subject to prosecution under a variety of federal laws in addition to those discussed in the previous paragraphs, notably the following:

HIPAA. The Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) established criminal sanctions for health care fraud and applies to all health care benefit

programs, whether public or private. HIPAA also provides punishment of a health care provider for knowingly and willfully embezzling, stealing, converting or intentionally misapplying any money, funds, securities, premiums, credits, property, or other assets of a health care benefit program. A health care provider convicted of health care fraud would be subject to mandatory exclusion from the Medicare program.

Pursuant to HIPAA, DHHS has finalized and has proposed regulations addressing the confidentiality of individuals' health information. Final regulations as to privacy standards regulating the use and disclosure of individually identifiable health information were promulgated on December 28, 2000, and final regulations as to security standards to protect private health information that is maintained or transmitted electronically are expected to be promulgated during the year 2001. Disclosure of protected health information will be prohibited unless expressly permitted by the regulations or otherwise authorized by the patient. Civil monetary penalties were established by HIPAA for violations of the privacy laws. Additionally, HIPAA establishes criminal penalties for knowingly obtaining or using individually identifiable health information. Such penalties range from \$50,000 and/or imprisonment for up to one year to an amount not to exceed \$250,000 and/or imprisonment for up to ten years if the information was obtained or used with the intent to sell, transfer or use such information for commercial advantage, personal gain or malicious harm. Trinity Health and its Affiliates are reviewing the proposed regulations and implementing safeguards required by the regulations.

EMTALA. The Emergency Medical Treatment and Active Labor Act ("EMTALA") is a federal civil statute that requires hospitals with emergency rooms to treat or conduct an appropriate and uniform medical screening for emergency conditions on all patients and to stabilize a patient's emergency medical condition before releasing, discharging or transferring the patient to another hospital. A hospital that violates EMTALA is subject to civil penalties of up to \$50,000 per offense and exclusion from the Medicare and Medicaid programs.

CMS, in its role of monitoring participating providers' compliance with conditions of participation in the Medicare program, may determine that a provider is not in compliance with such conditions. In that event, a notice of termination of participation may be issued to such provider or other sanctions potentially could be imposed. As of the date of this Official Statement, management of Trinity Health is not aware of any such notices pending or contemplated against Trinity Health, the other members of the Credit Group or their facilities.

Medicare

A substantial percentage of the facilities operated by the Affiliates are certified as providers for Medicare services, and such members intend to continue to participate in the Medicare program. The requirements for Medicare certification are subject to change, and, in order to remain qualified for the program, it may be necessary for the Affiliates to effect changes from time to time in their facilities, equipment, personnel, billing processes, policies and service.

For the fiscal years ended June 30, 1999, 2000 and 2001, Medicare payments represented approximately 38%, 37% and 36% respectively, of the Trinity Health Credit Group's net patient service revenue. See APPENDIX A – "FINANCIAL AND OPERATING INFORMATION – Sources of Net Patient Service Revenue."

The Medicare Program

The 1965 Medicare Amendments to the Social Security Act established a governmental health insurance system under which physicians, hospitals and other providers are reimbursed directly for services provided to eligible elderly and disabled persons. Medicare consists of three primary parts: Part A, which covers inpatient hospitalization, skilled nursing facilities and home health agency care; Part B, which covers physician and other non-hospital services; and Part C, also known as “Medicare+Choice.” Medicare is administered by CMS, which delegates to the states the process for certifying those organizations to which CMS will make payment. In order to achieve and maintain Medicare certification, health care providers must meet CMS’s “Conditions of Participation” on an ongoing basis, as determined by the state and/or JCAHO.

Hospital Payment. Payment is made under Medicare Part A for inpatient hospital services provided to Medicare beneficiaries. Under a prospective payment system (“PPS”), Medicare pays a predetermined rate for each covered hospitalization, plus certain payment adjustments described below. Each such hospitalization is classified into one of several hundred diagnosis-related groups (“DRGs”), which determine the PPS base payment rate for the hospitalization. The PPS payment rate is not related to the actual cost incurred by a specific hospital in treating a patient. It is a fixed sum, generally based on national DRG rates, a Hospital Wage Index intended to reflect geographic differences in the costs of labor, and the hospital’s location in a county classified as “rural,” “large urban” or “other urban.” Several hospital characteristics are reflected in payment adjustments. In addition to certain CMS capital costs adjustments, payment adjustments include an indirect medical education adjustment, which is a formula intended to recognize additional costs incurred by teaching hospitals in treating Medicare patients; a disproportionate share adjustment to pay certain hospitals for a portion of the higher costs of treating a large proportion of poor patients and for indirect costs of operating in areas accessible to poor patients; a sole community hospital adjustment to provide for increased payments to hospitals that are defined by CMS as the sole source of inpatient hospital services in a geographic area; and outlier case adjustments to create a pool for other payments relating to patients with unusually long stays or high costs.

DRG rates may be adjusted annually as part of the federal budget reconciliation process and, thus, are subject to deficit reduction activities involving the federal budget generally and/or the Medicare program specifically. The Balanced Budget Act of 1997, as amended and modified by the Medicare, Medicaid and State Childrens Health Insurance Program Balanced Budget Refinement Act of 1999 and the Medicare, Medicaid and State Childrens Health Insurance Program Benefits Improvement and Protection Act of 2000 (together, the “BBA”), reduced the rate of increases for fiscal years 1998 through 2003 that were otherwise provided by law. There is no guarantee that DRG rates, as they change from time to time, will cover each Affiliate’s actual costs of providing services to Medicare patients.

Outpatient Services. Payments under Medicare Part B for physician services and for certain hospital outpatient services have been excluded from a PPS and generally are paid on a fee screen basis, a fee screen and cost blend basis or an adjusted cost basis. Outpatient operating cost-based reimbursement was reduced 5.8% in federal fiscal years 1992 through 1999. Effective August 1, 2000, the BBA changed the methodology to calculate certain outpatient payments by implementing a PPS. For the initial three years of a PPS for outpatient services, the BBA provides for additional payments for outliers, new technologies, orphan drugs and cancer drugs, and transitional payments.

There is no guarantee that PPS outpatient service rates, as they may change from time to time, will be adequate to cover each Affiliate’s actual cost of providing services to Medicare patients.

Reimbursement for Rehabilitation, Psychiatric and Home Health Services. Payments for rehabilitation, psychiatric and home health agency services are currently paid on a “reasonable cost

basis,” subject to reimbursement ceilings. In August 2001, CMS published a final rule establishing a PPS for inpatient rehabilitation. Under the rule, PPS payments will be phased in through a two-year period. Under the BBA, payments for home health services began to phase into a PPS on October 1, 2000, and payments for psychiatric services are scheduled to phase into a PPS beginning October 1, 2002. Given the implementation of a PPS with respect to services previously reimbursed on a cost basis, it is possible that the revenues received by the Credit Group members for providing such services to Medicare beneficiaries will decrease. Although none of these changes individually is expected to have a material adverse impact on Trinity Health and the Credit Group members, the changes, taken as a whole, are expected to reduce significantly the amount of payment received by the Credit Group under the Medicare program.

Reimbursement of Skilled Nursing Facilities. Extended care services furnished to inpatients of a skilled nursing facility (“SNF”), which historically have been reimbursed on a cost basis subject to per diem limits, became subject to a PPS as of July 1, 1998. Under the PPS, SNFs are paid through per diem prospective case mix adjusted payment rates for all SNF services (routine, ancillary and capital-related costs). There is no guarantee that SNF rates, as they may change from time to time, will cover the Credit Group’s actual costs of providing services to Medicare patients.

Reimbursement of Capital Costs. Starting in 1991, capital cost reimbursement began being phased into a PPS over a ten-year transition period. As of October 1, 2001, hospitals are reimbursed on a fully prospective basis for capital costs (including depreciation and interest) related to the provision of inpatient services for Medicare beneficiaries. As of that date, 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.

The BBA reduces the federal rate (before application of adjustment factors) by approximately 18% for all discharges before October 1, 2002. Management of Trinity Health believes that the changes, while significant, have not had a material adverse effect on the financial condition of the Credit Group. There can be no assurance that future capital-related PPS payments will be sufficient to cover the actual capital-related costs of the Credit Group’s facilities applicable to Medicare patient stays or to provide flexibility in meeting changing capital needs.

Disproportionate Share Hospitals. The Medicare program provides additional payment for hospitals that serve a disproportionate share of low income patients as defined by CMS. Approximately eight facilities owned or operated by Designated Affiliates qualify as disproportionate share hospitals. There can be no assurance that payments for disproportionate share will not be decreased or eliminated in the future or that these Affiliates will continue to qualify for disproportionate share status. In addition, disproportionate share payments are frequently the target of proposed Medicare payment reductions. The BBA provides that disproportionate share payments will be subject to incremental reduction that began with 1% in 1998 and increase to 3% in 2002. Such reductions, as well as any future efforts to further reduce or eliminate the disproportionate share payment, may have a material adverse impact on the financial condition of the Credit Group.

Miscellaneous. In addition to the provisions of the BBA described above, other provisions of the BBA are being phased in through 2002, some of which may negatively impact Medicare payments to the Credit Group. Such payments include, but are not limited to, direct and indirect medical education payments, transfer payments and bad debt reimbursement. Management of Trinity Health has prepared plans to address reduction of Medicare reimbursement. However, there can be no assurance that management’s plan will overcome the adverse effects of the BBA.

Medicare Managed Care. As a further result of the BBA, Medicare beneficiaries who are entitled to Part A and are enrolled in Part B may choose to obtain their benefits through a variety of risk-based plans under the Medicare+Choice Program. Medicare+Choice generally allows Medicare beneficiaries to participate in coordinated care plans, including health maintenance organizations and provider networks sponsored by hospitals, physicians or other providers, fee-for-service plans that accept full capitation from the Medicare program and medical savings account plans that allow certain seniors to enroll in a high deductible medical benefit plan provided by indemnity plans. A health care provider may contract with CMS to provide Medicare+Choice services, either as a State-licensed HMO or as a provider-sponsored organization (“PSO”) for which CMS has waived State-licensure requirements. All Medicare+Choice organizations must assume full financial risk on a prospective basis for the provision of health services. At the present time, Medicare managed care payments comprise an insignificant portion of the patient service revenue of the Credit Group.

Medicaid

Medicaid is a program of medical assistance funded jointly by the federal government and the states for certain needy individuals and their dependents. Under Medicaid, the federal government provides grants to states that have medical assistance programs that are consistent with federal standards.

The attempts to balance the federal budget, described above with respect to the Medicare program, have had similar effects on federal Medicaid program spending. As a result of changes and reductions made by the BBA, it is anticipated that federal Medicaid spending throughout the next four years will be reduced. Such decreases in spending may have a material adverse effect on the financial condition of the Credit Group.

The Credit Group members operate health facilities in seven states. Since a portion of the Medicaid program’s costs are paid by the respective state, the absolute level of Medicaid revenues paid to the Credit Group, as well as the timeliness of their receipt, may be affected by the financial condition of and budgetary factors facing that state. The actions the state could take with regard to reducing Medicaid expenditures to accommodate any budgetary shortfalls include a change in the method of payment to hospitals and other providers, changing eligibility requirements for Medicaid recipients and delaying actual payments due to hospitals and other providers. Any such action taken by a state in which the Credit Group member has a facility could adversely affect such member’s financial condition.

Certain states selectively contract with general acute care hospitals to provide services to participants in the Medicaid program of such state and may not provide payment to hospitals that do not have such a contract. Payment under such contracts may not cover the cost of providing such services or may be reduced by such state. Legislation is pending in certain states with respect to such payments and contracting. Reductions in payments by state Medicaid programs or loss of such contracts could materially adversely affect the financial condition of the Credit Group. For the fiscal years ended June 30, 1999, 2000 and 2001, Medicaid payments (including Medicaid HMO charges) represented approximately 8%, 7% and 6%, respectively, of the Credit Group’s net patient service revenue. See APPENDIX A – “FINANCIAL AND OPERATING INFORMATION – Sources of Net Patient Service Revenue.” At the present time, Medicaid managed care payments comprise an insignificant portion of the patient service revenue of the Credit Group.

Private Health Plans and Insurers

The term “private payors” refers to non-governmental entities, such as self-insured employer plans, commercial indemnity insurers, commercial HMOs and commercial PPOs. For the fiscal years ended June 30, 1999, 2000, and 2001, approximately 26%, 29%, and 31% of the Credit Group’s net

patient service revenue was derived from payments from commercial HMOs. The remaining 28%, 27%, and 27% of net patient service revenues were derived from other private payors, including commercial indemnity plans. Private payors reimburse the Credit Group members for health care services in accordance with a combination of reimbursement methods.

Discounted Fee-For-Service. In a discounted fee-for-service structure, third party payors contract with a hospital or a provider and make payments on either a flat discount of the provider's scheduled charges (expressed as a percentage of the full charge) or a tiered-discount arrangement. Under the latter, the provider's payment schedule is tied to patient volume generated as a result of the contract with the payor. Negotiated fee schedules also may be used based on a relative value scale (particularly with physicians).

DRG Payments. Under a DRG payment structure, the provider receives a fixed payment per patient for each hospitalization.

Per Diem Payment. Under a per diem fee arrangement, the provider (usually a hospital) receives a fixed daily rate per patient regardless of the nature or cost of the service provided.

Capitation Payments. Many HMOs pay providers on a capitated basis. Under such arrangements, the provider accepts a predetermined amount on a per-member, per-month basis, regardless of the actual services provided to individual HMO enrollees. In return, the provider must provide all contractually agreed-upon services to the enrollees. Capitation shifts the risk that a person will require health care services from the HMO to the provider. Often, capitation contracts are enforceable for a stated term, regardless of provider profits or losses. Further, such contracts may contain a requirement that the provider care for HMO enrollees for a certain period of time, regardless of whether the HMO has funds to make payments to the provider. At the present time, capitated payments comprise an insignificant portion of the Credit Group's patient service revenues.

Percentage of Premium Payments. These payment arrangements are similar to capitation, but payments are based on a percentage of the premium collected by the HMO. The HMO pays the provider a defined portion of the premium, regardless of the number of persons insured under that single premium payment, thus putting the provider at risk for a potentially unlimited number of "lives." At the present time, percentage of premium payments comprise an insignificant portion of the Credit Group's patient service revenues.

Risk Pools. In a "risk pool," the payor holds back a portion of a global fee or a percentage of the capitation due to health care providers (usually a hospital and a medical group), later paying the "withhold" to the providers only if the rate of utilization of hospital services or actual claims experience is below a certain level for a specified period. Risk pools are subject to regulatory constraints. See "Fraud and Abuse – Civil Monetary Penalty Act" herein.

The Credit Group members currently have contracts with indemnity insurers, HMOs, PPOs and other managed care providers. See "FINANCIAL AND OPERATING INFORMATION – Sources of Net Patient Service Revenue" in APPENDIX A of this Official Statement. There is no assurance that such members will maintain such private payor contracts or obtain other similar contracts in the future. Failure to execute and maintain private payor contracts could have the effect of reducing patient base or gross revenues. Conversely, participation may maintain or increase the patient base, but, if the discounts offered to payors result in payment at less than actual cost, such participation may result in reduced payment and lower net income to the Credit Group.

Trends in the Health Care Industry

The health care industry has been in a period of profound change throughout the past two decades. It has seen a shift from governmental and nonprofit hospitals to for-profit hospitals and from single unit organizations in one market to holding organizations with subsidiaries operating in a number of markets. The manner in which patients and third parties pay for health care services also has changed significantly.

A combination of a number of factors acted together to increase the costs of providing health care for both government and private payors, chiefly insurance companies. During the 1980s and 1990s, various strategies have been employed to attempt to reduce utilization of health care services and to reduce the cost of necessary services, as more fully described below. The efforts of health insurers and governmental agencies to limit the cost of health care services and to reduce utilization of hospital and other health care facilities may further reduce future revenues.

Health Care Integration

Physician Alliances and Affiliation. As part of a strategy to achieve an integrated delivery system, many hospitals and health systems, including Trinity Health and its Affiliates, are pursuing strategic alliances with physicians that may be capital intensive and may create certain business and legal liabilities for the related hospital or health system. These alliances range from formalized relationships for managed care contracting to full ownership of physician practices and integration of the professional and institutional components of medical care in a unified delivery model. Such integration strategies take many forms. In addition to traditional employment, models include medical service organizations (“MSOs”) or physician-hospital organizations (“PHOs”), which may provide a combination of financial management of operations and managed care assistance. Other integration structures include hospital-based clinics or medical practice foundations, which may purchase and operate physician practices.

Generally, the sponsoring hospital or health system will be the primary capital source for such alliances. Depending on the size and organizational characteristics of a particular development, these capital requirements may be substantial. In some cases, the sponsoring hospital or health system may be asked to provide a financial guarantee for the debt of a related entity which is carrying out the physician affiliation. In addition, the sponsoring hospital or health system may have an ongoing financial commitment to provide growth capital or support operating deficits, which may be substantial on an annual or aggregate basis. These types of alliances are generally designed to respond to existing trends in the delivery of medicine, to increase physician availability to the community or to enhance the managed care capability of the affiliated hospital and physicians. However, these goals may not be achieved, and, if the development is not successful, it may have adverse results that are counterproductive to some or all of the above-stated goals.

While there are many benefits that may be derived from such alliances, most are relatively new developments with uncertain outcomes, and, therefore, invested capital is subject to risk of loss.

Hospital Affiliation, Merger, Acquisition and Disposition. As with many multi-provider systems, Trinity Health will plan for, evaluate and pursue potential merger and affiliation candidates on a consistent basis as part of its overall strategic planning and development process. Such planning and discussions will likely result in the growth of the number and change in composition of entities affiliated with Trinity Health over time. As part of its on-going planning and property management functions, Trinity Health will review the use, compatibility and business viability of many of its Affiliates’ operations and, from time to time may pursue changes in the use of, or disposition of, their facilities. Likewise, Trinity Health may conduct discussions with third parties about the potential acquisition of

operations or properties that may become affiliated with Trinity Health in the future or about the potential sale of some of the operations and properties that currently are affiliated with Trinity Health. Discussions with respect to affiliation, merger, acquisition, disposition, or change of use are held on a frequent and usually confidential basis with other parties and may include the execution of non-binding letters of intent. As a result, it is possible that the organizations and assets that currently make up the Trinity Obligated Group and the Credit Group may change from time to time, subject to provisions in the Master Indenture and other financing documents that apply to merger, sale, disposition or purchase of assets or with respect to joining or withdrawing from the Trinity Obligated Group. See the captions “OTHER INFORMATION – Recent Developments” in APPENDIX A and “Covenants” in APPENDIX D - “SUMMARY OF THE MASTER INDENTURE.”

Currently, Trinity Health and the other Credit Group members are affiliated with other nonprofit and for-profit corporations. In certain instances, such affiliated entities may conduct operations that are of strategic importance to Trinity Health and the other Credit Group members, or such operations may subject Trinity Health and the other Credit Group members to potential legal or financial liabilities. In certain cases, Trinity Health may fund the affiliated entities on a startup or ongoing basis, and this funding may be significant.

Other Acquisitions and Affiliations. In addition to relationships with hospitals and physicians, Credit Group members may pursue investments, ventures, affiliations, development and acquisitions of other health care-related entities. These may include home health care, long-term care entities or operations, pharmaceutical providers and other health care enterprises that support the overall operations and mission of the Credit Group.

In addition, Credit Group members may pursue such transactions with health insurers, HMOs, PPOs, third-party administrators and other health insurance-related businesses. Because of the integration occurring throughout the health care field, Credit Group members will consider such arrangements where there is a perceived strategic or operational benefit.

All such initiatives may involve significant capital commitments and/or capital or operating risk in businesses in which Credit Group members may have less expertise than in hospital operations. There can be no assurance that these projects, if pursued, will not have a material adverse effect on the financial condition of the Credit Group, taken as a whole.

All such integrated delivery developments carry with them the potential for legal or regulatory risks in varying degrees. Such developments may call into question compliance with the anti-kickback and physician self-referral laws and relevant antitrust laws (discussed under “Fraud and Abuse Enforcement” and “Antitrust” herein). Questions of federal or state tax exemption may arise in certain types of developments or as a result of formation, operation or future modification of such developments. See “Tax-Exempt Status of Trinity Health and Credit Group Members” below. MSOs that operate at a deficit over an extended period of time may raise significant risks of investigation or challenge regarding tax exemption or compliance with the anti-kickback and physician self-referral laws. In addition, depending on the type of development, a wide range of governmental billing and reimbursement issues may arise, including questions of the authorization of the entity to bill or collect revenue for or on behalf of the physicians involved. Other related legal and regulatory risks may arise relating to employment, pension and benefits and corporate practice of medicine, particularly in the current atmosphere of frequent and often unpredictable changes in federal and state legal requirements regarding health care. There can be no assurance that such issues and risks will not have a material adverse effect on the financial condition of the Credit Group, taken as a whole. See APPENDIX A – “OTHER INFORMATION – Significant Agreements and Ventures” and “– Financial Arrangements With Certain

Affiliated Corporation” for information concerning the integrated delivery systems of the Designated Affiliates and Affiliates.

Competition Among Health Care Providers. Increased competition from a wide variety of potential sources, including, but not limited to, other hospitals and health care systems, inpatient and outpatient health care facilities, long-term care and skilled nursing services facilities, clinics, physicians and others, could adversely affect the utilization and/or revenues of the Credit Group. Existing and potential competitors may not be subject to various restrictions applicable to the Credit Group members, and competition, in the future, may arise from new sources not currently anticipated or prevalent. While the effect of such actions is uncertain, it can be expected to increase competition in the health care field generally, and the utilization and revenues of the Credit Group members could be adversely affected thereby.

In addition to the historical competitors of the Credit Group members, for-profit health care systems may be evaluating entry into the markets in which the Credit Group members operate health care facilities. The entry of one or more for-profits could have an impact on the revenues and profitability of the Credit Group members. For-profit enterprises may have access to capital at a lower cost or on more favorable terms than the Credit Group members and other nonprofit hospitals and health care systems. In addition, these for-profit providers might not be subject to all of the restrictions to which the Credit Group members are subject as a result of their nonprofit status. See “Tax-Exempt Status of Trinity Health and Credit Group Members” herein.

Additionally, scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety and outpatient health care delivery may reduce utilization and revenues of the Credit Group members in the future. Technological advances in recent years have accelerated the trend toward the use by hospitals and other health care providers of sophisticated and costly equipment and services for diagnosis and treatment. The acquisition and operation of certain equipment or services may continue to be a significant factor in hospital and other provider utilization, but the ability of the Credit Group members to offer such equipment or services may be subject to the availability of equipment or specialists, governmental approval or the ability to finance such acquisitions or operations.

Antitrust

Enforcement of the antitrust laws against health care providers is becoming more common. Antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, payor contracting, physician relations, joint ventures, merger, acquisition and affiliation activities, certain pricing or salary setting activities, as well as other areas of activity. The application of the federal and state antitrust laws to health care is still evolving, and enforcement activity appears to be increasing. Violation of the antitrust laws could result in criminal and/or civil enforcement proceedings by federal and state agencies, as well as actions by private litigants. In certain actions, private litigants may be entitled to treble damages, and in others, governmental entities may be able to assess substantial monetary fines. The most common areas of potential liability are joint action among providers with respect to payor contracting, medical staff credentialing, merger, acquisition and affiliation activity and use of a hospital’s local market power for entry into related health care businesses. From time to time, the Credit Group members are or may be involved with all of these types of activities, and neither Trinity Health nor the other Credit Group members can predict in general when or to what extent liability, if any, may arise. Liability in any of these or other trade regulation areas may be substantial, depending upon the facts and circumstances of each case.

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

Malpractice Claims and General Liability Insurance

Trinity Health maintains self-insurance and medical malpractice insurance for its Designated Affiliates and Affiliates in the amounts described in APPENDIX A – “OTHER INFORMATION — Insurance.” Management of Trinity Health considers this coverage to be adequate; however, no assurances can be given that Trinity Health will maintain the coverage amounts currently in place in the future or that the coverage will be sufficient to cover all malpractice judgments rendered against the Affiliates or settlements of any such claims. In addition, with respect to the Designated Affiliates’ and Affiliates’ self-insurance and risk retention programs, insured losses in excess of expectations may decrease self-insurance reserves and make it necessary for Trinity Health and the Designated Affiliates and Affiliates to increase their contributions to such reserves.

Labor Relations

Collective Bargaining. Hospitals and other health care providers often are large employers with a wide diversity of employees. Increasingly, employees of hospitals and other providers are becoming unionized, and many hospitals and other providers have collective bargaining agreements with one or more labor organizations. Employees subject to collective bargaining agreements may include essential nursing and technical personnel, as well as food service, maintenance and other trade and support personnel. Three Designated Affiliates (Trinity Health – Michigan, Battle Creek and Trinity Continuing Care) have employees covered by a total of 24 collective bargaining agreements. See APPENDIX A – “OTHER INFORMATION – Employees.”

Health Care Worker Classification. Health care providers, like all businesses, are required to withhold income taxes from amounts paid to employees. If the employer fails to withhold the tax, the employer becomes liable for payment of the tax imposed on the employee. On the other hand, businesses are not required to withhold federal taxes from amounts paid to a worker classified as an independent contractor. The Internal Revenue Service (the “IRS”) has established a complex rule for determining whether a worker is an employee or an independent contractor for tax purposes. Because misclassification of workers as independent contractors has led to significant annual losses from social security and unemployment taxes, the IRS, through the Employment Tax Examination Program, has assessed many millions of dollars in back taxes and penalties and has forced the reclassification of hundreds of thousands of workers.

Trinity Health and the other Credit Group members believe they currently correctly classify workers as employees or independent contractors for tax purposes.

Certificates of Need Requirement

The Maryland Certificate of Need regulations state that review and approval by the Maryland Health Care Commission (the “Health Care Commission”) is required before a new health care facility is

built, an existing health care facility is moved to another site, the bed capacity is changed, the type of health care service offered is changed, or a health care facility makes a capital expenditure that exceeds the review threshold for capital expenditures. Maryland Performance Requirements state major additions or modernizations (greater than \$5,000,000) to existing health care facilities have up to 24 months to obligate 51% of certified capital expenditures and up to 24 months after the effective date of a binding construction contract to complete the project. Projects may be undertaken in phases, with each phase judged in accordance with its own performance requirements, based on the successive effective dates of certification of each phase. As a general condition of project certification, a certified applicant shall submit to the Health Care Commission quarterly reports of progress in completing the certified project. Failure to provide these reports may result in revocation of the Certificate of Need.

The Health Care Commission has approved Holy Cross Hospital's request for a Certificate of Need in connection with the Project.

Maryland Health Services Cost Review Commission

Under current law, rates charged by non-governmental Maryland hospitals for most hospital services are subject to review and approval by the Maryland Health Services Cost Review Commission (the "Rate Commission") pursuant to Sections 19-201 through 19-222 of the Health-General Article of the Annotated Code of Maryland, as amended (the "Rate Commission Act"). By the terms of the Rate Commission Act, no hospital subject to the Rate Commission Act is permitted to charge for covered hospital services (inpatient services, emergency services and outpatient services provided at the hospital) at rates other than those established by the Rate Commission in accordance with the procedures established under the Rate Commission Act. The Rate Commission is empowered by statute to initiate hospital rate reviews and to review hospital rate applications on an individual basis to assure that (i) the total costs of all hospital services offered by or through a hospital are reasonable, (ii) the hospital's aggregate rates are reasonably related to the hospital's aggregate costs and (iii) rates are charged equitably among all purchasers or classes of purchasers without undue discrimination or preference.

Maryland Hospital Bond Program

In 1985, the Maryland General Assembly enacted comprehensive health care legislation for the purpose of encouraging the reduction of excess capacity in the State of Maryland health care system. Pursuant to this legislation, the Maryland Hospital Bond Program (the "Bond Indemnification Program" or the "Program") was created under Section 16A of Article 43C of the Annotated Code of Maryland, as amended ("Section 16A"), to preserve the access of Maryland health care facilities to adequate financing by establishing a program to facilitate the refinancing and payment of certain public body obligations of a closed or delicensed hospital. The Program is administered by the Maryland Health and Higher Educational Facilities Authority ("MHHEFA"), in consultation with the Rate Commission and the Health Commission.

As defined in Section 16A, "public body obligations" include all bonds, notes and other obligations for the payment of borrowed money issued by a State of Maryland agency, a county, the Mayor and City Council of Baltimore or certain municipal corporations, but "public body obligations" do not include any such obligation or portion thereof (i) that is insured by a municipal bond insurance policy (in the case of the voluntary closure of the hospital); (ii) the proceeds of which were used to finance or refinance a facility or part thereof that is used primarily to provide outpatient services at a location other than the hospital; or (iii) the proceeds of which were used to finance or refinance a facility or part thereof which is primarily used by physicians who are not employees of the hospital for the purpose of providing services to nonhospital patients. All of the Bonds constitute public body obligations under the provisions of Section 16A as currently in effect.

Section 16A provides that the Bond Indemnification Program shall provide for the payment and refinancing of public body obligations of a hospital if:

(1) the hospital is (a) closed in accordance with Section 19-115(l) of the Health-General Article of the Annotated Code of Maryland, under which the Health Care Commission must find in its sole discretion that the proposed closure is not inconsistent with the State of Maryland health plan and is in the public interest, or (b) delicensed in accordance with Section 19-325 of the Health-General Article of the Annotated Code of Maryland upon the petition of the Health Care Commission and the Rate Commission after efforts to encourage the hospital to reduce its excess capacity have failed;

(2) there are public body obligations issued on behalf of the hospital outstanding:
and

(3) the hospital plan for closure or delicensure and the related financing or refinancing plan is acceptable to the Secretary of the Department of Health and Mental Hygiene for the State of Maryland.

Section 16A provides that upon receipt by MHHEFA of certain notice of the proposed closure or delicensure of a hospital and after consultation with the Rate Commission and the issuer of each public body obligation, MHHEFA shall prepare a plan to finance, refinance or otherwise provide for the payment of such public body obligations. Section 16A authorizes MHHEFA to issue its bonds or notes for the purpose of providing for the payment of public body obligations in accordance with any such plan.

Under the Program, the Rate Commission must assess a fee on all Maryland hospitals whose rates have been approved by the Commission in an amount sufficient to pay the principal of and interest on public body obligations of the closed or delicensed hospital, or any bonds or notes issued to refinance such public body obligations, in accordance with the plan developed by MHHEFA. The fee assessed each hospital is proportionate to that hospital's gross patient revenues compared with the total gross patient revenues of all hospitals. In the event that the Rate Commission is terminated by law, the Secretary of Health and Mental Hygiene must impose the fee on all licensed hospitals in the State of Maryland.

The Bond Indemnification Program may also be used to provide for the payment of certain closure costs of a closed or delicensed hospital if the Rate Commission determines, after consideration of the system-wide savings to the State of Maryland health care system expected to result from the closure or delicensure, that the payment of such costs is necessary or appropriate to encourage and assist the hospital to close or to implement the program for the payment of public body obligations.

The Bond Indemnification Program has been implemented three times to provide for the payment of approximately \$25,480,000 aggregate principal amount of public body obligations of hospitals closed in accordance with the Program.

Although the Bond Indemnification Program currently provides a mechanism for the payment of outstanding public body obligations, it cannot be determined how the existing Program would be implemented in connection with the closure of any particular hospital or whether the Program will be continued in the future in its present form. A number of factors affecting a particular hospital, such as the absence of management direction in accessing the Program or a lack of working capital, could delay or otherwise adversely affect implementation of the Program in connection with any future hospital closure. In addition, the initiation of bankruptcy or similar proceedings by or against a closed or delicensed hospital could preclude or substantially delay the implementation of the Program with regard to the public

body obligations of such hospital. There can be no assurance that the Program will not be modified or eliminated by future legislation amending or repealing Section 16A.

Licensing, Surveys, Investigations and Audits

On a regular basis, health facilities, including those of the Credit Group members, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements relating to Medicare and Medicaid participation and payment, state licensing agencies, private payors, the JCAHO and the American Osteopathic Association. Renewal and continuance of certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews, some of which may require or include affirmative action or response by the Credit Group members. These activities generally are conducted in the normal course of business of health care facilities. Nevertheless, an adverse determination could result in a loss or reduction in the Credit Group members' scope of licensure, certification or accreditation or could reduce the payment received or require repayment of amounts previously remitted.

Management of Trinity Health currently anticipates no difficulty renewing or continuing currently held licenses or certifications and no materially adverse change in accreditations; nor do they anticipate a reduction in third-party payments from such events that would materially adversely affect the operations or financial condition of the Credit Group. Nevertheless, actions in any of these areas could result in the loss of utilization or revenues or the Affiliates' ability to operate all or a portion of its facilities and, consequently, could adversely affect Trinity Health's ability to make principal, interest and premium, if any, payments on additional Obligations.

Tax-Exempt Status of Trinity Health and Credit Group Members

Maintenance of the Tax-Exempt Status of the Benefiting Affiliates. The tax-exempt status of the Bonds presently depends upon maintenance by each Credit Group Member who receives or benefits from the proceeds of the Bonds (the "Benefiting Affiliates") of its status as an organization described in section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions that may cause their earnings or assets to inure to the benefit of private individuals. As these general principles were developed primarily for public charities that do not conduct large-scale technical operations and business activities, they often do not adequately address the myriad of operations and transactions entered into by a modern health care organization. Although traditional activities of hospitals, such as medical office building leases, have been the subject of interpretations by the IRS in the form of Private Letter Rulings, many activities or categories of activities have not been addressed in any official opinion, interpretation, or policy of the IRS.

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

Trinity Health and the other Credit Group members are participants in a variety of joint ventures and transactions with physicians either directly or indirectly, some of them on a large scale. Trinity Health management believes that the joint ventures and transactions to which the Benefiting Affiliates are

party are consistent with the requirements of the Code as to tax-exempt status, but, as noted above, there is uncertainty as to the state of the law in this regard.

In recent years, the IRS has increased the frequency and scope of its audit and other enforcement activity regarding tax-exempt health care organizations. If the IRS were to find that a Credit Group member has participated in activities in violation of certain regulations or rulings, the tax-exempt status of such entity could be in jeopardy. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit health care corporations, it could do so in the future. Loss of tax-exempt status by even one Benefiting Affiliate potentially could result in loss of tax exemption of the Bonds and of other tax-exempt debt of Trinity Health and the other Credit Group members, and defaults in covenants regarding the Bonds and other related tax-exempt debt likely would be triggered. Loss of tax-exempt status also could result in substantial tax liabilities on income of the affected Benefiting Affiliate. For these reasons, loss of tax-exempt status of any Benefiting Affiliate could have a material adverse effect on the financial condition of the Credit Group, taken as a whole.

In lieu of revocation of exempt status, the IRS may impose penalty excise taxes on certain “excess benefit transactions” involving 501(c)(3) and 501(c)(4) organizations and “disqualified persons.” An excess benefit transaction is one in which a disqualified person or entity receives more than fair market value from the exempt organization or pays the exempt organization less than fair market value for property or services, or shares the net revenues of the tax-exempt entity. A disqualified person is a person (or an entity) who is in a position to exercise substantial influence over the affairs of the exempt organization during the five years preceding an excess benefit transaction. The statute imposes excise taxes on the disqualified person and any “organization manager” who knowingly participates in an excess benefit transaction. The intermediate sanctions rules do not penalize the exempt organization itself, so there would be no impact on Trinity Health and the other Credit Group members or the tax status of the Bonds if an excess benefit transaction were subject to IRS enforcement.

In a number of recent cases, the IRS has imposed substantial monetary penalties on tax-exempt hospitals in lieu of revoking their tax-exempt status. In such cases, the IRS and such exempt hospitals entered into “closing agreements” with respect to the hospitals’ alleged violations of certain informal physician recruiting guidelines applied by the IRS. The closing agreements require the hospitals to make substantial tax payments to the IRS.

In 1990, the former Employee Plans and Exempt Organizations Division of the IRS expanded the Coordinated Examination Program (“CEP”) of the IRS to tax-exempt health care organizations. To qualify for the CEP program, a taxpayer must have at least \$500 million in assets or \$1 billion in gross receipts. CEP audits are conducted by teams of revenue agents. CEP audits often take years to complete and require the expenditure of significant staff time by both the IRS and taxpayers. CEP revenue agents often occupy office space on the taxpayer’s premises for the duration of the audit.

The CEP audit teams that examine tax-exempt health care organizations are led by senior TE/GE Division revenue agents who consider examining a wide range of possible issues, including the community benefit basis of exemption, private inurement and private benefit, partnerships and joint ventures, retirement plans and employee benefits, employment taxes, tax-exempt bond financing, political contributions and unrelated business taxable income.

Trinity Health and the other Credit Group members qualify for CEP audits. There is no assurance that a Credit Group member will not be the subject of a CEP audit in the future. Management believes that Trinity Health and the other Credit Group members have properly complied with the tax laws. Nevertheless, because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, a CEP audit could result in additional taxes, interest and penalties. A CEP

audit ultimately could affect the tax-exempt status of a Credit Group member as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds and other tax-exempt debt of such Credit Group member.

State Income Tax Exemption and Local Property Tax Exemption. It is likely that the loss by a Credit Group member of federal tax exemption would also trigger a challenge to the state tax exemption of such member. Depending on the circumstances, such event could have a material adverse effect on the financial condition of the Credit Group, taken as a whole.

In recent years, state, county, and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt health care providers with respect to their real property tax exemptions. In some cases, particularly where such authorities are dissatisfied with the amount of services provided to indigents, the real property tax-exempt status of the health care providers has been questioned. A substantial portion of the real property of the Credit Group is exempt from real property taxation. An investigation or audit could lead to a challenge that could ultimately affect the real property tax exemption of the Credit Group members.

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

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

Maintenance of Tax-Exempt Status of Interest on the Bonds

The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States, and a requirement that the issuers file an information report with the IRS. Trinity Health has covenanted in certain of the documents referred to herein that it will comply with such requirements and will cause the Benefiting Affiliates to comply with such of those requirements as apply to the Benefiting Affiliates. Future failure by Trinity Health or one or more Benefiting Affiliate to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Bonds as taxable, retroactively to the date of issuance. The Issuer has covenanted in certain of the documents referred to herein that it will not take any action or refrain from taking any action that would cause interest on the Bonds to be included in gross income for federal income tax purposes.

In December 1999, the IRS commenced operation of its Tax Exempt and Government Entities Division (the “TE/GE Division”), as the successor to its Employee Plans and Exempt Organizations

division, as a part of a larger reorganization of the IRS. The TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance.

Trinity Health has not sought to obtain a private letter ruling from the IRS with respect to the Bonds, and the opinion of Bond Counsel is not binding on the IRS. There is no assurance that an IRS examination of the Bonds will not adversely affect the market value of the Bonds. See “TAX MATTERS” herein.

Indigent Care

Tax-exempt hospitals and other providers often treat large numbers of indigent patients who are unable to pay for their medical care. These hospitals and other providers may be susceptible to economic and political changes which could increase the number of indigents or their responsibility for caring for this population. General economic conditions which affect the number of employed individuals who have health coverage will similarly affect the ability of patients to pay for their care. Similarly, changes in governmental policy, which may result in coverage exclusions under local, state and federal health care programs (including Medicare and Medicaid) may increase the frequency of indigent care by such hospitals and other providers. It is also possible that future legislation could require that tax-exempt hospitals and other providers maintain minimum levels of indigent care as a condition to federal income tax exemption or local property tax exemption. In sum, indigent care commitments of the Credit Group members could have a material adverse effect on the financial condition of the Credit Group, taken as a whole.

Limitations on Contractual and Other Arrangements Imposed by the Internal Revenue Code

As tax-exempt organizations, Trinity Health and the Credit Group members are limited with respect to their use of practice income guarantees, reduced rent on medical office space, low interest loans, joint venture programs and other means of recruiting and retaining physicians. Uncertainty in this area has been reduced somewhat by the issuance by the IRS of guidelines on permissible physician recruitment practices. The IRS scrutinizes a broad variety of contractual relationships commonly entered into by hospitals and has issued a detailed audit guide suggesting that field agents scrutinize numerous activities of the hospitals in an effort to determine whether any action should be taken with respect to limitations on, or revocation of, their tax-exempt status or assessment of additional tax. The IRS also has commenced intensive audits of selected teaching hospitals to determine whether the activities of these hospitals are consistent with their continued tax-exempt status. Any suspension, limitation, or revocation of a Credit Group member’s tax-exempt status or assessment of significant tax liability would have a materially adverse effect on the Credit Group and might lead to loss of tax exemption of interest on the Bonds.

Bankruptcy

In the event of bankruptcy of Trinity Health or any future Trinity Obligated Group Member, the rights and remedies of the Bondholders are subject to various provisions of the federal Bankruptcy Code. If Trinity Health or any future Trinity Obligated Group Member were to file a petition in bankruptcy, payments made by that Trinity Obligated Group Member during the 90-day (or perhaps one-year) period immediately preceding the filing of such petition may be avoidable as preferential transfers to the extent such payments allow the recipients thereof to receive more than they would have received in the event of such Trinity Obligated Group Member’s liquidation. Such a bankruptcy filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against Trinity Health or any future Trinity Obligated Group Member and its property and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over its property, as well as various

other actions to enforce, maintain or enhance the rights of a bond trustee and the Master Trustee. If the bankruptcy court so ordered, the property of such Trinity Obligated Group Member, including accounts receivable and proceeds thereof, could be used for the financial rehabilitation of such Trinity Obligated Group Member, despite any security interest of a bond trustee therein. The rights of the Trustee and the Master Trustee to enforce their respective security interests and other liens could be delayed during the pendency of the rehabilitation proceeding.

Such Trinity Obligated Group Member could file a plan for the adjustment of its debts in any such proceeding, which plan could include provisions modifying or altering the rights of creditors generally or any class of them, secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and, with certain exceptions, discharges all claims against the debtor to the extent provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are conditions that the plan be feasible and that it shall have been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

In the event of bankruptcy of Trinity Health or any future Trinity Obligated Group Member, there is no assurance that certain covenants, including tax covenants, contained in the Loan Agreement and certain other documents would survive. Accordingly, a bankruptcy trustee could take action that would adversely affect the exclusion of interest on the Bonds from gross income of the Bondholders for federal income tax purposes.

Moreover, the bankruptcy of (or similar action by or affecting) a Credit Group member that is not a Trinity Obligated Group Member is not a default under the Master Indenture, and the effect of such bankruptcy upon the Credit Group could be material. In particular, such Credit Group member would not be able to advance moneys to Trinity Health to enable Trinity Health to make debt service payments on Obligations.

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, health care operations or facilities and properties owned or operated by hospitals and other providers. Among the types of regulatory requirements faced by hospitals and other providers are air and water quality control requirements; waste management requirements; specific regulatory requirements applicable to asbestos, polychlorinated biphenyls and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the hospital or other facility; requirements for training employees in the proper handling and management of hazardous materials and wastes; and other requirements.

In their role as owners and/or operators of properties or facilities, hospitals and other health care providers may be subject to liability for investigating and remedying any hazardous substances which have come to be located on the property, including any such substances that may have migrated off of the property. Typical hospital and other health care operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and/or discharge of infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, hospital and other health care operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may result in damage to

individuals, property or the environment; may interrupt operations and/or increase their cost; may affect the ability to renovate or otherwise modify property; may result in legal liability, damages, injunctions or fines; and may result in investigations, administrative proceedings, penalties or other governmental agency actions. There can be no assurance that Trinity Health and the other Credit Group members 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 Credit Group.

At the present time, the management of Trinity Health is not aware of any pending or threatened claim, investigation or enforcement action regarding such environmental issues which, if determined adversely to Trinity Health and the other Credit Group members, would have material adverse consequences.

Investments

Trinity Health has significant holdings in a broad range of investments. Market fluctuations may affect the value of those investments and those fluctuations may be, and have historically been, at times, material. The securities markets have experienced increased volatility since the terrorist attacks of September 11, 2001. Trinity Health experienced net realized gains and net unrealized losses on investments in each of the three fiscal years ended June 30, 2001.

Other Risk Factors

In the future, the following factors, among others, may adversely affect the operations of health care providers, including the Credit Group members or the market value of the Bonds, to an extent that cannot be determined at this time.

- (1) Adoption of legislation that would establish a national health program.
- (2) Employee strikes and other adverse labor actions that could result in a substantial reduction in revenues without corresponding decreases in costs.
- (3) Reduced need for hospitalization or other services arising from future medical and scientific advances.
- (4) Reduced demand for the services of the Affiliates that might result from decreases in population.
- (5) Increased unemployment or other economic conditions in the service areas of the Credit Group members which could increase the proportion of patients who are unable to pay fully for the cost of their care.
- (6) Any substantial increase in the quantity of indigent care provided which is mandated in order, for example, to maintain the tax-exempt status of any Credit Group member.
- (7) Efforts by insurers and governmental agencies to limit the cost of hospital services, to reduce the number of beds and to reduce the utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety and outpatient care, or comparable regulations or attempts by third-party payors to control or restrict the operations of certain health care facilities.
- (8) Developments adversely affecting the federal or state tax-exempt status of nonprofit organizations.

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

(10) The occurrence of natural disasters that could damage the facilities of the Credit Group members, interrupt utility service to the facilities or otherwise impair the operation of the Credit Group members and the generation of revenues from the facilities. The facilities of the Credit Group members are covered by general property insurance in an amount that management considers to be generally sufficient to provide for the replacement of such facilities in the event of most natural disasters.

(11) Developments that adversely affect the federal or state tax-exempt status of municipal bonds could make tax-exempt financing unavailable for future Trinity Health projects.

(12) Adoption of a so-called “flat tax” federal income tax, a reduction in the marginal rates of federal income taxation or replacement of the federal income tax with another form of taxation, any of which might adversely affect the market value of the Bonds.

(13) Limitations on the availability of, and increased compensation necessary to secure and retain, nursing, technical and other professional personnel.

(14) The occurrence of a large-scale terrorist attack that increases the proportion of patients who are unable to pay fully for the cost of their care and that disrupts the operations of certain health care facilities by resulting in an abnormally high demand for health care services.

APPROVAL OF LEGALITY

The legality of the authorization, issuance, sale and delivery of the Bonds is subject to the approval of Venable, Baetjer and Howard, LLP, Bond Counsel with respect to the Bonds. Certain legal matters will be passed on for the Underwriters by their counsel, Sidley Austin Brown & Wood LLP, San Francisco, California, and for the members of the Trinity Health Credit Group by their counsel, Foley & Lardner, Chicago, Illinois, neither of which firms are passing upon the legality of the Bonds.

TAX MATTERS

Federal Law

In the opinion of Bond Counsel, assuming continuing compliance with certain covenants described herein, under existing law, interest on the Bonds (a) is excludable from gross income for Federal income tax purposes and (b) is not an enumerated preference or adjustment for the purposes of computing the alternative minimum tax imposed on individuals and corporations; however, such interest may be taken into account in determining “adjusted current earnings” for the purpose of computing the alternative minimum tax imposed on corporations and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

Under the provisions of the Code, there are certain requirements that must be met subsequent to the issuance of the Bonds in order for the interest on the Bonds to remain excludable from gross income for Federal income tax purposes, including restrictions that must be complied with throughout the term of the Bonds. The Issuer and Trinity Health have made certain covenants regarding actions required to maintain the excludability of interest on the Bonds from gross income for federal income tax purposes. The opinion of Bond Counsel assumes continuing compliance with such covenants of the Issuer and

Trinity Health and, in addition, will rely on (i) representations by the Issuer and Trinity Health with respect to matters solely within the knowledge of the Issuer and Trinity Health and (ii) the opinion of Foley & Lardner, Chicago, Illinois, counsel to Trinity Health, with regard to the tax-exempt status of Trinity Health. Bond Counsel has not independently verified, and will not monitor compliance with, the covenants and representations of the Issuer and Trinity Health. In the event of noncompliance with such covenants and representations, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includible in gross income for Federal income tax purposes from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, in calculating corporate alternative minimum tax, a corporation is required to increase its alternative minimum taxable income by 75 percent of the amount by which its “adjusted current earnings” exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For this purpose, “adjusted current earnings” would include, among other items, interest on the Bonds. In addition, the Code imposes a branch-level tax on certain earnings and profits of foreign corporations engaged in a trade or business in the United States, and such earnings and profits would include interest on the Bonds.

Other Federal income tax consequences may arise from ownership of the Bonds, and in connection therewith, attention is directed to the following provisions of the Code: (a) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, or in the case of a financial institution, that portion of the holder’s interest expense allocated to interest on the Bonds, (b) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(B)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (c) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on obligations such as the Bonds, and (d) for S corporations that have subchapter C earnings and profits, the receipt of certain amounts of passive investment income, which includes interest on the Bonds, may result in the imposition of income tax on such passive investment income and, in some cases, loss of S corporation status.

A Bond will be considered to have been issued at a premium if, and to the extent that, the holder’s tax basis in the Bond exceeds the amount payable at maturity (or, in the case of a Bond callable prior to maturity, the amount payable on the earlier call date). The holder will be required to reduce his tax basis in the Bond for purposes of determining gain or loss upon disposition of the Bond by the amount of amortizable bond premium that accrues (determined on a constant yield method) during the period of ownership. No deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the Bonds.

The initial public offering price of certain maturities of the Bonds may be less than the amount payable on such Bonds at maturity (the Bonds of such maturities are referred to herein as “Discount Bonds”). The difference between the initial public offering price at which a substantial amount of the Discount Bonds of the same maturity was sold and the principal amount of such Discount Bonds payable at maturity constitutes “original issue discount.” Original issue discount on the Discount Bonds is treated as interest on the Bonds for purposes of federal income taxation. In the case of any holder of Discount Bonds, the amount of original issue discount which is treated as having accrued with respect to such Discount Bonds is added to the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). A holder of a Discount Bond will recognize gain or loss upon the disposition of the bond (including sale, redemption or payment at maturity) in an amount that is equal to the difference between (i) the amount received upon such

disposition and (ii) the sum of (a) the holder's cost basis in the Discount Bond and (b) the amount of original issue discount, which is treated as having accrued during the period the holder held such bond.

Original issue discount on Discount Bonds will be attributed to semiannual compounding periods during the life of each Discount Bond in accordance with a constant rate of interest accrual method. The yield to maturity of the Discount Bonds is determined based on semiannual compounding. Such yield is then used to determine an amount of accrued interest for each semiannual compounding period. For this purpose, interest is treated as compounding semiannually on days which are determined by reference to the maturity date of the Discount Bonds. The amount of original issue discount which is treated as having accrued in respect of a Discount Bond for any particular semiannual compounding period is equal to the excess of (i) the product of (a) one-half of the yield for the Discount Bond (adjusted as necessary for an initial short period) multiplied by (b) the amount that would be the tax basis of such Discount Bond at the beginning of such period if held by an original purchaser who purchased at the initial public offering price, over (ii) the amount actually payable as interest on such Discount Bond during such period. The tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to the initial public offering price the sum of amounts that have been treated as accrued interest for such purposes during all prior periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then interest which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Prospective purchasers of the Bonds should consider possible state and local, excise, or franchise tax consequences arising from original issue discount on the Bonds. In addition, prospective corporate purchasers of the Bonds should consider possible federal income tax consequences arising from original issue discount on the Bonds under the alternative minimum tax and the branch profits tax described above.

Legislative proposals presently before Congress or that are introduced after issuance and delivery of the Bonds, if enacted, could alter or amend one or more of the Federal tax matters referred to above and/or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal may be enacted, and there can be no assurance that any such proposal would not apply to obligations issued prior to the enactment of such proposal. Accordingly, prospective purchasers of the Bonds should consult with their tax advisors as to the status and potential effect of such proposals.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not purport to be complete; prospective purchasers should consult their tax advisors as to the effects, if any, of the Code in their particular circumstances.

State and Local Tax Exemption

In the opinion of Bond Counsel, by the terms of the Act, the principal amount of the Bonds, the interest payable thereon, their transfer, and any income derived therefrom, including any profit made in the sale or transfer thereof, are and shall remain exempt from taxation by the State and by its several counties and municipalities; however, the terms of the Act do not expressly refer to estate or inheritance taxes, franchise taxes applicable to certain financial institutions, or any other taxes not levied or assessed directly on the Bonds, the interest thereon, their transfer or the income derived therefrom and no opinion is expressed with respect thereto.

Interest on the Bonds may be subject to state or local income taxes in jurisdictions other than the State under applicable state or local tax laws. All purchasers of the Bonds should consult their tax

advisors regarding the taxable status of the Bonds in a particular state or local jurisdiction other than the State.

FINANCIAL ADVISOR

Kaufman, Hall & Associates, Inc., Northfield, Illinois, was engaged by Trinity Health to provide financial advisory services for the development and implementation of a capital financing plan for Trinity Health. Kaufman Hall is a national consulting firm that acts as capital advisor to health care organizations, particularly in the areas of short and long term debt financings, joint ventures and overall capital planning.

INDEPENDENT AUDITORS

The consolidated financial statements of Trinity Health and its Affiliates as of June 30, 2001 and 2000 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 its report appearing in APPENDIX B hereto.

UNDERWRITING

The Bonds are being purchased by Morgan Stanley & Co. Incorporated (the “Representative”). The Representative has agreed to purchase the Bonds at a purchase price of \$64,541,412 (which represents the principal amount of the Bonds of \$65,000,000, less an underwriters’ discount of \$431,033, less an original issue discount of \$549,218, plus an original issue premium of \$521,663), plus accrued interest. The purchase contract pursuant to which the Bonds are being sold provides that the Representative will purchase all of the Bonds if any Bonds are purchased and requires Trinity Health to indemnify the Representative and the Issuer against certain liabilities, and the obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions. The Representative may offer and sell the Bonds to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Representative.

RATINGS

Moody’s Investors Service (“Moody’s”), Standard & Poor’s Rating Services (“Standard & Poor’s”) and Fitch (“Fitch”) have assigned the Bonds their municipal bond ratings of “Aa3,” “AA-” and “AA-,” respectively. Trinity Health has furnished to the rating agencies certain information and materials concerning the Bonds and themselves. Any explanation of the significance of the ratings may be obtained only from Moody’s, Standard & Poor’s or Fitch. There is no assurance that any of the ratings will continue for any given period of time or that any rating may not be lowered or withdrawn if, in the judgment of a rating agency, circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market prices of the Bonds.

OTHER MATTERS

Any statements in this Official Statement involving matters of opinion, whether or not expressly stated as such, are so intended and are not representations of fact.

The summaries or descriptions of provisions of the Bonds, the Master Indenture, Supplement Number Six, the Series 2001 Obligation, the Loan Agreement, and the Indenture and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof.

MONTGOMERY COUNTY, MARYLAND

By: /s/ Timothy L. Firestine
Authorized Representative

Approved:

TRINITY HEALTH CORPORATION

By: /s/ Alan F. Nelson
Authorized Representative

APPENDIX A

Information Concerning

TRINITY HEALTH CREDIT GROUP

**The information contained herein as
Appendix A to this Official Statement
has been obtained from Trinity
Health on behalf of itself and
the members of its Credit Group.**

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APPENDIX A
TRINITY HEALTH CREDIT GROUP

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Capitalized terms used, but not defined, in this Appendix A are defined in the forepart of this Official Statement and in Appendices C and D to this Official Statement.

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TRINITY HEALTH CREDIT GROUP

History

Trinity Health Corporation (“Trinity Health”) traces its origins to the health care mission of two Roman Catholic religious congregations of women, the Congregation of the Sisters of the Holy Cross, Notre Dame, Indiana (the “Holy Cross Sisters”), and the Sisters of Mercy, Regional Community of Detroit (the “Sisters of Mercy”). The health care ministries of the Holy Cross Sisters and the Sisters of Mercy have provided assistance to the sick and infirm for more than 100 years. Holy Cross Health System Corporation (“Holy Cross”), an Indiana nonprofit corporation, was incorporated in 1978 to coordinate the health care activities of the Holy Cross Sisters. Mercy Health Services (“Mercy”), a Michigan nonprofit corporation, was incorporated in 1976 to assume ownership of the health care facilities sponsored by the Sisters of Mercy.

Development of Trinity Health Credit Group

Holy Cross and Mercy entered into a System Consolidation Agreement (the “Consolidation Agreement”) effective May 1, 2000, which provided for the consolidation of the health care delivery systems of Holy Cross and Mercy. Effective May 1, 2000, the articles of incorporation of Holy Cross were amended and restated, the name of Holy Cross was changed to “Trinity Health Corporation” and Trinity Health became the sole corporate member of Mercy, which changed its name to “Trinity Health-Michigan.” As a consequence of this corporate reorganization and consolidation, Trinity Health controls or owns, directly or indirectly, various nonprofit and for profit corporations and other organizations originally affiliated with Holy Cross or Mercy (the “Trinity Health Affiliates”) that operate in California, Idaho, Indiana, Iowa, Maryland, Michigan and Ohio. Trinity Health, the Trinity Health Affiliates and the Designated Affiliates (described below) are referred to herein as the “Trinity Health Credit Group” or the “Credit Group.”

Several other organizations that are in the business of delivering health care or related services in various parts of the country have names that include the term “Trinity” or “Trinity Health.” These organizations are not associated with the Credit Group. Only the organizations described in this Appendix A or any of their subsidiaries are affiliated with Trinity Health.

The Trinity Health Credit Group

The members of the Trinity Health Credit Group own or lease and operate health care facilities and provide health care and related services in seven states. The health care facilities include general acute care hospitals, long-term care facilities, skilled nursing facilities and behavioral health facilities with an aggregate of approximately 10,174 staffed beds, as well as residential facilities for the elderly with an aggregate of approximately 1,106 living units (both figures as of June 30, 2001). Additional health care services include physician services, home health, outpatient surgery, dental clinics, occupational health, mobile health care services, school-based health clinics and others.

Trinity Health may name Trinity Health Affiliates and other entities as “Designated Affiliates” under the Master Indenture. As of June 30, 2001, there were 19 Designated Affiliates. For the fiscal year ended June 30, 2001, these Designated Affiliates generated, in the aggregate, more than 83.9% of the Credit Group’s revenue and owned, in the aggregate, more than 87.3% of the Credit Group’s assets. For additional information regarding Designated Affiliates, see “THE BONDS – Security for the Bonds – The Master Indenture,” in the forepart of this Official Statement.

Trinity Health and all of the current Designated Affiliates are exempt from federal income taxation under Section 501(a) of the Code, as organizations described in Section 501(c)(3) of the Code, and are not private foundations within the meaning of Section 509(a) of the Code. See “OTHER INFORMATION” herein for additional information regarding the Trinity Health Credit Group.

The following is a list of all Designated Affiliates and the cities in which their principal facilities or primary operations are located.

State	Designated Affiliate	Description of Facility/Activity	Number of Licensed Facilities	Location
California	Saint Agnes Medical Center	Acute Care	1	Fresno
Idaho	Saint Alphonsus Regional Medical Center, Inc.	Acute Care	1	Boise
	Saint Benedict’s Family Medical Center, Inc.	Acute Care and Skilled Nursing	1	Jerome
Indiana	Saint Joseph Regional Medical Center, Inc.	Corporate	–	South Bend
	Saint Joseph’s Regional Medical Center – South Bend Campus, Inc.	Acute Care and Long-Term Care	1	South Bend
	Saint Joseph’s Regional Medical Center – Plymouth Campus, Inc.	Acute Care	1	Plymouth
	St. Joseph Community Hospital, Inc.	Acute Care	1	Mishawaka
	Saint John’s Health System Corporation	Acute Care and Skilled Nursing	1	Anderson
	Trinity Continuing Care Services – Indiana, Inc.	Comprehensive Care and Residential Care	5	South Bend, Mishawaka, San Pierre
Iowa	Mercy Health Services – Iowa Corp.	Acute Care and Long-Term Care	2	Dubuque, Dyersville
		Acute Care and Skilled Nursing	1	New Hampton
		Acute Care	1	Sioux City
		Acute Care, Skilled Nursing and Psychiatric Care	1	Mason City
	Mercy Medical Center–Clinton, Inc.	Acute Care and Long-Term Care	2	Clinton
Maryland	Holy Cross Health Corp.	Corporate	–	Silver Spring
	Holy Cross Hospital of Silver Spring, Incorporated	Acute Care	1	Silver Spring

State	Designated Affiliate	Description of Facility/Activity	Number of Licensed Facilities	Location
Michigan	Trinity Continuing Care Services – Indiana, Inc. (See Indiana above)	Comprehensive Care	1	Burtonsville
	Trinity Health-Michigan	Corporate	–	Novi
		Acute Care	1	Livonia
		Acute Care	1	Port Huron
		Acute Care and Psychiatric Care	4	Ann Arbor, Howell, Saline
		Acute Care and Psychiatric Care	1	Pontiac
		Acute Care and Long-Term Care	1	Cadillac ⁽¹⁾
		Acute Care	1	Grayling ⁽¹⁾
		Acute Care and Psychiatric Care	2	Grand Rapids
		Acute Care	2	Muskegon
	Battle Creek Health System	Acute Care and Psychiatric Care	2	Battle Creek
	Trinity Continuing Care Services	Nursing Home, Long-Term Care and Home for the Aged	11	Warren, Royal Oak, Battle Creek ⁽²⁾ , Jackson ⁽²⁾ , Fraser, Hamtramck, Grand Rapids, Grand Haven, Muskegon
	Trinity Continuing Care Services – Indiana, Inc.	Corporate	–	Novi
Ohio	Mount Carmel Health System	Corporate	–	Columbus
	Mount Carmel Health	Acute Care and Psychiatric Care	2	Columbus
	St. Ann’s Hospital of Columbus, Inc.	Acute Care	1	Columbus

⁽¹⁾ Managed by Munson Health System.

⁽²⁾ Sale Pending; anticipated divestiture in November 2001.

GOVERNANCE AND MANAGEMENT

Governance

The Trinity Health Bylaws provide that the Board of Directors of Trinity Health (the “Trinity Board”) will consist of not less than twelve nor more than fifteen people and will be divided into two classes. One class (the “Catholic Health Ministries Members”) consists of members of Catholic Health

Ministries (composed of the Holy Cross Sisters and the Sisters of Mercy, “Catholic Health Ministries”), who have been designated by Catholic Health Ministries to serve as Catholic Health Ministries Members. The Catholic Health Ministries Members serve at the pleasure of Catholic Health Ministries. The other class consists of the remaining Directors and includes the President and Chief Executive Officer of Trinity Health, who serves ex officio, with a vote, and such other Directors whose appointment is ratified by the Catholic Health Ministries Members (the “Appointed Members”). The number of Catholic Health Ministries Members is intended to be approximately one-third of the total number of Directors. Accordingly, the number of Catholic Health Ministries Members is four, so long as the total number of Directors is fourteen or fewer, and five, so long as the total number of Directors is fifteen. Directors not serving ex officio are appointed for three-year terms with total service not to exceed ten consecutive years.

The following powers and responsibilities are reserved to the Catholic Health Ministries Members:

- (i) adoption and approval of the Articles of Incorporation of Trinity Health and any amendments, modifications or restatements of the Articles of Incorporation;
- (ii) adoption and approval of the Bylaws of Trinity Health and any amendments, modifications or restatements of the Bylaws that affect the rights of the Catholic Health Ministries Members as set forth in the Articles of Incorporation;
- (iii) adoption and approval of the Mission and Core Values of Trinity Health and any changes to them and final approval of matters that affect the Catholic Identity of Trinity Health;
- (iv) approval of the sale, lease, mortgage, transfer, easement or encumbrance of any property of Trinity Health, the alienation of which requires approval under Canon Law;
- (v) approval of any merger, consolidation, acquisition, liquidation or dissolution of Trinity Health or the sale of all or substantially all of the assets of Trinity Health;
- (vi) ratification of the appointment of and removal, with or without cause, of the members of the Trinity Board, other than Catholic Health Ministries Members;
- (vii) ratification of the appointment of and removal, with or without cause, of the President and Chief Executive Officer of Trinity Health, with such action to include the involvement of the Trinity Board; and
- (viii) ratification of the election of the Chair of the Trinity Board.

The current members of the Trinity Board are set forth below.

Name	Occupation
James Hendricks, Chair	James Hendricks and Associates, Fresno, California
Yvonne Gellise, RSM	Senior Advisor, Governance, Saint Joseph Mercy Health System, a division of Trinity Health-Michigan
Patrick G. Hays	Adviser to Management, Blue Cross Blue Shield Association, Chicago, Illinois
Christa Maria Hojlo, CSC	Chief, Nursing Home and Subacute Care, Department of Veterans Affairs, Washington, D.C.
Mary Kelly, RSM, Ph.D.	Chair, Health Services Administration/Health Care Education, University of Detroit Mercy, Detroit, Michigan
William Kreykes	Retired Chief Executive Officer, Lifespan
Kathleen Moroney, CSC	Attorney, Immigration Legal Services, Holy Cross Ministries
Linda Murray, MD	Co-Chief Medical Officer, Ambulatory & Community Health Network, Cook County Bureau of Health Services, Chicago, Illinois
Judith C. Pelham	President and Chief Executive Officer, Trinity Health
William J. Rauwerdink	Self-employed Financial Information Systems Professional
José M. Santiago, MD	Corporate Medical Officer, Carondelet Health Network
José L. Santillan, CFA	Senior Vice President, ABN AMRO Private Investment, Chicago, Illinois

Management

Management of Trinity Health is vested in the President and Chief Executive Officer, who is appointed by the Trinity Board. Management of Trinity Health then is coordinated through the senior management team. The Trinity Health Credit Group's acute care operations are organized into two divisions, an Eastern Division and a Western Division. Each division is managed by an executive who reports to the Chief Operating Officer of Trinity Health. Trinity Health currently is recruiting for an executive to manage the Western Division. All clinical professional services across the two divisions are managed by another executive vice president who also is responsible for Trinity Health's long-term care operations and who reports to the Chief Operating Officer. Senior management of Trinity Health includes:

Judith C. Pelham, President and Chief Executive Officer. Age: 56. Prior to her position with Trinity Health, Ms. Pelham served as President and Chief Executive Officer of Mercy since February 1993. Previously, from 1987 until 1993, Ms. Pelham was the President and Chief Executive Officer of Daughters of Charity Health Services of Austin, Texas. She held positions as President of Seton Medical Center from 1982 to 1987 and Director of Planning and Marketing from 1981 to 1982. She held the position of Assistant Vice President of Brigham and Women's Hospital in Boston from 1976 to 1980. Ms. Pelham is a board member of Trinity Health, Amgen, Catholic CEO Healthcare Connection, and the Coalition for Nonprofit Health Care, and a member of the Healthcare Research and Development Institute. She is a member of the American Hospital Association and is a fellow of the American College of Healthcare Executives. Ms. Pelham has a bachelor's degree from Smith College and a master's degree in public administration from Harvard University.

Edgar T. Carlson, Chief Operating Officer. Age: 60. Prior to his position with Trinity Health, Mr. Carlson served Holy Cross as Senior Executive Vice President/Chief Operating Officer since June 1998. Previously, he served as Senior Vice President, Operations, at Kaiser Foundation Hospitals and Health Plan in Southern California. Mr. Carlson, who spent 23 years in increasingly responsible roles with Kaiser, most recently was responsible for guiding, leading and developing the service areas' health plan/hospital operations of the Southern California business. Mr. Carlson received a bachelor's degree in industrial administration from Yale University and a master's degree in hospital administration from the University of California at Berkeley.

James H. Combes, Chief Financial Officer. Age: 63. Prior to this position with Trinity Health, Mr. Combes was the Executive Vice President and Chief Financial Officer of Mercy, which he joined in May 1988. Previously, Mr. Combes was Chief Financial Officer of The Research Health Services System in Kansas City, Missouri. Throughout his career, Mr. Combes has held financial and operating executive positions with various corporations, including NCR, Hertz, AM International, Vinnell and Alfred Abela & Co. His professional affiliations include Healthcare Financial Management Association and Financial Executives Institute. Mr. Combes received a bachelor of science degree in industrial engineering from the Illinois Institute of Technology and a master's degree in business administration from Harvard Business School.

Michael A. Slubowski, Executive Vice President-Eastern Division. Age: 47. Mr. Slubowski has held this position since July 2001. Mr. Slubowski was the Executive Vice President for the Michigan region for both Trinity Health and Mercy since September 1, 1999. Previously, he held the position of Vice President/Director of Operations-Michigan for Mercy. From 1990 to 1997, Mr. Slubowski held executive positions at Providence Hospital and Medical Centers, Southfield, Michigan. For the years 1976 to 1990, he held various management and executive positions at St. Joseph Health Network of Mt. Clemens, Michigan, Samaritan Physicians Center, Phoenix, Arizona, and Henry Ford Health System, Detroit, Michigan. Mr. Slubowski is a fellow of both the American College of Healthcare Executives and the American College of Medical Practice Executives, a member of the Medical Group Management Association, a former director on the boards of Blue Care Network of southeast Michigan and Allegiance Corporation, and a former founding co-chair of the Steering Committee of Healthy People, Healthy Oakland. Mr. Slubowski earned a bachelor's degree in business administration and a master's in business administration from Wayne State University in Detroit, Michigan.

Bruce L. Van Cleave, M.D., Executive Vice President, Clinical and Physician Services. Age: 51. Prior to this position with Trinity Health, Dr. Van Cleave was Executive Vice President for Professional Services of Mercy since October 1995. He joined Mercy in 1992 as Vice President for Professional and Physician Services. From 1990 to 1992, Dr. Van Cleave was Vice President with the Milwaukee based Wheaton Franciscan Services, Inc. A board certified family physician, Dr. Van Cleave formerly served as residency program director as well as interim Chairman of the Department of Family Medicine at Medical College of Wisconsin. He has served as a board member of the Michigan Health & Hospital Association. Dr. Van Cleave has a bachelor's and a master's degree from the University of Wisconsin-Madison and received his MD from the Medical College of Wisconsin.

William Anderson, Senior Vice President, Human Resources. Age: 54. Mr. Anderson was appointed to his present position in December 2000. He is responsible for integrating and aligning human resource functions and providing human resource leadership to the development, implementation and evaluation of human resource strategies throughout the Credit Group. Prior to this position at Trinity Health, Mr. Anderson served in management at Invensys, an engineering group based in the United Kingdom, and held executive positions with various corporations, including Tokheim Corporation, Nordic Track, FMC Corp. and Boise Cascade. Mr. Anderson has a bachelor of science degree in

criminology from Florida State University and a master's degree in business administration from Augusta State University.

M. Gretchen Elliott, RSM, Senior Vice President, Mission Services and Leadership Development. Age: 60. Sister Elliott oversees Mission Services, Ethics, Spiritual Care, Social Accountability and Leadership Development for Trinity Health. Prior thereto, Sister Elliott served as Vice President of Mission Services for Mercy since 1997. From 1990 to 1998, she served as the president of the Religious Sisters of Mercy - Regional Community of Detroit. Sister Elliott serves on the Boards of the University of Detroit Mercy, and the Poverty and Reform Institute, Detroit, and on the advisory board of the Center for Catholic Health Care and Sponsorship. She served as a member of the Mercy Administrative Team of the Sisters of Mercy of the Union from 1984 to 1990. As a member of this team, she participated in the planning for the dissolution of the Sisters of Mercy of the Union and the founding of the Institute of the Sisters of Mercy of the Americas.

Bruce Goldstrom, Senior Vice President, Planning. Age 53. Mr. Goldstrom directs strategic planning efforts system-wide, is in charge of partnership and acquisition support, coordinates system integration activities and provides a variety of other strategic support services. Previously, since 1996, he served as Vice President, Strategic Planning and Analysis at Mercy. Mr. Goldstrom has more than 30 years of experience in strategic planning, marketing, managed care development and operations improvement in several of the country's leading health care organizations, including the University of Michigan Medical Center, Brigham and Women's Hospital, Partners HealthCare System, Northwestern Memorial Hospital, and West Virginia University Hospitals. Mr. Goldstrom has a bachelor's degree in economics and a master's degree in health care planning and finance, both from the University of California, Berkeley.

Daniel G. Hale, Senior Vice President, General Counsel, age 55. Mr. Hale became General Counsel of Holy Cross in August 1996. Previously, he served as Partner and Chairman of the Health Law Group at Drinker Biddle & Reath, a law firm in Philadelphia, Pennsylvania. Prior to joining Drinker Biddle & Reath in 1993, he was Vice President for Legal Services for Franciscan Health System, Aston, Pennsylvania, for three years, and prior to that was a partner in the law firm Baker & Hostetler in Columbus, Ohio. Mr. Hale received his law degree from Capital University Law School and his bachelor of arts degree in English from Kenyon College, Gambier, Ohio. A frequent speaker, lecturer and author on various aspects of health care law, Mr. Hale is a member of the American Bar Association and the American Health Lawyers Association. He previously was an adjunct professor of law at Capital University Law School.

Catherine DeClercq, OP, Vice President Governance and Sponsorship. Age: 65. Sister DeClercq served as Assistant to the President of Mercy since 1987, assuming responsibility for Mercy governance and working with the sponsors, the Sisters of Mercy, Regional Community of Detroit. Previously, she held the position of General Council Member and Administrator from 1978 to 1986 for the Adrian Dominican Congregation based in Adrian, Michigan. In her leadership role with the Adrian Dominican Congregation, Sister DeClercq helped guide the Adrian Dominican Hospitals in California and Nevada into Catholic Healthcare West ("CHW"). She has a bachelor's degree from Siena Heights University and a master's degree from the University of Michigan.

FINANCIAL AND OPERATING INFORMATION

General

The consolidated financial statements for Trinity Health for the two fiscal years ended June 30, 2001 and 2000 included in Appendix B have been audited by Deloitte & Touche LLP, independent auditors. As part of the May 2000 consolidation, Trinity Health changed its fiscal year to June 30. A line item adjustment to the statement of operations and changes in net assets and the statement of cash flow was made to the financial statements of Trinity Health for the fiscal year ended June 30, 2000 in order to account for the one month ended June 30, 1999 for Trinity Health (formerly Holy Cross). The consolidated financial statements for Trinity Health include the operations of all Trinity Health Affiliates as well as two joint ventures that Trinity Health – Michigan controls and, therefore, are consolidated pursuant to accounting principles generally accepted in the United States of America.

The summary consolidated financial information presented below for Trinity Health has been derived by Trinity Health management from Trinity Health's audited consolidated financial statements for the periods presented. The following summary should be read in conjunction with the section herein entitled "Management's Discussion and Analysis of Recent Financial Performance" and the audited consolidated financial statements and related notes that appear in Appendix B.

Summary Consolidated Statements of Operations and Changes in Net Assets

Trinity Health⁽¹⁾ Summary Consolidated Statements of Operations and Changes In Unrestricted Net Assets (In Thousands)

	Year Ended June 30,		
	1999	2000	2001
REVENUE			
Net patient service revenue	\$3,324,089	\$3,436,189	\$3,778,813
Other operating revenue	720,133	750,622	731,883
TOTAL OPERATING REVENUE	4,044,222	4,186,811	4,510,696
EXPENSES:			
Employment expense	1,965,218	2,031,804	2,176,745
Purchased services	616,595	617,243	632,736
Supplies	633,327	670,226	730,244
Depreciation and amortization	227,716	244,610	259,104
Interest	73,200	79,015	87,142
Bad debt	145,371	184,568	177,885
Other	328,466	337,317	376,723
TOTAL EXPENSES	3,989,893	4,164,783	4,440,579
OPERATING INCOME BEFORE UNUSUAL ITEMS	54,329	22,028	70,117
UNUSUAL ITEMS:			
Gain on sale of renal dialysis assets	26,929	-	-
Loss on sale of investments in unconsolidated affiliates	-	-	(59,778)
Loss on closure of long-term care facility	-	-	(7,856)
Loss on closure of Mercy Hospital, Detroit	-	(67,430)	-
Merger costs	-	(28,427)	-
Restructuring charges	(15,152)	-	-
OPERATING INCOME (LOSS)	66,106	(73,829)	2,483
NONOPERATING ITEMS:			
Nonoperating investment income	159,284	102,749	70,484
External financial interest	(4,742)	3,924	(2,025)
EXCESS OF REVENUE OVER EXPENSES	220,648	32,844	70,942
OTHER CHANGE IN NET ASSETS:			
Change in net unrealized gains on investments	(54,884)	(6,790)	(85,362)
Change in market value of interest rate swaps	-	-	(17,127)
Extraordinary loss from early extinguishment of debt	(11,581)	(2,848)	(5,395)
Increase in net assets for the one month ended June 30, 1999	6,032	-	-
Other changes in unrestricted net assets	(12,517)	(3,347)	235
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$147,698</u>	<u>\$19,859</u>	<u>\$(36,707)</u>

Note⁽¹⁾: This summary includes the results of operations of the Designated Affiliates, whose operating revenues were 80.7%, 81.6% and 83.9% of total operating revenue and 103.7%, 161.9% and 154.8% of excess of revenue over expenses for the years ended June 30, 1999, 2000 and 2001, respectively.

Summary Consolidated Balance Sheets

Trinity Health⁽¹⁾ Summary Consolidated Balance Sheets (In Thousands)

	June 30,		
	1999	2000	2001
CURRENT ASSETS:			
Cash and short-term investments	\$ 298,164	\$ 263,786	\$ 399,457
Assets limited as to use	40,273	56,388	27,697
Patient accounts receivable, net	572,953	558,353	609,288
Other receivables	99,692	117,543	77,002
Inventories	58,484	63,364	67,381
Prepays and other	35,824	45,036	34,438
TOTAL CURRENT ASSETS	<u>1,105,390</u>	<u>1,104,470</u>	<u>1,215,263</u>
ASSETS LIMITED OR RESTRICTED AS TO USE:			
Board designated	1,379,583	1,362,697	1,334,899
Other limited or restricted use assets	881,853	878,555	1,074,262
PROPERTY, PLANT & EQUIPMENT, NET	1,839,609	1,863,420	1,954,809
OTHER ASSETS	<u>315,920</u>	<u>380,180</u>	<u>243,394</u>
TOTAL ASSETS	<u>\$5,522,355</u>	<u>\$5,589,322</u>	<u>\$5,822,627</u>
CURRENT LIABILITIES:			
Current portion of long-term debt	\$ 43,167	\$ 50,251	\$ 42,776
Accounts payable and accrued expenses	389,426	387,927	359,219
Salaries, wages and related liabilities	174,826	178,373	206,947
Estimated payables to third-party payors, net	174,546	128,706	152,892
TOTAL CURRENT LIABILITIES	<u>781,965</u>	<u>745,257</u>	<u>761,834</u>
LONG-TERM DEBT	1,324,550	1,412,528	1,594,904
OTHER LONG-TERM LIABILITIES	526,156	519,601	566,161
EXTERNAL FINANCIAL INTEREST	73,473	67,069	79,165
NET ASSETS:			
Unrestricted	2,730,708	2,750,567	2,713,860
Temporarily restricted	62,147	73,111	85,681
Permanently restricted	23,356	21,189	21,022
TOTAL LIABILITIES AND NET ASSETS	<u>\$5,522,355</u>	<u>\$5,589,322</u>	<u>\$5,822,627</u>

Note⁽¹⁾: This summary includes the assets and liabilities of the Designated Affiliates, whose cash and short-term investments were 77.1%, 71.2% and 78.0% of cash and short-term investments, whose total assets were 86.3%, 87.4% and 87.3% of total assets and whose unrestricted net assets were 94.7%, 95.2% and 95.2% of unrestricted net assets at June 30, 1999, 2000 and 2001, respectively.

Sources of Net Patient Service Revenue

General. The members of the Trinity Health Credit Group that are health care providers derive their net patient service revenue (including long-term care revenues) from the federal Medicare program, state Medicaid programs, managed-care providers, commercial insurers, self-paying patients and other sources. The following table presents the sources of net patient service revenue for the Trinity Health Credit Group for the fiscal years ended June 30, 1999, 2000 and 2001. The percentage of total operating revenue derived from managed-care capitation was 2.4% in fiscal year 1999, 3.0% in fiscal year 2000 and 2.5% in fiscal year 2001. For further information regarding the sources of revenue, see the forepart of this Official Statement under the caption, “BONDHOLDERS’ RISKS.”

	Year Ended June 30,		
	1999	2000	2001
Medicare	37.8%	36.8%	36.1%
Medicaid	8.3	7.4	6.4
Managed-Care	25.9	28.7	31.0
Commercial/Other	28.0	27.1	26.5
TOTAL	100.0%	100.0%	100.0%

Holy Cross Resources, Inc. Prior to the consolidation of Holy Cross and Mercy, Holy Cross Resources, Inc. (“HCRI”) served as the third-party administrator and preferred provider organization for the member organizations of Holy Cross. HCRI historically was treated as an entity unrelated to Holy Cross for Medicare cost reporting purposes. As a consequence, the member organizations of Holy Cross claimed payments made to HCRI at the cost to such member organizations, which costs exceeded HCRI’s actual costs, and HCRI invested such excess amounts and retained any investment earnings. Following the consolidation, it was determined that HCRI should have been treated as an entity related to Holy Cross, that the member organizations of Holy Cross should have reported payments made to HCRI at the cost to HCRI for such services, and that HCRI should not have retained reserves. Management of Trinity Health notified a Medicare fiscal intermediary of the improper treatment of HCRI in the spring of 2001 and is in the process of amending cost reports for HCRI and all affected member organizations for the three fiscal years ended June 30, 2000. All estimated repayment obligations for the three-year period for which Trinity Health is amending cost reports were absorbed through existing reserves or were taken through adjustments at the end of fiscal year 2001. Management of Trinity Health believes that the actions it has taken are adequate to resolve the issue.

Capitalization

The following table presents the historical capitalization of the Trinity Health Credit Group as of June 30, 2001 and as adjusted, which assumes that the Bonds were issued as of June 30, 2001.

	Trinity Health Capitalization	
	(Dollars In Thousands)	
	June 30, 2001	
	Historical	As Adjusted
Bonds	\$ —	\$ 65,000
Commercial Paper Obligations	69,798	69,798
Mortgages	18,391	18,391
Other Revenue Bonds	1,494,227	1,494,227
Term Loans	29,051	29,051
Obligations under Capital Leases and Other	30,013	30,013
Total Long-Term Debt	1,641,480	1,706,480
Less: Unamortized Debt Discount	(8,100)	(8,100)
Less: Current Portion of Long-Term Debt	(38,476)	(38,476)
Net Long-Term Debt	1,594,904	1,659,904
Unrestricted Net Assets	2,713,860	2,713,860
Total Capitalization	4,308,764	4,373,764
Net Long-Term Debt as a Percentage of Total Capitalization	37%	38%

Utilization Statistics

The following table shows selected utilization statistics for the acute and long-term care facilities owned or leased and operated by Trinity Health Designated Affiliates for the years ended June 30, 1999, 2000 and 2001.

Trinity Health Designated Affiliates

	Year Ended June 30,		
	1999	2000	2001
<u>Acute Care Facilities⁽¹⁾:</u>			
Staffed Beds	6,078	6,018	6,012
Admissions	271,517	274,575	292,253
Patient Days	1,241,137	1,239,047	1,300,783
Average Length of Stay (Days)	4.57	4.51	4.45
Staffed Bed Occupancy	55.9%	56.4%	59.3%
Outpatient and Emergency Room Visits	5,125,630	5,344,555	5,657,447
<u>Long-Term Care Facilities:</u>			
Staffed Nursing Facility/Home for Aged Beds	2,880	2,992	3,012
Patient Days	925,561	940,859	902,068
Staffed Bed Occupancy	88.0%	86.2%	82.1%

Note⁽¹⁾: Excludes newborn statistics.

Management's Discussion and Analysis of Recent Financial Performance

Historical Performance: Fiscal Years 2000-2001. The changes in revenue, expenses and profitability experienced throughout this period are related to several factors. Among the most important are changes in the composition of the Credit Group, variations in patient volume, changes in reimbursement and increases in operating expenses. The impact from these factors is discussed below.

From the fiscal year ended June 30, 2000 through the fiscal year ended June 30, 2001, net patient service revenues grew by 10.0%. The acquisition of Saint Benedict's Family Medical Center in Jerome, Idaho, and St. Joseph Community Hospital in Mishawaka, Indiana, along with the incremental revenue from St. Mary Mercy Hospital in Livonia, Michigan, acquired in late fiscal year 2000, contributed 4.1% to this overall increase. The remaining increase in net patient service revenues from fiscal year 2000 is primarily attributable to increases in inpatient and outpatient volumes, as well as capitation contract renegotiations at Saint Agnes Medical Center in Fresno, California ("Saint Agnes") where certain patient services are no longer capitated. Over the same period, other revenue decreased by \$18.7 million, or 2.5%. The major components of this change include a 9.3% decrease in capitation and premium revenue caused primarily by the aforementioned contract renegotiations at Saint Agnes (see "OTHER INFORMATION – Significant Agreements and Ventures – Direct Managed Care Activities" herein), offset by an increase in operating investment income.

Over this same period, total operating expenses, before unusual items, increased by 6.6%, with employment expense remaining the single largest expense category at 49.0% of total operating expenses, before unusual items, for fiscal year 2001. The proportion of employment expense to total operating expense, before unusual items, increased slightly from 48.8% in fiscal year 2000 to the fiscal year 2001

level of 49.0%. Excluding the impact of the fiscal year 2001 acquisitions of Saint Benedict's Family Medical Center and St. Joseph Community Hospital, this ratio is consistent between years. Supply expenses grew by approximately 9.0%, primarily due to acquisitions, increases in inpatient acuity and outpatient volume, and the cost of medical supplies and pharmaceuticals. Capital-related costs (interest, depreciation and amortization) increased by 7.0% over the period and represented approximately 7.8% of total operating expenses, before unusual items, for fiscal year 2001. Other expenses increased by 11.7% in large part due to higher operating expenses within the insurance operations.

Included in fiscal year 2001 operating results are one-time charges of \$59.8 million for the loss on the sale of investments in unconsolidated affiliates and \$7.9 million related to the loss on the closure of a long-term care facility. Excluding these costs, operating income increased from \$22.0 million in fiscal year 2000 to \$70.1 million in fiscal year 2001. This was caused primarily by higher patient volumes, rate increases in certain markets, and benefits realized from cost containment practices implemented during fiscal year 2001.

Historical Performance: Fiscal Years 1999 – 2000. The changes in revenue, expenses and profitability experienced throughout this period are related to several factors. Among the most important are changes in the composition of the Credit Group, variations in patient volume, changes in reimbursement and increases in operating expenses. Each of these factors is discussed below.

From the fiscal year ended June 30, 1999 through the fiscal year ended June 30, 2000, net patient service revenue grew by 3.4%. This increase is primarily attributable to the general rate and volume increases experienced at the facilities of several Credit Group members during fiscal year 2000, as well as renegotiated managed care contracts at Mount Carmel Health in Columbus, Ohio. Over the same period, other revenue increased by \$3.6 million, or less than 1.0%. The components of this change include an increase in capitation and premium revenue, primarily due to a contract renegotiation at Saint Agnes (see "OTHER INFORMATION – Significant Agreements and Ventures – Direct Managed Care Activities" herein), offset by a similar decrease in operating investment income.

Over this same period, total operating expenses, before unusual items, increased by 4.4%, with employment expense remaining the single largest expense category at 48.8% of total operating expenses, before unusual items, for fiscal year 2000. Reflecting Trinity Health's continued attention to managing its operating expenses, the proportion of employment expense to total operating expenses, before unusual items, declined from 49.3% in fiscal year 1999 to the fiscal year 2000 level of 48.8%. Supply expenses grew by approximately 5.8%, primarily due to increases in inpatient acuity, outpatient volume and the cost of medical supplies and pharmaceuticals. Capital-related costs (interest, depreciation and amortization) increased by 7.5% over the period and represented approximately 7.8% of total operating expenses, before unusual items, for fiscal year 2000. Bad debt expense increased by 27.0% in large part due to the systems conversions in the patient accounts area at a majority of the Credit Group members.

Included in fiscal year 2000 operating results are one-time charges of \$67.4 million for the loss on the closure of Mercy Hospital, Detroit, and \$28.4 million related to merger costs. Excluding these costs and other unusual items, operating income decreased by 72.9%, from \$81.3 million in fiscal year 1999 to \$22.0 million in fiscal year 2000. This was caused primarily by the effects of the Balanced Budget Act of 1997, lower payment rates by Michigan Medicaid and cost increases described above. Fiscal year 1999 included a one-time gain of \$26.9 million on sale of certain renal activities. In addition, fiscal year 1999 included \$15.2 million of restructuring charges for a performance improvement plan to realign cost structure. The charges were primarily for severance and terminated benefits.

Cash Position. For fiscal year 2001, the cash position (cash and short-term investments plus Board designated assets including unrealized gains) increased from \$1.63 billion as of June 30, 2000 to

\$1.73 billion as of June 30, 2001. This increase in cash was caused primarily by higher operating margins and cash received from the sale of unconsolidated affiliates. For fiscal year 2000, the cash position (cash and short-term investments plus Trinity Board designated assets, including unrealized gains) declined from \$1.68 billion in fiscal year 1999 to \$1.63 billion in fiscal year 2000. This reduction in cash was caused by lower operating margins, a reduction in investment earnings, merger and acquisition activity and working capital changes.

ANTICIPATED GROWTH OF THE TRINITY HEALTH CREDIT GROUP

Management of Trinity Health anticipates that additional health care institutions may become members of the Trinity Health Credit Group. Such growth may result from the addition of individual institutions or multi-institutional systems that enhance the presence of Trinity Health Credit Group members or the development of a new regional presence. Growth also may result from the addition of multi-state, multi-institutional systems similar to the health care systems formerly known as Holy Cross and Mercy. Trinity Health is in the process of adopting strategies encouraging members of the Trinity Health Credit Group to develop local integrated delivery networks with other providers and physicians in their service areas.

Trinity Health is currently in discussions with certain single site hospitals concerning membership in the Trinity Health Credit Group, which discussions may result in any of those hospitals becoming Trinity Health Affiliates or Designated Affiliates. These discussions also could result in the addition of health care providers to the Trinity Health Credit Group, the withdrawal of members from the Trinity Health Credit Group, the purchase of property by or the sale of property of the Trinity Health Credit Group. These discussions are preliminary in nature and may not be successfully concluded. Management of Trinity Health cannot predict with any certainty whether any such affiliations, purchases, sales, additions or withdrawals will result from such discussions and what the effect of any such transaction on Trinity Health, its Affiliates or its Designated Affiliates would be.

OTHER INFORMATION

Significant Agreements and Ventures

Mercy Health Network

Trinity Health and Catholic Health Initiatives (“CHI”), a nonprofit Colorado corporation that is the parent of a large health care system headquartered in Denver, Colorado, are the sole corporate members, each with a 50% interest, of Mercy Health Network, Inc., a Delaware nonstock corporation (“MHN”). MHN was formed pursuant to a joint operating agreement effective July 1, 1998 (the “Original MHN Agreement”) and modified by an amendment effective July 1, 2000 (the “Amendment”) (together, the Original MHN Agreement and the Amendment are referred to as the “MHN Agreement”). Pursuant to the MHN Agreement, Trinity Health-Michigan and CHI have delegated authority to MHN to manage the hospitals and other health care facilities owned by Mercy Health Services-Iowa (“Mercy-Iowa”) and its controlled affiliate, Mercy Medical Center – Clinton (“Clinton”), each a Trinity Health Designated Affiliate, and the health care facilities of Catholic Health Initiatives-Iowa (“CHI-Iowa”), a CHI controlled affiliate. Trinity Health and CHI each appoint one member to the MHN governing body, and the Chief Executive Officer of MHN also serves as a member of the MHN governing body. Mercy-Iowa, Clinton and CHI-Iowa have retained title to their respective assets and are not obligated on the debts or other obligations of each other. Neither MHN nor CHI-Iowa is a Designated Affiliate under the Master Indenture.

Under the Original MHN Agreement, Trinity Health and CHI equally shared combined cash flows of Mercy-Iowa and CHI-Iowa (the excess of revenue over expenses before extraordinary items and cumulative effect of changes in accounting principles, plus depreciation and amortization, less debt repayment and less unrealized gain adjustments). During fiscal years 1999 and 2000, Trinity recognized a cash flow sharing gain and loss of \$551,000 and \$6,063,000, respectively, which were included in other expenses in the consolidated statement of operations and changes in net assets for Trinity Health.

Under the MHN Agreement, Trinity Health and CHI equally share in additional capital contributions to MHN. Required annual capital contributions of Trinity Health are equal to the lesser of (a) 25% of the combined MHN free cash flow (defined generally as net income plus depreciation, amortization and interest expense, less debt service principal and sinking fund payments and certain capital allowances) of Mercy-Iowa, Clinton and CHI-Iowa, or (b) \$1,500,000. Once MHN achieves certain equity targets established by the governing body of MHN (originally \$6,000,000), the MHN governing body may authorize the distribution of any excess back to Trinity Health and CHI. Under the MHN Agreement, during fiscal year 2001, Trinity Health accrued a capital contribution of \$1,500,000.

Mercy Mount Clemens

Mercy Mount Clemens Corporation (“Mount Clemens”), a Delaware not-for-profit stock corporation, was incorporated pursuant to a joint venture agreement between Mercy and Henry Ford Health System (“Henry Ford”). Mount Clemens currently owns and operates two hospitals and certain related health care facilities located in Macomb County, Michigan. The equity structure provides for all of Mount Clemens’ stock to be held by Trinity Health-Michigan and all subordinated convertible debentures to be held by Henry Ford. In the event of Mount Clemens’ dissolution or bankruptcy, Henry Ford’s debentures would be automatically converted to stock. Although Trinity Health-Michigan is the sole stockholder of Mount Clemens, certain significant powers pertaining to the operations of Mount Clemens are shared equally between Trinity Health-Michigan and Henry Ford. Mount Clemens is not a Designated Affiliate under the Master Indenture.

Managed Hospitals

Trinity Health manages 18 hospitals in the states of Michigan, Idaho, Illinois and Nebraska and, in cooperation with CHI-Iowa, in the State of Iowa. In aggregate, these management contracts generate management fees that are not material to the Trinity Health Credit Group. In each case, Trinity Health, its Designated Affiliates or its Affiliates provide the president/chief executive officer for the managed facility and may also provide certain other services, depending upon the terms of the various management agreements.

Direct Managed Care Activities

To address the growth of managed care in the provision of health care services, Trinity Health has identified the need to continue to develop existing Trinity Health managed care activities, in order to build a critical mass of “covered lives” and to provide a broad spectrum of health care services to these populations.

Mount Carmel Health Plan, Inc. (“Mount Carmel Plan”) is a for-profit health maintenance organization (“HMO”) and a wholly owned subsidiary of Mount Carmel Health System (“Mount Carmel System”), a Designated Affiliate. Mount Carmel Plan offers only one product at this time, a Medicare+Choice product named MediGold. Mount Carmel Plan began offering MediGold in April 1997 in Franklin County, Ohio, and expanded into other counties in the Columbus, Ohio, metropolitan area.

MediGold had grown to almost 18,000 members at June 30, 2001. Trinity Health is the sole member of Mount Carmel System.

Priority Plus America, Inc., d/b/a Navmed. Saint Agnes is a Designated Affiliate located in Fresno, California. Saint Agnes, along with Trinity Health and Central IPA Medical Associates, Inc., d/b/a Matrix (“Matrix”), a California professional medical corporation, own all of the stock of Priority Plus America, Inc., d/b/a Navmed (“Navmed”), a Delaware for-profit corporation, that, in turn, owns all of the stock of Priority Plus of California (“Priority”), a California for-profit limited license HMO. In March 1995, Priority entered into a 10-year contract with PacifiCare of California (the “Priority/PacifiCare Health Contract”) to provide hospital, physician and other medical services to covered members (commercial and Medicare) located in a specified geographic region in the Fresno, California, area in exchange for monthly capitation payments. Priority entered into contracts with Saint Agnes and Matrix under which, prior to May 31, 2000, Priority made monthly capitation payments to Saint Agnes and Matrix for hospital services provided by Saint Agnes and physician services provided by Matrix under the Priority/PacifiCare Health Contract. Priority, Navmed (through its ownership of Priority) and Saint Agnes experienced significant losses under the Priority/PacifiCare Health Contract. (The losses experienced by Navmed under the Priority/PacifiCare Health Contract, as a result of its ownership of Priority, have been reported on the Trinity Health financial statements due to the combined 61.1% ownership interest of Trinity Health and Saint Agnes in Navmed.) Effective May 31, 2000, the Priority/PacifiCare Health Contract was amended so that PacifiCare of California would contract directly with Saint Agnes on a non-capitated basis, and Priority would contract directly with PacifiCare of California to provide certain administrative services on behalf of PacifiCare. As a result of these amendments, losses associated with the Priority/PacifiCare Health Contract were significantly reduced in fiscal year 2000 and fiscal year 2001. However, effective April 1, 2001, PacifiCare of California terminated the Priority/PacifiCare Health and Saint Agnes Contracts. As a result, Navmed and Priority discontinued all operations effective April 30, 2001 and incurred losses in fiscal year 2001 associated with wind-down costs related to the Priority/PacifiCare Health Contract. These losses and any remaining losses associated with such wind-down costs that are incurred by Navmed and Priority in fiscal year 2002 are not expected to be material.

Trinity Health Plans (“Trinity Health Plans”) is a Michigan nonprofit stock corporation established to provide affordable and accessible health care through the development of alternative financing and delivery systems. Trinity Health-Michigan is the sole shareholder of Trinity Health Plans. Trinity Health Plans provides management services to Care Choices HMO, a Michigan nonprofit corporation (“Care Choices Michigan”). Trinity Health Plans also operates a preferred provider network for commercial accounts for approximately 65,000 members.

Trinity Health-Michigan is the sole member of Care Choices Michigan. As of June 30, 2001, Care Choices Michigan had approximately 130,000 members. To deliver services to these members, Care Choice Michigan contracts with physicians, hospitals and ancillary service providers.

Trinity Health’s ownership interests in these subsidiaries and in others that management of Trinity Health Credit Group deems not material collectively produced (in addition to the impact on operations of Trinity Health Credit Group hospitals and other Trinity Health Credit Group providers) a net loss of approximately \$15.9 million for fiscal year 2001. None of these corporations are Designated Affiliates.

Physician Activities/Relationships

Trinity Health, through its Designated Affiliates, currently employs approximately 490 physicians who provide various medical services throughout Trinity Health Credit Group’s service areas. Trinity

Health management continues to foster additional relationships with physicians and other providers for the provision of certain health care services and to facilitate the development of plans for physician education and recruitment. In addition, Trinity Health continues to pursue improving the financial management of the employed physicians in order to maximize both the qualitative and quantitative benefit of these relationships. For the year ended June 30, 2001, losses from employed physician practices totaled approximately \$45 million, which equates to a loss of approximately \$84,000 per provider.

Through the collection and dissemination of clinical outcome data for selected conditions, Trinity Health is able to identify notable practices and share process improvements throughout the Trinity Health Credit Group. Clinician leaders and practitioners engage in data analysis, target setting, measurement, design and redesign of care processes, education and communication as a means to improve patient outcomes. Current emphasis is on continuously improving the quality of care and patient safety. Clinical improvement initiatives are focused on medication safety, cardiovascular and respiratory diseases, maternal and child health and orthopedics, which collectively represent more than 70% of Trinity Health inpatient volume. The transition to computerized physician order entry and an electronic medical record with decision support tools is currently in progress. This will greatly enhance the ability of Trinity Health to provide quality care.

As a strategic initiative to improve primary care access in the communities Trinity Health serves, Trinity Health sponsors a network of primary care physician practices for selected physicians and locations, supporting the management of these practices through Ambulatory Management Services (“AMS”), a wholly owned subsidiary of Trinity Health. AMS provides policies, procedures, operations improvement and management tools, network executive and site manager training, financial measurement and on site management. The network executives meet monthly to develop and refine approaches and share best practices for operations improvements.

Recent Developments

Mount Carmel Health System. Mount Carmel Health System (“Mount Carmel”) has entered into a non-binding letter of intent to negotiate a joint venture agreement with Berger Health System, a city-county controlled hospital and health care services corporation in Circleville, Ohio (“Berger”), which is approximately 25 miles south of Columbus. Under the proposal, Mount Carmel would have an ownership interest in Berger, and Mount Carmel and Berger jointly would operate Berger’s facilities. Management is unable to determine the likelihood that the affiliation will be successfully concluded.

Saint Joseph Regional Medical Center, Inc./Ancilla Health Care, Inc. On November 1, 2000 Saint Joseph Regional Medical Center, Inc. (“SJPMC”), which owns and operates hospital facilities in South Bend and Plymouth, Indiana, acquired the sole membership interest in Ancilla Health Care, Inc. (subsequently renamed Saint Joseph Community Hospital, Inc.) which owns and operates St. Joseph Community Hospital in nearby Mishawaka, Indiana. The governing documents of SJPMC were revised so that the members would be Trinity Health and Ancilla Systems Incorporated (“ASI”), the former parent of Ancilla Health Care, Inc.

The initial board of SJPMC has 18 members, four appointed by each of Trinity Health and ASI and the remaining members appointed jointly by Trinity Health and ASI. Subsequently, ASI will continue to appoint a designated number of members (which may be reduced as the total number of board members decreases), and Trinity Health will appoint the remaining board members from candidates presented by the nominating committee of the board. The nominating committee will include representatives from Trinity Health and ASI, each of whom must approve nominees.

Trinity Health and the Poor Handmaids of Jesus Christ, the religious congregation that sponsors ASI, must jointly approve the following actions with respect to SJRMC: (i) changes in the philosophy, mission or values; (ii) amendments to the governing documents concerning issues of Roman Catholic Canon Law; (iii) changes in SJRMC's nonprofit or tax-exempt status; and (iv) approval of congregation members to the SJRMC board. ASI and Trinity Health, acting jointly, must approve changes to the SJRMC governing documents that affect the rights or authorities of ASI or the Poor Handmaids of Jesus Christ.

Trinity Health has the sole authority to approve the following actions with respect to SJRMC: (i) appointment and removal of the Chief Executive Officer; (ii) incurrence of debt; (iii) development of joint ventures or merger, reorganization or dissolution of SJRMC; (iv) approval of capital and operating budgets; (v) approval of capital expenditures in excess of \$3 million (or another amount specified in the policies of Trinity Health); (vi) appointment of trustees of SJRMC (except for those appointed directly by ASI); (vii) approval of the addition of new members to SJRMC; and (viii) approval of the strategic plan.

Saint Benedict's Family Medical Center. On October 1, 2000, Saint Alphonsus Regional Medical Center, Inc. ("SARMC"), a wholly controlled subsidiary of Trinity Health, became the sole member of Saint Benedict's Family Medical Center, Inc. ("Saint Benedict"), an Idaho nonprofit corporation that owns and operates a 24 bed acute care hospital and a 40 bed nursing home in Jerome, Idaho. Simultaneous with the change of membership, SARMC entered into a management contract with Benedictine Health System, a Minnesota nonprofit corporation, to manage the Saint Benedict facilities.

Financial Arrangements with Certain Affiliated Corporations

Trinity Health and Trinity Health-Michigan have entered into certain financial arrangements with a variety of other entities. Although not all such arrangements are with other controlled, co-controlled or owned subsidiaries, Affiliates or Designated Affiliates, the majority of these financial activities are with or on behalf of related entities. The most significant of these arrangements are discussed below.

Trinity Health Plans. Financial arrangements between Trinity Health Plans and Care Choices Michigan have resulted in periodic short-term loans from Trinity Health-Michigan to Trinity Health Plans. The outstanding loan balance between Trinity Health-Michigan and Trinity Health Plans currently is \$20 million.

Other. Trinity Health and Trinity Health-Michigan have issued several other guaranties that secure debt incurred by its affiliates. As of June 30, 2001, the outstanding amount of such debt was approximately \$37.9 million. None of these guaranties are secured by the Trinity Health - Michigan Master Indenture and, to date, Trinity Health and Trinity Health-Michigan have not been required to make any payments under such guaranties.

Employees

As of June 30, 2001, Trinity Health had a total of approximately 50,500 total employees and 45,700 full-time equivalent employees. Approximately 6.5% of these employees are unionized. The percentage of unionized employees has been relatively stable throughout the last five years. There can be no assurance that more employees will not seek unionization or respond to organization efforts. However, management of Trinity Health does not expect that such activities will result in a significant increase in the number of unionized employees. Management of Trinity Health regards its relations with employees as good.

Retirement Program

Trinity Health is in the process of merging the retirement programs of the former Holy Cross and former Mercy entities. The new “Trinity Health Retirement Program” will be effective January 1, 2002. The assets of the two plans are expected to be merged shortly thereafter.

The Trinity Health Retirement Program, similar to predecessor programs, will consist of two components: a defined benefit pension plan and a defined contribution 403(b) or 401(k) component (depending on the tax status of the institution involved). Benefits under the defined benefit pension plan are funded solely by the employer and determined on the basis of a combination of years of service and the employee’s W-2 compensation. Contributions to the defined benefit pension plan are determined annually and are fully funded.

The second component of the Trinity Health Retirement Program, the defined contribution component, will be funded by employee voluntary contributions, subject to legal limitations, and is matched by Trinity Health. The employees will direct their voluntary contribution among a variety of investment options provided by the defined contribution service provider. The employer match is invested in the cash balance pension plan.

Insurance

The insurance programs of Trinity Health were consolidated under one program effective July 1, 2001 and will be maintained as described below for the foreseeable future. As with all self-insurance and risk retention programs, covered losses in excess of expectations may decrease self-insurance reserves and cause increased subsequent premiums. Such increased premiums payable by Trinity Health Affiliates and Designated Affiliates may result from unexpected losses from program participants that are not members of the Credit Group.

The self-insurance liability for losses and loss adjustment expenses appearing on the Trinity Health balance sheet represent estimates of the ultimate net cost of all losses and loss adjustment expenses that are incurred but unpaid at the balance sheet date. The self-insurance reserves were determined based upon estimates by independent consulting actuaries of Trinity Health’s loss and loss adjustment expenses and future trends in claims severity and frequency, as well as available industry-wide data. Although considerable variability is inherent in such estimates, management of Trinity Health believes that the reserves for unpaid claims and related adjustment expenses are adequate, based on prior loss experience. The estimates are continually reviewed and, as management makes adjustments, are reflected in current operations.

The cost of the program of self-insurance (which includes the self-insured trusts and coverage under the captive insurance subsidiary, Venzke Insurance Company) and of commercial insurance is allocated among Trinity Health and its affiliates and subsidiaries on the basis of the nature and degree of risk and the historical loss results of each. Actuarial studies are performed annually to gauge the adequacy of the self-insurance trusts. Losses in excess of the program’s limits, if any, would be a general liability of Trinity Health, although a portion of such excess may be eligible for reimbursement by Medicare, Medicaid and Blue Cross.

Liability Insurance for the Non-Iowa Operations. Trinity Health and its affiliates and subsidiaries are self-insured for all of their general liability, property damage liability and certain other liability claims through the program of self-insurance risk financing vehicles. Trinity Health has limited liability above the self-insured retention described below through the purchase of reinsurance and umbrella coverage from several commercial insurance carriers.

The program of self-insurance covers \$5 million per occurrence/\$60 million in annual aggregate for malpractice liability, general liability, auto liability and managed care liability with commercial insurance providing excess coverage up to \$150 million. Trinity Health retains \$500,000 in property damage liability with commercial insurance providing coverage up to \$1 billion.

Trinity Health is covered under various policies for fiduciary liability, directors' and officers' liability, pollution liability, non-health care errors and omissions, aviation (non-owned) liability, and crime through its self-insurance program and commercial insurance carriers.

Liability Insurance for Iowa Operations. A CHI program of self insurance provides primary malpractice, general commercial, employment practices and miscellaneous professional liability insurance to Mercy Health Services-Iowa Corp. with limits of \$100 million per occurrence and \$100 million in the aggregate. Additional catastrophic coverage of \$50 million per claim and \$50 million in the aggregate is provided by commercial carriers.

Workers Compensation Coverage. A commercial insurance carrier provides workers compensation coverage for Trinity Health (other than its Michigan and Iowa operations) for statutory limits. The policy is a large deductible policy. The first \$750,000 per claim is covered by Trinity Health's program of self-insurance. Workers compensation coverage for Trinity Health operations in Michigan is provided by a self-insurance trust that covers the first \$300,000 of each workers compensation claim. A \$1 million excess policy is purchased from a commercial insurance carrier for claims that exceed this retention. Workers compensation coverage for Trinity Health operations in Iowa is provided by a commercial carrier.

Malpractice Litigation Affecting Trinity Health

There are a number of civil actions pending or threatened against the Trinity Health Affiliates and Designated Affiliates alleging medical malpractice. In the opinion of management of Trinity Health, based upon the advice of legal counsel and Trinity Health's risk management personnel, the probable recoveries in these proceedings and the estimated costs and expenses of defense will be entirely within the applicable insurance limits described above or will not materially adversely affect the business or properties of Trinity Health, its Affiliates or its Designated Affiliates.

Trinity Health management also advises that there are certain potential claims of which they are aware alleging medical malpractice that might be brought against members of the Credit Group but that, in its opinion, such potential claims are within the applicable limits of available liability insurance and the self-insurance plan or would not materially and adversely affect the financial condition or results of operations of the Credit Group.

Accreditations and Memberships

Each of the Trinity Health Affiliates' and Designated Affiliates' health care facilities is accredited by the Joint Commission on Accreditation of Healthcare Organizations or the American Osteopathic Association, unless such accreditation is deemed unnecessary by Trinity Health, and each of the Trinity Health Affiliates' and Designated Affiliates' health care facilities is licensed by the appropriate state and/or regional governmental agencies. All of the hospital facilities are certified for participation in the Medicare and Medicaid programs, and the skilled nursing and long-term care facilities are certified for participation in the Medicare and Medicaid programs in situations where management has elected such participation.

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APPENDIX B

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
TRINITY HEALTH CORPORATION**

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TRINITY HEALTH

Consolidated Financial Statements
for the Years Ended June 30, 2001 and 2000, and
Independent Auditors' Report

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TRINITY HEALTH

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Trinity Health
Novi, Michigan

We have audited the accompanying consolidated balance sheets of Trinity Health and subsidiaries (the "Corporation") as of June 30, 2001 and 2000, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Trinity Health and subsidiaries as of June 30, 2001 and 2000, and the results of their operations and changes in net assets, and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

August 30, 2001

TRINITY HEALTH

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2001 AND 2000

(In Thousands)

ASSETS	2001	2000
CURRENT ASSETS:		
Cash and cash equivalents	\$ 174,516	\$ 99,862
Marketable securities	224,941	163,924
Assets limited as to use:		
Held by trustees under bond indenture agreements	25,084	52,470
By Board	2,613	3,918
Patient accounts receivable net of allowance for doubtful accounts of \$143.4 million and \$145.9 million in 2001 and 2000	609,288	558,353
Other receivables	77,002	117,543
Inventories	67,381	63,364
Prepaid expenses and other current assets	34,438	45,036
Total current assets	1,215,263	1,104,470
ASSETS LIMITED OR RESTRICTED AS TO USE:		
Held by trustees under bond indenture agreements	358,709	155,765
Self-insurance, benefit plans and other	616,687	627,354
By Board	1,334,899	1,362,697
By donors	98,866	95,436
Total assets limited or restricted as to use	2,409,161	2,241,252
PROPERTY AND EQUIPMENT, NET	1,954,809	1,863,420
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	61,704	183,350
EXCESS OF COST OVER NET ASSETS ACQUIRED	52,955	60,126
PREPAID PENSION AND RETIREE HEALTH COSTS	36,907	28,826
OTHER ASSETS	91,828	107,878
TOTAL ASSETS	\$ 5,822,627	\$ 5,589,322

(Continued)

The accompanying notes are an integral part of the consolidated financial statements.

LIABILITIES AND NET ASSETS	2001	2000
CURRENT LIABILITIES:		
Line of credit	\$ 4,300	\$ 4,300
Current portion of long-term debt	38,476	45,951
Accounts payable and accrued expenses	359,219	387,927
Salary, wages and related liabilities	206,947	178,373
Estimated payable to third-party payors, net	152,892	128,706
Total current liabilities	<u>761,834</u>	<u>745,257</u>
LONG-TERM DEBT, NET OF CURRENT PORTION	1,594,904	1,412,528
SELF-INSURANCE RESERVES	401,070	412,433
ACCRUED PENSION AND RETIREE HEALTH COSTS	120,362	82,105
OTHER LONG-TERM LIABILITIES	<u>44,729</u>	<u>25,063</u>
Total liabilities	2,922,899	2,677,386
EXTERNAL FINANCIAL INTEREST	79,165	67,069
NET ASSETS:		
Unrestricted	2,713,860	2,750,567
Temporarily restricted	85,681	73,111
Permanently restricted	21,022	21,189
Total net assets	<u>2,820,563</u>	<u>2,844,867</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,822,627</u></u>	<u><u>\$ 5,589,322</u></u>

(Concluded)

TRINITY HEALTH

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2001 AND 2000

(In Thousands)

	2001	2000
UNRESTRICTED REVENUE:		
Net patient service revenue	\$ 3,778,813	\$ 3,436,189
Capitation and premium revenue	351,249	387,169
Unrestricted contributions and restricted net assets released	20,687	18,518
Other revenue	359,947	344,935
Total unrestricted revenue	4,510,696	4,186,811
EXPENSES:		
Salaries and wages	1,787,058	1,665,798
Employee benefits	331,847	321,731
Contract labor	57,840	44,275
Total employment expenses	2,176,745	2,031,804
Supplies	730,244	670,226
Medical claims and capitation purchased services	235,591	235,024
Purchased services	397,145	382,219
Depreciation and amortization	259,104	244,610
Occupancy	224,710	214,392
Provision for bad debts	177,885	184,568
Interest	87,142	79,015
Other	152,013	122,925
Total expenses	4,440,579	4,164,783
OPERATING INCOME BEFORE UNUSUAL ITEMS	70,117	22,028
UNUSUAL ITEMS:		
Loss on sale of investments in unconsolidated affiliates	(59,778)	-
Loss on closure of long-term care facility	(7,856)	-
Loss on closure of Mercy Hospital, Detroit	-	(67,430)
Merger costs	-	(28,427)
OPERATING INCOME (LOSS)	2,483	(73,829)
NONOPERATING ITEMS:		
Investment income	70,484	102,749
External financial interest	(2,025)	3,924
EXCESS OF REVENUE OVER EXPENSES	70,942	32,844

(Continued)

The accompanying notes are an integral part of the consolidated financial statements.

	2001	2000
UNRESTRICTED NET ASSETS:		
Excess of revenues over expenses	70,942	32,844
Change in net unrealized gains on investments	(85,362)	(6,790)
Change in market value of interest rate swaps	(17,127)	-
Net assets released from restrictions for capital acquisitions	9,041	11,196
Transfers to sponsors	-	(16,300)
Contribution of long lived asset	(7,000)	-
Other	(1,806)	1,757
(Decrease) increase in unrestricted net assets before extraordinary item	(31,312)	22,707
Extraordinary loss from early extinguishment of debt	(5,395)	(2,848)
(Decrease) increase in unrestricted net assets	(36,707)	19,859
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	31,719	23,356
Investment income	2,589	2,909
Change in net unrealized gains on investments	(3,635)	661
Net assets released from restrictions	(21,767)	(22,933)
Other	3,664	6,971
Increase in temporarily restricted net assets	12,570	10,964
PERMANENTLY RESTRICTED NET ASSETS:		
Contributions for endowment funds	410	901
Investment income	607	(226)
Change in net unrealized gains on investments	(1,414)	749
Other	230	(3,591)
Decrease in permanently restricted net assets	(167)	(2,167)
(DECREASE) INCREASE IN NET ASSETS	(24,304)	28,656
NET ASSETS, BEGINNING OF YEAR	2,844,867	2,816,211
NET ASSETS, END OF YEAR	\$ 2,820,563	\$ 2,844,867

(Concluded)

TRINITY HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2001 AND 2000

(In Thousands)

	2001	2000
OPERATING ACTIVITIES:		
(Decrease) increase in net assets	\$ (24,304)	\$ 28,656
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Transfers to sponsors	-	16,300
Extraordinary loss from early extinguishment of debt	5,395	2,848
Contribution of long lived asset	7,000	-
Loss on closure of long-term care facility & Mercy Hospital, Detroit	4,665	52,632
Loss on sale of investments in unconsolidated affiliates	59,778	-
Change in net realized and unrealized gains on investments	68,649	(69,709)
Change in market values of interest rate swaps	17,127	1,525
Proceeds from restricted contributions and investment income	(9,314)	(7,093)
Depreciation and amortization	259,104	244,610
Equity interest in unconsolidated affiliates	(23,744)	(7,957)
External financial interest in consolidated subsidiaries	2,090	(6,399)
Changes in:		
Patient accounts receivable, net	(39,716)	20,584
Other assets	46,503	(7,280)
Accounts payable and accrued expenses	(14,058)	41,551
Estimated payables to third-party payors, net	23,842	(49,168)
Self-insurance reserves	(11,363)	(22,460)
Accrued pension and retiree health costs	30,175	(2,374)
Other liabilities	(131)	689
Total adjustments	426,002	208,299
Net cash provided by operating activities	401,698	236,955
INVESTING ACTIVITIES:		
Increase in assets limited as to use	(213,673)	(3,308)
Purchases of property and equipment, net	(295,625)	(290,330)
Decrease (increase) in investment in affiliates	72,324	(6,385)
(Increase) decrease in marketable securities	(42,305)	53,357
Acquisitions and dispositions of member organizations, net	(3,617)	(13,866)
Net cash used in investing activities	(482,896)	(260,532)

(Continued)

The accompanying notes are an integral part of the consolidated financial statements.

	2001	2000
FINANCING ACTIVITIES:		
Transfers to sponsors	-	(16,300)
Proceeds from restricted contributions and investment income	9,314	7,093
Net change in line of credit	-	(1,597)
Proceeds from issuance of long-term debt	629,247	99,880
Repayments of long-term debt	(486,353)	(52,292)
Decrease (increase) in deferred financing costs	3,644	(1,364)
	<hr/>	<hr/>
Net cash provided by financing activities	155,852	35,420
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	74,654	11,843
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	99,862	88,019
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 174,516</u>	<u>\$ 99,862</u>
	<hr/>	<hr/>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest (net of amounts capitalized)	<u>\$ 87,672</u>	<u>\$ 76,024</u>
	<hr/>	<hr/>
Non-cash transactions -		
Capital lease obligations	<u>\$ 209</u>	<u>\$ 19,246</u>
	<hr/>	<hr/>

(Concluded)

TRINITY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2001 AND 2000

1. ORGANIZATION AND MISSION

Trinity Health and its subsidiaries are collectively referred to as the Corporation. The Corporation, an Indiana not-for-profit corporation, was formed on May 1, 2000 by the merger of Holy Cross Health System Corporation ("HCHS") and Mercy Health Services ("MHS"). The Corporation is sponsored by Catholic Health Ministries ("CHM"), a Public Juridic Person of the Holy Roman Catholic Church. The Corporation operates a comprehensive integrated network of health services including inpatient and outpatient services, physician services, health care insurance coverage, home health care, long-term care, assisted living care and rehabilitation services located in seven states.

The mission statement for Trinity Health is as follows:

*We serve together in Trinity Health
In the spirit of the Gospel
To heal body, mind and spirit
To improve the health of our communities
And to steward the resources entrusted to us.*

Community Benefit Ministry

Consistent with its mission, the Corporation provides medical care to all patients regardless of their ability to pay. In addition, the Corporation provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance because of inadequate resources and/or are uninsured or underinsured, and to enhance the health status of the communities in which it operates.

Ministry for the poor and the underserved represents the financial commitment to seek out and serve those who need help the most, especially the working poor, the uninsured and the indigent. This is done with the conviction that healthcare is a basic human right. The categories used to classify ministry for the poor and the underserved are as follows:

Activities and programs for the poor and the underserved represents the cost of services provided for which a patient bill is not rendered or for which a fee has been assessed which recovers only a portion of the cost of the rendered service. Examples of activities and programs for the poor and the underserved include: primary care clinics providing services to the indigent, programs directed at improving women's health, free or low cost prescription medications, and rural and urban outreach programs. The Corporation actively collaborates with community groups and agencies to assist those in need in providing such services.

Charity care represents the cost of services provided to patients who cannot afford health care services due to inadequate resources and/or are uninsured or underinsured. A patient is classified as a charity patient in accordance with the Corporation's established policies and where no payment for such services is anticipated. Services provided to these patients are not reported as revenue in the consolidated statements of operations and changes in net assets.

Unpaid cost of Medicaid and other public programs represents the cost of providing services to beneficiaries of public programs, including state Medicaid and indigent care programs, in excess of governmental and managed care contract payments.

Ministry for the broader community represents the cost of services provided for the general benefit of the communities in which the Corporation operates. Many programs are targeted toward populations that may be poor, but also include those areas that may need special health services and support. These programs are not intended to be financially self-supporting.

Activities and programs for the broader community represents the cost of services provided for which a patient bill is not rendered or for which a fee has been assessed which recovers only a portion of the cost of the rendered service. Examples of nonbilled services and other programs for the broader community include: health clinics and immunization fairs, health education, substance abuse programs, smoking cessation programs, elderly meal programs, bereavement counseling, cancer screening, school wellness programs, and medical research.

Education and research represents the direct cost associated with medical education and programs in excess of governmental payments.

Unpaid cost of Medicare program represents the cost of providing services to primarily elderly beneficiaries of the Medicare program, in excess of governmental and managed care contract payments.

The cost of the aforementioned programs has been determined in accordance with the Catholic Health Association's Community Benefit Program: A Revised Resource for Social Accountability.

The following is a summary of the Corporation's quantifiable costs of its community benefit ministry for the years ended June 30:

	2001	2000
	(In Thousands)	
Ministry for the poor and the underserved:		
Activities and programs	\$ 24,290	\$ 24,488
Charity care at cost	38,060	36,432
Unpaid cost of Medicaid and other	67,991	73,864
Ministry for the poor and the underserved	130,341	134,784
Ministry for the broader community:		
Activities and programs	29,758	29,618
Education and research	49,176	44,388
Unpaid cost of Medicare program	143,655	122,965
Ministry for the broader community	222,589	196,971
Community benefit ministry	\$ 352,930	\$ 331,755

The Corporation also provides a significant amount of uncompensated care to its patients which is reported as provision for bad debts, which is not included in the amounts reported above. During the years ended June 30, 2001 and 2000, the Corporation reported provision for bad debts of \$177.9 million and \$184.6 million, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include the accounts of the Corporation, and all wholly owned, majority-owned and controlled organizations. Investments where less than 20% of the ownership interest is held by the Corporation are accounted for using the cost method. All other investments, which are not controlled by the Corporation, are accounted for using the equity method of accounting. The Corporation has included its equity share of income or losses from investments in unconsolidated affiliates in other revenue in the consolidated statements of operations and changes in net assets. All material intercompany transactions and account balances have been eliminated in consolidation.

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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the consolidated statements of cash flows, cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

Marketable Securities and Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in excess of revenue over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from excess of revenue over expenses.

Derivative Financial Instruments - The Corporation periodically utilizes various financial instruments (e.g., options, foreign currency futures, caps, and swaps) to hedge interest rate and other exposures. The Corporation's policies generally prohibit trading in derivative financial instruments on a speculative or leveraged basis.

Assets Limited as to Use - Assets set aside by the Board for future capital improvements, retirement of debt, certain community benefit programs and other purposes over which the Board retains control and may at its discretion subsequently use for other purposes, assets held by trustees under bond indenture and certain other agreements, and self-insurance trust and benefit plan arrangements are included in assets limited as to use. Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets.

Donor-Restricted Gifts - Unconditional promises to give cash and other assets to the Corporation's various member organizations are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the statements of operations and changes in net assets.

Property and Equipment - Property and equipment are recorded at cost, if purchased, or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using either the straight-line or an accelerated method and includes capital lease amortization. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues 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.

Excess of Costs over Net Assets Acquired - Excess of costs over net assets acquired are capitalized and amortized using the straight-line method over their estimated useful lives which range from 5 to 20 years.

Asset Impairment - The Corporation periodically evaluates the carrying value of its long lived assets for impairment. These evaluations are primarily based on the estimated recoverability of the assets' carrying value. The evaluation of goodwill is based principally on the projected undiscounted cash flows generated by the underlying tangible assets.

Temporarily and Permanently Restricted Net Assets - Temporarily restricted net assets are those for which use by the Corporation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

Patient Accounts Receivable, Estimated Payables to Third-Party Payors and Net Patient Service Revenue - The Corporation has agreements with third-party payors that provide for payments to the Corporation's member organizations at amounts different from established rates. Patient accounts receivable and net patient service revenue are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Estimated retroactive adjustments under reimbursement agreements with third-party payors are included with net patient service revenue and estimated payables to third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Premium and Capitation Revenue - The Corporation has certain member and service organizations that arrange for the delivery of health care services to enrollees through various contracts with providers and common provider entities. Enrollee contracts are negotiated on a yearly basis. Premiums are due monthly and are recognized as revenue during the period in which the Corporation is obligated to provide services to enrollees. Premiums received prior to the period of coverage are recorded as deferred revenue included in accounts payable and accrued expenses in the consolidated balance sheet.

Certain of the Corporation's member organizations have entered into capitation arrangements whereby they accept the risk for the provision of certain health care services to health plan members. Under these agreements, the Corporation's member organizations are financially responsible for services provided to the health plan members by other institutional health care providers. Capitation revenue is recognized during the period for which the member organization is obligated to provide services to health plan enrollees under capitation contracts. Capitation receivables are included in other receivables in the consolidated balance sheet.

Reserves for incurred but not reported claims have been established to cover the unpaid costs of health care services covered under the premium and capitation arrangements. The premium and capitation arrangement reserves are classified with accounts payable and accrued expenses in the consolidated balance sheet. The liability is estimated based on actuarial studies, historical reporting, and payment trends. Subsequent actual claim experience will differ from the estimated liability due to variances in estimated and actual utilization of health care services, the amount of charges, and other factors. As settlements are made and estimates are revised, the differences are reflected in current operations. The Corporation limits a portion of its liability through stop-loss reinsurance.

Investment Income - Investment income earned on assets held by trustees under bond indenture agreements, assets designated by the Board for debt redemption, assets held by foundations, assets deposited in trust funds for self-insurance purposes, and funds held by insurance subsidiaries in accordance with industry practices are included in other revenue in the consolidated statement of operations and changes in net assets. Investment income from all other unrestricted investments and Board designated funds are included in nonoperating investment income.

Income Taxes - The Corporation and substantially all of its subsidiaries have been recognized as tax-exempt pursuant to Section 501(a) of the Internal Revenue Code. The Corporation also has taxable subsidiaries, which are included in the consolidated financial statements. Certain of the taxable subsidiaries have entered into tax sharing agreements and file consolidated federal income tax returns with other corporate taxable subsidiaries.

Excess of Revenue Over Expenses – The consolidated statement of operations includes excess of revenue over expenses. Changes in unrestricted net assets which are excluded from excess of revenue over expenses, consistent with industry practice, include unrealized gains and losses on investments, change in market value of derivatives, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets received or gifted (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), extraordinary items and cumulative effects of changes in accounting principles.

Adoption of Accounting Pronouncements - In 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard requires that entities recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Changes in the fair value of a derivative are included in the statement of operations and changes in net assets. The Corporation adopted the provisions of SFAS No. 133, as amended, effective July 1, 2000. The adoption of this statement did not have a material effect on the Corporation's financial position or results of operation.

Reclassifications - Certain amounts for 2000 have been reclassified to conform to classifications adopted in 2001. The reclassifications had no impact on previously reported excess of revenue over expenses or net assets of the Corporation.

3. JOINT VENTURES, BUSINESS ACQUISITIONS AND DIVESTITURES

Business Combination - The merger of HCHS and MHS was accounted for in a manner similar to a pooling-of-interests, and accordingly, the accompanying consolidated financial statements for all periods presented include the accounts of HCHS and MHS.

Joint Ventures – The Corporation is involved in several joint ventures whose operations have been consolidated in the Corporation’s financial statements.

Mercy Health Network (MHN) - MHN, a venture between the Corporation and Catholic Health Initiatives (“CHI”) to jointly deliver healthcare in Iowa, took effect July 1, 1998. The agreement provides for the Corporation and CHI to maintain ownership of their respective Iowa assets, while agreeing to operate the Corporation’s Iowa hospitals (Trinity Health – Iowa) and related subsidiaries collectively referred to as Trinity Health - Iowa in collaboration with CHI’s Mercy Hospital Medical Center, Des Moines, Iowa (“MHMC”) as one organization with common governance and management, subject to certain reserve powers of the parent organizations. In addition, both the Corporation and CHI hold a 50% membership interest in MHN, a Delaware not-for-profit Corporation that is accounted for under the equity method of accounting.

Under the original agreement, the Corporation and CHI equally shared combined MHN cash flow, as defined. During the year ended June 30, 2000, under the original agreement, the Corporation recognized a cash flow sharing loss of \$6,063,000, which was included in other expenses in the consolidated statement of operations and changes in net assets. The agreement was amended effective July 1, 2000. Under the amended agreement, the Corporation and CHI equally share in additional capital contributions to MHN. Required annual capital contributions of the Corporation are equal to the lesser of 25% of combined MHN free cash flow, as defined, or \$1,500,000. For the year ended June 30, 2001, the required capital contribution of \$1,500,000 was accrued in the consolidated balance sheet. Once certain equity targets are achieved, excess capital contributions may be redistributed back to the Corporation and CHI. Trinity Health – Iowa reported excess of revenue over expenses of \$19.2 million and \$4.0 million for the years ended 2001 and 2000, respectively, that is consolidated in these financial statements. As of June 30, 2001 and 2000, consolidated net assets includes \$267.3 million and \$253.4 million for Trinity Health - Iowa.

Mercy Mount Clemens Corporation - On May 15, 1990, the Corporation entered into a joint venture with Henry Ford Health System (“HFHS”) focused primarily on Mercy Mount Clemens Corporation (“Mt. Clemens”), a subsidiary of the Corporation. The Corporation and HFHS have specific reserve responsibilities. The operations of Mt. Clemens are included in the consolidated financial statements with a provision for external financial interest. Mt. Clemens reported excess of revenue over expenses of \$2.7 million and \$6.5 million for the years ended 2001 and 2000, respectively, that is consolidated in these financial statements. As of June 30, 2001 and 2000, consolidated net assets includes \$51.2 million and \$50.6 million for Mt. Clemens prior to the provision for external financial interest.

During 2001, a \$1.5 million distribution was accrued to the Corporation and HFHS and additionally, \$0.5 million was distributed. During 2000, a cash distribution of \$2 million was distributed equally to the Corporation and HFHS. For the year ended June 30, 2002, the equal cash distribution will be based on “excess cash flow” as defined, unless the Corporation and HFHS mutually agree to reduce the distribution. As defined, excess cash flow is equal to net income, plus 50% of depreciation and amortization less debt principal payments, less 8% of the increase in annual revenue.

Battle Creek Health System - On July 1, 1991, Battle Creek Health System (“BCHS”) was formed through a joint venture agreement between the Corporation and Community Hospital Association of Battle Creek, Michigan. The Corporation owns 50% of the stock of BCHS. BCHS is effectively controlled by the Corporation, and accordingly, the financial statements of BCHS are included in the consolidated financial statements of the Corporation with a provision for external financial interest. BCHS reported excess of revenue over expenses of \$1.6 million and \$(13.9) million for the years ended 2001 and 2000, respectively, that is consolidated in these financial statements. As of June 30, 2001 and 2000, consolidated net assets includes \$81.7 million and \$80.1million for BCHS prior to the provision for external financial interest.

Mercy Health Services North - Effective July 1, 1998, the Corporation and Munson Healthcare (“MHC”) entered into an agreement to create an alignment in Northern Michigan. Under the agreement, MHC provides management and other services to Mercy Health Services North (“MHSN”), an operating division of the Corporation with acute care hospitals in Cadillac and Grayling, Michigan. MHSN reported a loss of \$459,000 and \$318,000 for the years ended 2001 and 2000, respectively, that is consolidated in these financial statements. As of June 30, 2001 and 2000, consolidated net assets includes \$22.8 million and \$21.7 million for MHSN.

The terms of the agreement include financial risk sharing based upon operating performance. For 2001 there was no risk sharing expense, however for 2000, MHSN recorded expenses of \$750,000 under the risk sharing agreement, which is included in other expenses in the consolidated statements of operations and changes in net assets. In future years, MHC will share in 50% of the difference between MHSN operating income and targeted operating income on an annual basis not to exceed \$750,000.

Investments in Unconsolidated Entities - The Corporation has investments in several entities that are recorded under the equity method of accounting. The most significant of these are Saint Margaret Hospital and Health Centers, Sparrow Health System, and Priority Plus of America, Inc.

St. Margaret Hospital and Health Centers – During 1992, the Corporation joined with The Sisters of Saint Francis Health Services, Inc. (SSFHS) of Mishawaka, Indiana, to combine the operations of Our Lady of Mercy Hospital, Dyer, Indiana, a division of the Corporation, and Saint Margaret Hospital and Health Centers, Hammond, Indiana (“St. Margaret”). Until June 2001, the Corporation held a 30% interest in the combined organization. For 2001 and 2000, respectively, income of \$4.1 million and \$4.4 million for the Corporation’s share of equity earnings in St. Margaret were included in other revenue in the consolidated statements of operations and changes in net assets.

In June of 2001, SSFHS purchased the Corporation’s ownership interest in St. Margaret for \$43 million. In return, the Corporation contributed \$2 million to St. Margaret to be used for support of the healthcare needs of the poor and medically indigent. The transaction resulted in a loss on sale of \$38.8 million in the 2001 consolidated statement of operations and changes in net assets.

Sparrow Health System – During fiscal 1998, the Corporation transferred to Sparrow Health System, a Michigan not-for-profit corporation, the assets of its St. Lawrence Hospital and Healthcare Services division, certain other Lansing area subsidiary and affiliate entities and \$12.0 million in cash to assume a 20% membership position in Sparrow Health System (“Sparrow”). For 2001 and 2000, respectively, income of \$2.2 million and losses of \$1.5 million for the Corporation’s share of equity earnings and losses in Sparrow were included in other revenue in the consolidated statements of operations and changes in net assets.

Effective March 1, 2001, Sparrow purchased the Corporation's 20% interest for \$40 million. Upon sale, the corporation received \$25 million from Sparrow, and the remaining \$15 million will be paid over five years, including interest at 6%. The transaction resulted in a loss on sale of \$21 million in the 2001 consolidated statement of operations and changes in net assets.

Priority Plus of America, Inc. (Navmed) – The Corporation and Saint Agnes Medical Center (Saint Agnes) hold an aggregate 60% ownership in Navmed, a California health maintenance organization. Navmed discontinued substantially all of its operations in December 2000 as approved by the State of California, Department of Managed Healthcare. The Corporation accounts for Navmed using the equity method of accounting due to Navmed's plans to discontinue operations. The Corporation's investment is currently carried at a deficit of \$2.3 million, as the minority interest owners are unable to assume their share of Navmed's deficit. No additional losses were accrued in 2001. Losses included in other revenue in the consolidated statement of operations and changes in net assets were \$2.4 million for 2000.

The Corporation has \$20 million notes receivable from Navmed that are fully reserved. In 2001, the Corporation received \$3.9 million from Navmed in payment on these notes that was included in other revenue in the consolidated statement of operations and changes in net assets.

During 2000, a capitated contract between Saint Agnes and Navmed was renegotiated and payment methodology was changed to discounted fee for service. The change in payment terms resulted in the reversal of estimated contract losses of \$11 million that was reflected as an increase to premium and capitation revenue in the consolidated statement of operations and changes in net assets.

Business Acquisitions and Divestitures - The Corporation has also entered into the following significant acquisition and divestiture activities.

St. Joseph Community Hospital, Mishawaka, Indiana - Effective November 1, 2000, Saint Joseph Regional Medical Center, Inc. (SJPMC, Inc.), South Bend, Indiana acquired substantially all of the assets and liabilities of Ancilla Health Care, Inc. (d/b/a Saint Joseph Community Hospital, of Mishawaka, Indiana) from Ancilla Systems, Inc., an Illinois not-for-profit corporation sponsored by the Congregation of the Sisters of the Poor Hand Maidens of Jesus Christ. As part of the transaction, Ancilla Systems, Inc. acquired a \$10 million external financial interest in SJPMC, Inc. and SJPMC, Inc. assumed \$23.7 million in debt and capital lease obligations.

St. Mary Hospital, Livonia, Michigan - Effective June 1, 2000, the Corporation purchased substantially all of the non-real estate assets of St. Mary Hospital and Marian Professional Office Building from the Congregation of the Sisters of St. Felix, Presentation of the Blessed Virgin Mary Province, Livonia. The Corporation simultaneously entered into a long-term lease for the buildings and real estate utilized by the hospital and professional office building, which was accounted for as a capital lease. Transaction costs totaled \$68 million and included a cash payment of \$14 million, a capital lease of \$18 million, debt assumption of \$36 million and resulted in goodwill of \$31 million.

Trinity Continuing Care Services (TCCS) – During December 2000, TCCS, a wholly owned subsidiary of the Corporation, closed a long-term care facility. As a result of the closure, charges of \$7.9 million were recorded in the 2001 consolidated statement of operations and changes in net assets. The remaining liability at June 30, 2001 is \$4.6 million.

Mercy Hospital, Detroit, Michigan - During January 2000, inpatient admissions and substantially all other healthcare operations ceased at Mercy Detroit. As a result of the closure, charges of \$67.4 million were recorded in the consolidated statement of operations and changes in net assets. The charges include an asset impairment charge of \$44.6 million to write down the carrying value of fixed assets to estimated fair value, severance and termination benefits of \$12.7 million for 950 employees, as well as other exit costs of \$10.1 million. There was no adjustment to these charges in the consolidated statement of operations and changes in net assets in 2001. During 2001, management donated fixed assets with an estimated fair market value of \$7.0 million to Samaritan Center Inc. (a not-for-profit joint venture of Boysville of Michigan and SER Metro-Detroit). The donation was recorded as a reduction in unrestricted net assets in the consolidated statement of operations and changes in net assets. Mercy Hospital, Detroit recorded net revenues of \$65.8 million, and incurred net operating losses of \$21.8 million during 2000, excluding the loss on closure of \$67.4 million.

4. NET PATIENT SERVICE REVENUE

A summary of the payment arrangements with major third-party payors follows:

Medicare - Acute inpatient and outpatient services rendered to Medicare program beneficiaries are paid primarily at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain inpatient nonacute and outpatient services are paid based on cost reimbursement methodologies with certain limitations. Cost reimbursable items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediaries.

Medicaid - Reimbursement for services rendered to Medicaid program beneficiaries includes prospectively determined rates per discharge, per diem payments, discounts from established charges, fee schedules, and cost reimbursement methodologies with certain limitations. For cost reimbursed services, final settlement is determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediaries.

Other - Reimbursement for services to certain patients is received from commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement includes prospectively determined rates per discharge, per diem payments, and discounts from established charges.

During 2001 and 2000, 36% and 37% of net patient service revenue were received under the Medicare program, 6% and 7% under state Medicaid and indigent care programs, and 58% and 56% from contracts with health maintenance organizations, preferred provider organizations, insurance company arrangements and patients, respectively. A summary of net patient service revenue is as follows:

	2001	2000
	(In Thousands)	
Gross charges:		
Acute inpatient	\$ 3,772,273	\$ 3,277,478
Outpatient, nonacute inpatient, and other	3,256,575	2,755,282
Gross patient revenue	7,028,848	6,032,760
Less charity care charges	(82,759)	(72,948)
Less contractual and other allowances	(3,167,276)	(2,523,623)
Net patient service revenue	<u>\$ 3,778,813</u>	<u>\$ 3,436,189</u>

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

5. PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30 is as follows:

	2001	2000
	(In Thousands)	
Land and improvements	\$ 205,541	\$ 175,398
Buildings and improvements	2,101,369	1,997,393
Equipment, including capital lease obligations	1,768,012	1,701,416
Total	4,074,922	3,874,207
Less accumulated depreciation and amortization	(2,304,733)	(2,102,756)
Construction in progress	184,620	91,969
Property and equipment, net	<u>\$ 1,954,809</u>	<u>\$ 1,863,420</u>

At June 30, 2001, commitments to purchase property and equipment of \$82 million were outstanding.

6. LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

A summary of long-term debt and capital lease obligations at June 30 is as follows:

	2001	2000
	(In Thousands)	
Tax-exempt revenue bonds and refunding bonds:		
Fixed rate term and serial bonds, payable at various dates through 2034. Interest rate ranges from 3.9% to 7.6% at June 30, 2001.	\$ 948,777	\$ 1,125,427
Variable rate term bonds payable at various dates through 2030. Interest payable monthly at variable rates from 1.4% to 5.0% at June 30, 2001.	545,450	104,600
Notes payable to banks, 5.0% to 10.0%, fixed and variable, payable in varying monthly installments, due through 2004.	29,051	49,621
Commercial paper obligations, payable at various dates, interest rates ranging from 4.0% to 6.7% at June 30, 2001.	69,798	140,000
Capital lease obligations (excluding imputed interest of \$33.1 million and \$34.3 million at June 30, 2001 and 2000).	25,068	23,287
Other	23,336	25,759
Subtotal	1,641,480	1,468,694
Less current portion of long-term debt	(38,476)	(45,951)
Less unamortized bond discounts	(8,100)	(10,215)
Long-term debt	<u>\$ 1,594,904</u>	<u>\$ 1,412,528</u>

Scheduled principal repayments on long-term debt are as follows:

	(In Thousands)
Years ending June 30:	
2002	\$ 38,476
2003	70,606
2004	47,896
2005	45,302
2006	47,166
Thereafter	<u>1,322,236</u>
	1,571,682
Commercial paper obligations	<u>69,798</u>
Total	<u>\$ 1,641,480</u>

Obligated Group and Other Requirements

The Corporation currently has debt outstanding under two master indenture documents. A Master Trust Indenture dated July 1, 1998 (formerly the HCHS Master Trust Indenture), as amended and supplemented thereto, the Amended and Restated Master Indenture ("ARMI"), permits the Corporation to issue obligations to finance certain activities. Obligations issued under the ARMI are general, unsecured, direct obligations of the Corporation and any future members of the Trinity Health Obligated Group. Proceeds from the tax-exempt bonds, refunding bonds, and commercial paper obligations are to be used to finance certain acquisitions and for general purposes. The Corporation has entered into a commercial paper program authorized for borrowings up to \$150 million using the ARMI. Since the

implementation of ARMI, the Corporation is the sole member of the Trinity Health Obligated Group. Certain member organizations of the Corporation constitute Designated Affiliates and the Corporation covenants to cause each Designated Affiliate to pay, loan or otherwise transfer to the Corporation such amounts necessary to pay the amounts due on all obligations issued under the ARMI. Effective May 1, 2000 Trinity Health – Michigan became a Designated Affiliate under the ARMI. In connection therewith, the Corporation issued notes and assumed the payment obligations on debt issued by the MHS Obligated Group under the MHS Master Indenture described below. Effective November 30, 2000 Mercy Health Services – Iowa Corp., Samaritan Health System, Inc., Battle Creek Health System and Trinity Continuing Care Services became Designated Affiliates under the ARMI. The aggregate amount of obligations outstanding using the ARMI (other than obligations that have been advance refunded) is \$1,292.5 million at June 30, 2001.

MHS entered into a Master Indenture (the “MHS Master Indenture”) on June 1, 1991, with Bank One Trust Company, NA, as Trustee, under which it issued a series of Obligations. The MHS Master Indenture permits all Trinity Health Michigan and Iowa Obligated Group members (the “MHS Obligated Group”) to borrow funds by issuing Obligations. Each obligation is an unsecured joint and several parity general obligation of each member of the MHS Obligated Group. The MHS Obligated Group has pledged to the Trustee the gross revenue (a defined term) to secure on a parity basis all obligations under the MHS Master Indenture. The aggregate amount of debt outstanding under the MHS Master Indenture at June 30, 2001 was \$186.8 million. The Corporation has discontinued issuance of debt under the MHS Master Indenture to facilitate migration to the ARMI.

There are several conditions and covenants required by the ARMI and the MHS Master Indenture with which the Corporation must comply, including covenants that require the Corporation to maintain a minimum debt service coverage and limitations on liens or security interests in property, except for certain permitted encumbrances. Long-term debt outstanding as of June 30, 2001, excluding amounts issued under the ARMI and the MHS Master Indenture, is generally collateralized by certain property and equipment.

Issuance of Long-Term Debt – On November 30, 2000, the Corporation issued \$182.75 million in tax-exempt, fixed rate hospital revenue bonds and \$444.55 million in tax-exempt, variable rate hospital revenue bonds (the “Series 2000 Bonds”) under the ARMI. The proceeds of the fixed rate portion of the Series 2000 Bonds, together with funds held by trustees, were used to advance refund \$193.8 million of the Corporation’s then outstanding long-term debt by depositing funds in trustee-held escrow accounts exclusively for the payment of principal and interest. The trustee-held escrow accounts are invested in U.S. Government securities. The trustees/escrow agents are solely responsible for the subsequent extinguishment of the bonds pursuant to their terms. This transaction resulted in an extraordinary loss on early extinguishment of debt of \$5.4 million, which has been reflected as a decrease in unrestricted net assets in the 2001 consolidated statement of operations and changes in net assets. The proceeds of the variable rate portion of the Series 2000 Bonds were used to finance, refinance and reimburse a portion of the costs of acquisition, construction, renovation and equipping health facilities, purchase certain existing bonds tendered by bondholders and to pay related costs of issuance.

During November and December 1999, the Corporation issued \$144.9 million in tax-exempt, fixed rate hospital revenue bonds (the "Series 1999 Bonds") \$70.9 million of which was under the MHS Master Indenture. The proceeds of the Series 1999 bonds, along with assets whose use is limited, were used to finance various capital projects and to extinguish \$56.2 million of the Corporation's then outstanding long-term debt by depositing funds in trustee-held escrow accounts exclusively for the payment of principal and interest. The trustee-held escrow accounts are invested in U.S. Government securities. This transaction resulted in an extraordinary loss on early extinguishment of debt of \$2.8 million, which has been reflected as decrease in unrestricted net assets in the 2000 consolidated statement of operations and changes in net assets.

Defeasance of Debt - The Corporation has advanced refunded (through net defeasances) various revenue bonds originally issued from 1975 through 1997, which remain outstanding. The trustees/escrow agents are solely responsible for the subsequent extinguishment of the bonds. The trustee held escrow accounts are invested in U.S. government securities. The outstanding balance of all such bonds excluded from the consolidated balance sheets was \$481.3 million and \$418.2 million at June 30, 2001 and 2000, respectively.

Liquidity Facilities - The Corporation has entered into separate liquidity facilities with commercial banks relating to the commercial paper program and the variable rate term bonds totaling \$615 million. Accordingly, the variable term bonds and commercial paper obligations have been classified as long term as it is the Corporation's intent to remarket these obligations if presented for redemption. These liquidity facilities are available to the Corporation should the holders of the obligations present such obligations for redemption and the obligations are not remarketed. The termination dates for the various liquidity facility agreements range from November 2001 through November 2003. There were no borrowings through these liquidity facilities during 2001 and 2000.

Line of Credit - The Corporation had \$5.5 million available at June 30, 2001 under various bank line of credit agreements that are unsecured, due on demand and have variable interest rates based on LIBOR or the banks' prime rate. At June 30, 2001 and 2000, the Corporation's outstanding notes payable were \$4.3 million under these agreements. During 2001 and 2000, the average borrowings outstanding under such lines of credit were \$4.3 million and \$5.8 million, respectively. The interest rate charged on borrowings outstanding at June 30, 2001 ranged from 4.4% to 7.4%.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

A summary of accounts payable and accrued expenses at June 30 is as follows:

	2001	2000
	(In Thousands)	
Accounts payable	\$ 174,466	\$ 190,101
Payable and incurred but not reported claims	44,091	50,089
Interest	12,348	15,023
Costs related to loss on closure of Mercy Hospital, Detroit	1,277	11,239
Merger costs	1,501	14,338
Closure costs	4,665	-
Other	120,871	107,137
Total	\$ 359,219	\$ 387,927

8. PROFESSIONAL AND GENERAL LIABILITY PROGRAMS

The Corporation's four insurance companies qualify as captive insurance companies in the domiciles where they operate and provide certain insurance coverage to the Corporation's member organizations. The Corporation also has domestic trusts for both professional liability and workers' compensation insurance. As a result, the Corporation is self-insured for certain levels of general and professional liability, property, and certain other claims. In addition, the Corporation's professional and general liability insurance for its Iowa subsidiaries is underwritten through a wholly-owned, captive insurance subsidiary of CHI. The Corporation has limited its liability through the purchase of reinsurance and umbrella coverage through unrelated third-party insurers. During 2001, the Corporation adopted a plan to restructure and merge two of the captive insurance corporations in 2002 and the administrative function related to processing of professional liability and employee health claims.

For 2001 and 2000, the self-insured limit for the first layers of professional liability ranged from \$4.25 million to \$5 million per occurrence with an annual aggregate of \$25 million. Additional layers of professional liability insurance are available with coverage provided through other insurance carriers and various reinsurance arrangements. Additionally, the insurance companies provide coverage for workers' compensation, automobile, directors and officers, and unemployment claims, subject to certain limitations.

The liability for self-insurance reserves represents estimates of the ultimate net cost of all losses and loss adjustment expenses which are incurred but unpaid at the balance sheet date. The reserves are based on the loss and loss adjustment expense factors inherent in the Corporation's premium structure. These factors were determined by independent consulting actuaries from estimates of the Corporation's expenses and available industry wide data. The reserves include estimates of future trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the liability for unpaid claims and related adjustment expenses is adequate based on the loss experience of the Corporation. The estimates are continually reviewed and, as adjustments become necessary, such adjustments are reflected in current operations.

Claims in excess of certain insurance coverage and the recorded self-insurance liability have been asserted against the Corporation by various claimants. The claims are in various stages of processing, and some may ultimately be brought to trial. There are known incidents occurring through June 30, 2001 that may result in the assertion of additional claims, and other claims may be asserted arising from services provided in the past. While it is possible that settlement of asserted claims and claims which may be asserted in the future could result in liabilities in excess of amounts for which the Corporation has provided, management, based upon the advice of Counsel, believes that the excess liability, if any, should not materially affect the financial position or operations of the Corporation.

9. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Self-Insured Employee Health Benefits - The Corporation administers self-insured employee health benefits programs for employees. The majority of the Corporation's Michigan and Iowa employees participate in the programs. The provisions of the plans permit employees and their dependents to elect to receive medical care at either the Corporation's member organizations or other health care providers.

Noncontributory Defined Benefit Pension Plans (Pension Plans) - Substantially all of the Corporation's employees participate in noncontributory defined benefit pension plans. Benefits are based on years of service and employees compensation during the last three to five years of employment. Certain supplemental unfunded plan arrangements also provide retirement benefits to specified groups of participants. The Corporation's funding policy for the Pension Plans is to contribute amounts sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, plus any additional amounts which the Corporation may determine to be appropriate. The plans' assets are invested in equity securities, fixed income funds, money market investments, demand obligations and real estate. The Corporation intends to merge certain of the plans effective January 1, 2002.

During 2001 and 2000, the Corporation recognized net pension settlement and curtailment gains of \$820,000 and \$4.4 million, respectively, related to the closure of Mercy Hospital, Detroit, the sale of a subsidiary in 2000 and settlements paid in 2000 resulting from a 1999 restructuring program.

Postretirement Health Care and Life Insurance Benefits (Postretirement Plans) - The Corporation sponsors both funded, and unfunded, contributory plans to provide health care benefits to certain of its retirees. The retiree plans cover hourly and salaried employees who are retired from certain member organizations. The retiree plans' assets are invested in mutual funds. Employer contributions to the HCHS plan are determined annually and are intended to be a level percentage of compensation for the covered employees, and are funded currently.

As discussed in Note 3, the Corporation acquired St. Mary Hospital, Livonia on May 1, 2000 including its Pension and Postretirement Plans. The plans are reflected as acquisitions in the accompanying footnote.

The following table sets forth the changes in benefit obligations, changes in plan assets and funded status of the plans for both the Pension and Postretirement Plans for the years ended June 30, measured as of March 31:

	Pension Plans		Postretirement Plans	
	2001	2000	2001	2000
	(In Thousands)		(In Thousands)	
Change in benefit obligation				
Benefit obligation, beginning of year	\$ 1,363,099	\$ 1,271,500	\$ 114,091	\$ 105,088
Service cost	66,459	68,136	8,355	7,021
Interest cost	100,595	89,376	8,357	7,567
Amendments	(11,390)	7,675	-	-
Contributions	-	-	1,317	826
Actuarial (gain) loss	8,464	(63,365)	3,702	(6,627)
Acquisition of St. Marys Hospital, Livonia	-	44,461	-	4,691
Curtailment	-	(3,134)	-	-
Settlement	-	(1,110)	-	-
Benefits paid	(67,732)	(50,440)	(7,167)	(4,475)
Benefit obligation, end of year	1,459,495	1,363,099	128,655	114,091
Change in plan assets				
Fair value of plan assets, beginning of year	1,562,667	1,353,415	53,357	41,240
Actual return on plan assets	(104,929)	190,441	(5,013)	3,130
Acquisition of St. Marys Hospital, Livonia	-	45,866	-	-
Employer contributions	5,954	28,738	2,579	10,103
Employee contributions	-	-	1,317	826
Benefits paid	(67,732)	(50,440)	(6,507)	(4,019)
Expenses paid	(5,348)	(4,243)	(660)	(276)
Settlement	-	(1,110)	-	-
Other	-	-	-	2,353
Fair value of plan assets, end of year	1,390,612	1,562,667	45,073	53,357
Funded status of the plans				
over (under) funded	(68,883)	199,568	(83,582)	(60,734)
Unrecognized net actuarial (gain) loss	108,188	(153,121)	(2,585)	(4,409)
Unrecognized prior service cost	11,817	25,901	-	(13,043)
Unrecognized transition (asset) obligation	(78,229)	(87,828)	29,819	34,069
Employer contribution between measurement date and fiscal year end	-	5,956	-	362
Accrued benefit cost	\$ (27,107)	\$ (9,524)	\$ (56,348)	\$ (43,755)

Plans with assets in excess of the projected benefit obligation at June 30, 2001 and fiscal 2000 were as follows:

	Pension Plans		Postretirement Plans	
	2001	2000	2001	2000
	(In Thousands)		(In Thousands)	
Projected benefit obligation	\$ 627,219	\$ 1,363,099	\$ -	\$ -
Aggregate fair value of plan assets	\$ 662,554	\$ 1,562,667	\$ -	\$ -

Plans with a projected benefit obligation in excess of assets at June 30, 2001 and fiscal 2000 were as follows:

	Pension Plans		Postretirement Plans	
	2001	2000	2001	2000
	(In Thousands)		(In Thousands)	
Projected benefit obligation	\$ 832,276	\$ -	\$ 128,655	\$ 114,091
Aggregate fair value of plan assets	\$ 728,058	\$ -	\$ 45,073	\$ 53,357

Weighted average assumptions as of year-end were as follows:

	Pension Plans		Postretirement Plans	
	2001	2000	2001	2000
Discount rate	7.5%	7.5%	7.5%	7.5%
Expected return on plan assets	9.0%	9% & 8.5%	9.0%	9.0%
Rate of compensation increase	4.5%	4.5%	-	-

For MHS, the postretirement benefit obligation includes assumed health care cost trend rates of 6.0% for medical costs and 7.0% for drug costs for 2001 with an ultimate trend rate in 2001 of 5.0% in five years. For HCHS, the postretirement benefit obligation included an assumed health care cost trend rate of 5.0% for 2001 with an ultimate trend rate of 5.0% in five years. For fiscal 2000, these rates were 6% for medical costs and 8% for drug costs for MHS; a 5% health care cost trend for HCHS with an ultimate trend rate in 2000 of 5% in five years.

Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement plans. A one-percentage point change in assumed health care cost trend rates would have the following effects as of June 30, 2001:

	1 Percentage Point Increase		1 Percentage Point Decrease	
	(In Thousands)			
Effect on total of service cost and interest cost components	\$ 2,664		\$ (2,161)	
Effect on postretirement benefit obligation	\$ 15,300		\$ (11,731)	

Components of net periodic benefit cost for the years ended June 30, 2001 and fiscal 2000 consisted of the following:

	Pension Plans		Postretirement Plans	
	2001	2000	2001	2000
	(In Thousands)		(In Thousands)	
Service cost	\$ 66,459	\$ 68,136	\$ 8,355	\$ 7,021
Interest cost	100,595	89,376	8,357	7,567
Settlement/curtailment	(820)	(4,425)	-	-
Expected return on assets	(138,679)	(118,002)	(4,658)	(4,215)
Amortization of unrecognized transition (asset) obligation	(9,547)	(9,551)	4,250	4,250
Amortization of prior service cost	2,696	2,664	-	-
Recognized net actuarial gain	(2,594)	(934)	(1,598)	(1,279)
Net benefit cost	<u>\$ 18,110</u>	<u>\$ 27,264</u>	<u>\$ 14,706</u>	<u>\$ 13,344</u>

10. COMMITMENTS AND CONTINGENCIES

Operating Leases - The Corporation leases various land, equipment and facilities under operating leases. Total rental expense, which includes provisions for maintenance in some cases, in 2001 and 2000, was \$72.0 million and \$67.8 million, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2001, that have initial or remaining lease terms in excess of one year.

	(In Thousands)
Years ending June 30:	
2002	\$ 47,935
2003	37,221
2004	29,755
2005	24,073
2006	20,772
Thereafter	<u>72,084</u>
Total	<u>\$ 231,840</u>

Corporate Integrity Agreement - On April 29, 1998, Horizon Group Enterprises, Inc. ("Horizon"), an affiliate of Saint Joseph's Regional Medical Center ("SJPMC") pled guilty in the United States District Court for the Northern District of Indiana ("Court") to a one-count charge of violating the anti-kickback statute of the Federal Medicare/Medicaid Anti-Fraud and Abuse Amendments to the Social Security Act.

In connection with the Horizon case, SJRMC and certain of its affiliates subsequently entered into a Corporate Integrity Agreement (the "Agreement") with the Office of the Inspector General of the United States Department of Health and Human Services ("HHS-OIG"). The Agreement and related order of the Court requires the Corporation and SJRMC to implement and maintain a corporate integrity program for a minimum of five years to ensure compliance with the laws and regulations applicable to participants in federal health care programs.

The Agreement requires the performance of certain actions by SJRMC during the five years, including annual reporting to HHS-OIG on the activities of the integrity program. Failure by SJRMC to adhere to the terms of the Agreement may result in the imposition of financial and other penalties, including the potential for exclusion of SJRMC from participation in Medicare, Medicaid and any other federal or state health care programs in the event of a material breach of the Agreement.

Guarantees - The Corporation has guaranteed three revenue bond issues with an aggregate outstanding balance of \$15.7 million at June 30, 2001 of which \$6.7 million has been severally guaranteed by other parties. These bond issues were used to finance equipment purchases and professional office buildings in the vicinity of certain of the Corporation's member organizations. Certain of the Corporation's member organizations have guaranteed debt related to the financing of certain ambulatory service centers. The maximum approved guarantee is \$18.2 million of which \$6.0 million is outstanding as of June 30, 2001.

The Corporation has partially guaranteed five letters of credit, which support five revenue bond issues with an aggregate outstanding balance of \$49.8 million at June 30, 2001. These bond issues were used to finance the construction and equipment purchases for four assisted living facilities in the vicinity of certain of the Corporation's member organizations. The Corporation guarantees 30% of four letters of credit for a maximum guarantee of \$14.4 million, and guarantees the fifth letter of credit at 100% for \$1.8 million at June 30, 2001.

Settlement - During 1981, the City of Detroit (the "City") expropriated the real properties and certain personal property of the St. Joseph Unit of one of the Corporation's facilities for use in a major redevelopment project. During 1994, a final settlement was reached with the City, which compensates the Corporation for such real and personal properties and certain professional services incurred in connection with the condemnation proceedings. Settlement receipts included in other revenue in the consolidated statements of operations and changes in net assets were \$5.0 million for 2000. The year 2000 amount was the eighth and final payment. In addition, the Corporation received payment from the City under an economic assistance grant in August of 2000, the amount of which was conditional on operating performance of the facility. For 2000, other revenue in the consolidated statement of operations and changes in net assets includes \$3.5 million of economic assistance grants.

Litigation - The Corporation is involved in litigation and regulatory investigations arising in the normal course of doing business. In addition, an HMO terminated its exclusive contract with Saint Agnes Medical Center effective May 1, 2000. The Corporation and the HMO have each filed legal actions regarding the termination. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporation's future financial position or results of operations.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS AND DERIVATIVES

The estimated fair value of financial instruments has been determined by the Corporation using available market information and appropriate valuation methodologies. These estimates are subjective in nature and involve uncertainties and matters of considerable judgment. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Corporation could realize in a current market exchange. The use of different assumptions, judgments and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The following methods and assumptions were used by the Corporation to estimate the fair value of financial instruments:

Cash and cash equivalents, marketable securities, assets whose use is limited, patient accounts receivable, and current liabilities - The carrying amounts reported in the balance sheets approximate their fair value.

Investments - The fair value amounts reported in the balance sheets are based on quoted market prices, if available, or are estimated using quoted market prices for similar securities.

The composition of investments at June 30 is set forth below:

	2001	2000
	(In Thousands)	
Cash and cash equivalents	\$ 704,542	\$ 518,757
U.S. Government and government agency obligations	439,178	437,809
U.S. corporate obligations	236,709	197,769
U.S. fixed income commingled funds/mutual funds	440,019	270,767
U.S. equity securities, commingled trust funds, mutual funds	641,695	650,915
Non-U.S. debt obligations, commingled funds, mutual funds	19,622	170,681
Non-U.S. equity securities, commingled funds, mutual funds	297,649	304,917
Other	32,766	41,519
	2,812,180	2,593,134
Less current portion	(427,154)	(320,174)
Total	\$ 2,385,026	\$ 2,272,960

The composition of investment returns on unrestricted net assets reported in the consolidated statement of operations and changes in net assets are as follows:

	2001	2000
	(In Thousands)	
Investment income:		
Dividend, interest income and other	\$ 131,677	\$ 87,923
Realized gains, net	21,762	75,088
Change in net unrealized gain on investments	(85,362)	(6,790)
Change in market value of interest rate swaps	(17,127)	-
Total	\$ 50,950	\$ 156,221

	2001	2000
	(In Thousands)	
Operating investment income	\$ 82,955	\$ 60,262
Nonoperating investment income	70,484	102,749
Change in net unrealized gain on investments	(85,362)	(6,790)
Change in market value of interest rate swaps	(17,127)	-
Total	<u>\$ 50,950</u>	<u>\$ 156,221</u>

Long-term Debt - The carrying amounts of the Corporation's variable-rate long-term debt and commercial paper approximate their fair values. The fair value of the Corporation's fixed-rate long-term debt is estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements. The fair value of the fixed-rate long-term debt was \$965.3 million and \$1,129.6 million for 2001 and 2000, respectively. The related carrying value of the fixed-rate long-term debt was \$944.0 million and \$1,143.7 million for 2001 and 2000, respectively.

Interest Rate Swap Agreements - The Corporation has entered into interest rate swap agreements whereby the Corporation receives fixed rates ranging from 4.2% through 5.5%, and pays a variable rate based upon a floating BMA index and a notional principal amount of \$115 million. The agreements mature at various dates through the year 2019. The differential to be paid or received, and changes in fair value under the agreements, is accounted for on an accrual basis and recognized as an adjustment to non-operating investment income. The fair market value of the agreements at June 30, 2001 of \$1.8 million is recorded as a long-term asset on the consolidated balance sheet.

In November 2000, the Corporation also entered into interest rate swaps agreements that effectively converted \$200 million of its floating rate tax exempt debt to a fixed rate basis, where the floating rate is the BMA index and the fixed rate is 5.21%. The agreements mature on August 15, 2030. The changes in fair market value of the related agreements are recorded in unrestricted net assets on the consolidated statement of operations and changes in net assets, with the corresponding liability recorded in other long-term liabilities on the consolidated balance sheet.

The Corporation is exposed to credit loss in the event of nonperformance by the counterparties to the interest rate swap agreements. However, the Corporation does not anticipate nonperformance by the counterparties.

Investments with Embedded Derivative Features - At June 30, 2001, the Corporation holds various investments with embedded derivative features including currency forwards, options, convertible stock, convertible bonds, and index futures. The Corporation records these investments at fair market value on its consolidated balance sheet and records an offsetting amount to the changes in net unrealized gains on investments in the consolidated statement of operations and changes in net assets. The notional value of these embedded derivative features is deemed insignificant.

12. MERGER COSTS

During fiscal 2000, the Corporation incurred merger costs of \$28.4 million related to the formation of Trinity Health, including transaction costs and other costs to combine operations. Costs to combine operations are primarily for severance and termination benefits, relocation costs and consulting costs. Severance benefits are paid ratably over a predetermined period. During 2001, there was no adjustment to these costs in the consolidated statement of operations and changes in net assets.

Related to the change in control in 2000, the Corporation recorded \$15.3 million of equity transfers to the Sisters of Mercy Regional Community of Detroit for amounts due but retained by Trinity Health Iowa Corporation for working capital and payments remaining under a sponsorship fee agreement. These transfers were included in the consolidated statement of operations and changes in net assets.

13. SUBSEQUENT EVENT

Debt Issuance - Subsequent to June 30, 2001, the Corporation plans to issue \$60 million hospital revenue and refunding bonds to fund construction projects.

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APPENDIX C

SUMMARY OF INDENTURE AND LOAN AGREEMENT

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SUMMARY OF INDENTURE AND LOAN AGREEMENT

The following is a summary of certain provisions of the Indenture and the Loan Agreement which are not described elsewhere in this Official Statement.

These summaries do not purport to be comprehensive and reference should be made to each of said documents for a full and complete statement of their provisions.

Definitions of Certain Terms

The following is a summary of certain terms used in this Summary of Principal Documents. All capitalized terms not defined herein or elsewhere in this Official Statement have the meanings set forth in the Indenture.

Code means the Internal Revenue Code of 1986 or any successor statute thereto and any regulations promulgated thereunder.

Credit Group means Trinity Health, any other Members of the Obligated Group and their affiliates and the Designated Affiliates.

Ethical and Religious Directives means Ethical and Religious Directives for Catholic Health Care Facilities, as promulgated from time to time by the National Conference of Catholic Bishops, Washington, D.C., of the Roman Catholic Church. If the National Conference of Catholic Bishops shall cease to exist, "Ethical and Religious Directives" shall mean such similar directives promulgated by its successor organization or by such organization then exercising its powers and duties, or by the Roman Catholic Church.

Holder or Bondholder whenever used herein with respect to a Bond, means the person in whose name such Bond is registered.

Loan Default Event means any of the events described under "Loan Agreement - Events of Default" below.

Obligated Group Agent means Trinity Health or any other Person designated as "Obligated Group Agent" pursuant to the Master Indenture.

Person means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Redemption Price means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

Revenues, as defined in and for purposes of the Indenture, means all amounts received by the Issuer or the Trustee for the account of the Issuer pursuant to or with respect to the Loan Agreement or the Series 2001 Obligation, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments and any late charges, and whether paid from any source), prepayments, insurance proceeds, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture, but not including any Administrative Fees and Expenses or any moneys required to be deposited in the Rebate Fund.

United States Government Obligations means (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of Treasury of the United States of America) and obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, and (2) to the extent hereafter permitted by the Act or approved in writing by the State Treasurer, certificates which evidence ownership of the right to the payment of the principal of and interest on obligations described in clause (1), provided that such obligations are held in the custody of a bank or trust company in a special account separate from the general assets of such custodian, or (3) municipal obligations the timely payment of

the principal of and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clauses (1) or (2).

INDENTURE

General

The Indenture sets forth the terms of the Bonds, the nature and extent of security, the various rights of the Holders of the Bonds, the rights, duties and immunities of the Trustee and the rights and obligations of the Issuer. Certain provisions of the Indenture are summarized below. Other provisions are summarized in this Official Statement under the caption “THE BONDS – Security for the Bonds.”

The following is a summary of certain provisions of the Indenture. This summary does not purport to be complete or definitive and reference is made to the respective Indenture for the complete terms thereof.

Establishment of Funds and Accounts

The Indenture creates a Revenue Fund, an Interest Account, a Principal Account, a Redemption Fund, and Optional Redemption Account, a Special Redemption Account, a Costs of Issuance Fund, a Project Fund and a Rebate Fund, all of which are to be held by the Trustee.

Pledge and Assignment

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, there are pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture, all of the Revenues and any other amounts held in any fund or account established pursuant to the Indenture (other than the Rebate Fund). Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the Trustee of the Bonds, without any physical delivery thereof or further act.

The Issuer transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Revenues and other assets described as pledged in the preceding paragraph and all of the right, title and interest of the Issuer in the Agreement (except for (i) the right to receive any Administrative Fees and Expenses to the extent payable to the Issuer, (ii) any rights of the Issuer to indemnification and (iii) the obligation of Trinity Health to make deposits pursuant to the Tax Agreement) and the Series 2001 Obligation. The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Issuer shall be deemed to be held, and to have been collected or received, by the Issuer as the agent of the Trustee and shall forthwith be paid by the Issuer to the Trustee. The Trustee also shall be entitled to and shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce all of the rights of the Issuer and all of the obligations of Trinity Health under the Agreement and of Trinity Health and the other Members of the Obligated Group under the Series 2001 Obligation.

Revenue Fund

All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the “Revenue Fund” which the Trustee is directed to establish, maintain and hold in trust, except as otherwise provided in the Indenture and except that all moneys received by the Trustee and required by the Loan Agreement or the Series 2001 Obligation to be deposited in the Redemption Fund shall be promptly deposited in the Redemption Fund, which the Trustee shall establish, maintain and hold in trust. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

Allocation of Revenues

On or before the first day of each June and December (beginning with June 1, 2002), the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee is directed to establish and maintain within the Revenue Fund) the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority: (1) to the Interest Account, the aggregate amount of interest becoming due and payable on such date on all Bonds then Outstanding, until the balance in said account is equal to said aggregate amount of interest; and (2) to the Principal Account, the aggregate amount of principal becoming due and payable on the Outstanding Serial Bonds plus the aggregate amount of Sinking Fund Installments required to be paid into the Sinking Accounts for Outstanding Term Bonds, in each case on such date, until the balance in said account is equal to said aggregate amount of such principal and Sinking Fund Installments.

Any moneys remaining in the Revenue Fund after the foregoing transfers shall be transferred to Trinity Health as an overpayment of Loan Repayments.

Application of Interest Account

All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

Application of Principal Account

All amounts in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds when due and payable except that all amounts in a Sinking Account shall be used and withdrawn by the Trustee solely to purchase, redeem or pay at maturity the Term Bonds, as provided in the Indenture.

Application of Redemption Fund

All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Indenture, on the next succeeding date of redemption for which notice has not been given and at the Redemption Prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon direction of the Obligated Group Agent, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Obligated Group Agent may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds (or, if such Bonds are not then subject to redemption, the par value of such Bonds); and provided further that in the case of the Optional Redemption Account in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Revenue Fund to the extent not needed to redeem Bonds for which notice of redemption has previously been given by the Trustee and credited against Loan Repayments in order of their due date as set forth in a Request of the Obligated Group Agent.

Costs of Issuance Fund

The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon requisition of the Credit Group Agent stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund.

Rebate Fund

To the extent required by the Indenture and the Tax Agreement, certain amounts will be deposited in the Rebate Fund by the Obligated Group Agent, and thereafter paid to the federal government to the extent required to satisfy the Rebate Requirements (as defined in the Tax Agreement). Any moneys remaining in a Rebate Fund after payment of all such amounts, or provisions made therefor, will be remitted to the Obligated Group Agent.

Replacement of the Series 2001 Obligation with an Obligation Issued Under a Separate Master Indenture

The Series 2001 Obligation shall be surrendered by the Trustee and delivered to the Master Trustee for cancellation upon receipt by the Trustee and the Issuer of the following:

(1) a request of Trinity Health requesting such surrender and delivery and stating that Trinity Health has become a member of an obligated group under a master indenture (other than the Master Indenture) (or Trinity Health is obligated, by its articles of incorporation, bylaws or by contract or otherwise, to make payments to an entity that is a member of such an obligated group in amounts sufficient to enable the entity to make payments with respect to obligations issued under such master indenture) and that an obligation is being issued to the Trustee under such replacement master indenture (the “Replacement Master Indenture”);

(2) a properly executed obligation (the “Replacement Obligation”) issued under the Replacement Master Indenture and registered in the name of the Trustee with the same tenor and effect as the Obligation (in a principal amount equal to the then outstanding principal amount of Bonds), duly authenticated by the master trustee under the Replacement Master Indenture;

(3) an opinion of counsel selected by Trinity Health and not objected to by the Trustee or the Issuer, addressed to the Trustee and the Issuer, to the effect that the Replacement Obligation has been validly issued under the Replacement Master Indenture and constitutes a valid and binding obligation of Trinity Health (or the entity which directly or indirectly controls Trinity Health, if applicable) and each other Member of the Obligated Group (if any) which is jointly and severally liable under the Replacement Master Indenture, subject to such qualifications as are acceptable to the Trustee;

(4) a copy of the Replacement Master Indenture, certified as a true and accurate copy by the master trustee under the Replacement Master Indenture;

(5) written confirmation from each Rating Agency then rating the Bonds that the replacement of the Series 2001 Obligation will not, by itself, result in a reduction in the then-current ratings on the Bonds; and

(6) an opinion of Bond Counsel to the effect that the replacement of the Series 2001 Obligation will not, by itself, result in interest on the Bonds becoming includable in gross income for purposes of federal income taxation.

Upon satisfaction of such conditions, all references herein and in the Loan Agreement to the Series 2001 Obligation shall be deemed to be references to the Replacement Obligation, all references to the Master Indenture shall be deemed to be references to the Replacement Master Indenture, all references to the Master Trustee shall be deemed to be references to the master trustee under the Replacement Master Indenture, all references to the Obligated Group and the Members of the Obligated Group shall be deemed to be references to the obligated group and the members of the obligated group under the Replacement Master Indenture and all references to the Supplement shall be deemed to be references to the supplemental master indenture pursuant to which the Replacement Obligation is issued.

Continuing Disclosure

Pursuant to the Disclosure Agreement, Trinity Health has undertaken all responsibility for compliance with continuing disclosure requirements, and the Issuer shall have no liability to the Holders of the Bonds or any other person with respect to Rule 15c2-12 of the Securities and Exchange Commission. Notwithstanding any other

provision of the Indenture, failure of Trinity Health or the Dissemination Agent (as defined in the Disclosure Agreement) to comply with the Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of any Participating Underwriter (as defined in the Disclosure Agreement) or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to Trinity Health to comply with its obligations under the Disclosure Agreement or to cause the Trustee to comply with its obligations under the Indenture.

Tax Covenant

The Issuer agrees to at all times do and perform all acts and things permitted by law and the Indenture which are necessary or desirable in order to assure that interest paid on the Bonds (or any of them) will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded.

Without limiting the generality of the foregoing, the Issuer agrees to comply with the provisions of the Tax Agreement. This covenant shall survive payment in full or defeasance of the Bonds.

Events of Default

The following events shall be Events of Default under the Indenture: (a) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from the Sinking Account of any Bonds in the amounts and at the times provided therefor; (b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable; (c) default in any material respect by the Issuer in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer and Trinity Health by the Trustee, or to the Issuer, Trinity Health and the Trustee by the Holders of not less than twenty-five per cent (25%) in aggregate principal amount of the Bonds at the time Outstanding; or (d) a Loan Default Event. Upon actual knowledge of the existence of any Event of Default, the Trustee shall notify Trinity Health, the Obligated Group Agent, the Issuer and the Master Trustee in writing as soon as practicable; provided, however, that the Trustee need not provide notice of any Loan Default Event if Trinity Health has expressly acknowledged the existence of such Loan Default Event in a writing delivered to the Trustee, the Issuer and the Master Trustee.

Acceleration of Maturities

Whenever any Event of Default has happened and is continuing, the Trustee may take the following remedial steps: (a) in the case of an Event of Default described in clause (a) or (b) of the preceding paragraph, the Trustee may notify the Issuer and the Obligated Group Agent of such Event of Default and declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture to the contrary notwithstanding; (b) in the case of an Event of Default described in clause (c) of the preceding paragraph, the Trustee may take whatever action at law or in equity is necessary or desirable to enforce the performance, observance or compliance by the Issuer with any covenant, condition or agreement by the Issuer under the Indenture; and (c) in the case of an Event of Default described in clause (d) of the preceding paragraph, the Trustee may take whatever action the Issuer would be entitled to take, and shall take whatever action the Issuer would be required to take, pursuant to the Loan Agreement in order to remedy the Loan Default Event.

Trustee to Represent Bondholders

Upon the occurrence and continuance of an Event of Default, the Trustee in its discretion may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement

contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Indenture, the Loan Agreement, the Series 2001 Obligation, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings.

Bondholders' Direction of Proceedings

The Holders of a majority in aggregate principal amount of the Bonds then Outstanding under the Indenture shall have the right, upon indemnifying the Bond Trustee to its satisfaction therefor, to direct the method of conducting all remedial proceedings taken by the Trustee under the Bond, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

Limitation on Bondholders' Right to Sue

No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Loan Agreement, the Series 2001 Obligation, the Act or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted to it under the Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Amendment of Indenture

The Indenture may be modified or amended from time to time by an indenture supplemental to the Indenture when the written consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding and the Obligated Group Agent shall have been filed with the Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Sinking Fund Installment, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Holders of all Bonds then Outstanding.

The Indenture may be modified or amended from time to time without the necessity of obtaining the consent of any Bondholders, only to the extent permitted by law and only for any one or more of the following purposes: (a) to add to the covenants and agreements of the Issuer, to pledge or assign additional security for the Bonds, or to surrender any right or power in the Indenture reserved to or conferred upon the Issuer, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds; (b) to cure any ambiguity, inconsistency or omission as the Issuer or the Trustee may deem necessary or desirable and not inconsistent with the Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds; (c) to modify, amend or supplement the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Bonds; or (d) to maintain the exclusion from gross income for purposes of federal income taxation of interest payable with respect to the Bonds.

Amendment of Loan Agreement

Except as described in the next succeeding paragraph, the Issuer shall not amend, modify or terminate any of the terms of the Loan Agreement, or consent to any such amendment, modification or termination unless the written consent of the Holders of a majority in principal amount of the Bonds then Outstanding to such amendment, modification or termination is filed with the Bond Trustee, provided that no such amendment, modification or termination shall reduce the amount of Loan Repayments to be made to the Issuer or the Bond Trustee by Trinity Health pursuant to the Agreement, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding.

Notwithstanding the provisions described in the preceding paragraph, the terms of the Loan Agreement may also be modified or amended from time to time and at any time by the Issuer without the necessity of obtaining the consent of any Bondholders, only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Issuer or Trinity Health contained in the Loan Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the Issuer or Trinity Health, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Loan Agreement, or in regard to matters or questions arising under the Loan Agreement, as the Issuer may deem necessary or desirable and not inconsistent with the Loan Agreement or the Bond Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds; or

(3) to maintain the exclusion from gross income for purposes of federal income taxation of interest payable with respect to the Bonds.

Defeasance

The Bonds may be paid by the Issuer or the Trustee on behalf of the Issuer in any of the following ways: (a) by paying or causing to be paid the principal or Redemption Price of and interest on all Bonds Outstanding, as and when the same become due and payable; (b) by depositing with the Trustee, in trust, at or before maturity, moneys or noncallable United States Government Obligations in the necessary amount to pay when due or redeem all Bonds then Outstanding; or (c) by delivering to the Trustee, for cancellation by it, all Bonds then Outstanding.

Liability of Issuer Limited to Revenues

Notwithstanding anything in the Indenture or in the Bonds contained, the Issuer shall not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of the Indenture.

LOAN AGREEMENT

The Loan Agreement provides the terms of a loan of all or a portion of the proceeds of the Bonds by the Issuer to the Borrower and the repayment of such loan by the Borrower.

The following is a summary of certain provisions of the Loan Agreement. This summary does not purport to be complete or definitive and reference is made to the Loan Agreement for the complete terms thereof.

Loan Repayments

Trinity Health agrees to pay, or cause to be paid, Loan Repayments in an amount sufficient to enable the Trustee to make the transfers and deposits required at the times and in the amounts described in the Indenture. Notwithstanding the foregoing, Trinity Health agrees to make payments, or cause payments to be made, at the times and in the amounts required to be paid as principal or Redemption Price of and interest on the Bonds from time to time Outstanding under the Indenture and other amounts required to be paid under the Indenture, as the same shall become due whether at maturity, upon redemption, by declaration of acceleration or otherwise.

Additional Payments

Trinity Health also agrees to pay certain Additional Payments in connection with the issuance of the Bonds, including certain taxes and assessments charged to the Issuer or to the Trustee, reasonable fees, charges, expenses and indemnities of the Issuer and the Trustee under the Loan Agreement and the Indenture, reasonable fees and expenses of such experts engaged by the Issuer or the Trustee, an annual Issuer's fee equal to the lesser of (i) one-tenth of one percent (.1%) of the principal amount of the Bonds Outstanding under the Indenture as of the date of such payment, and (ii) ten thousand dollars (\$10,000), and all other reasonable and necessary fees and expenses attributable to the Loan Agreement or the Series 2001 Obligation.

Prepayment

Trinity Health shall have the right, so long as all amounts which have become due under the Loan Agreement have been paid, at any time or from time to time to prepay all or any part of the Loan Repayments and the Issuer agrees that the Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash, deposit of United States Government Obligations or surrender of Bonds. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Bonds) shall be deposited upon receipt in the Optional Redemption Account (or in such other Trustee escrow account as may be specified by Trinity Health) and, at the request of and as determined by Trinity Health, credited against payments due under the Indenture or used for the redemption or purchase of Outstanding Bonds in the manner and subject to the terms and conditions set forth in the Indenture. Notwithstanding any such prepayment or surrender of Bonds, as long as any Bonds remain Outstanding or any Additional Payments required to be made under the Loan Agreement remain unpaid, Trinity Health shall not be relieved of its obligations under the Loan Agreement.

Obligations Unconditional

The obligations of Trinity Health under the Loan Agreement are absolute and unconditional, notwithstanding any other provision of the Loan Agreement, the Supplement, the Series 2001 Obligation, the Master Indenture or the Indenture. Until the Loan Agreement is terminated and all payments under the Loan Agreement are made, Trinity Health: (a) will pay all amounts required under the Loan Agreement without abatement, deduction or set-off except as otherwise expressly provided in the Loan Agreement; (b) will not suspend or discontinue any payments due under the Loan Agreement for any reason whatsoever, including, without limitation, any right of set-off or counterclaim; (c) will perform and observe all its other agreements contained in the Loan Agreement; and (d) except as provided in the Loan Agreement, will not terminate the Loan Agreement for any cause, including, without limiting the generality of the foregoing, damage, destruction or condemnation of the health facilities financed with the proceeds of the Bonds or any part thereof, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Maryland, or any political subdivision of either thereof, or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Loan Agreement. Nothing contained in the Loan Agreement shall be construed to release the Issuer from the performance of any of the agreements on its part contained in the Loan Agreement; and in the event the Issuer fails to perform any such agreement on its part, Trinity Health may institute such action against the Issuer as Trinity Health may deem necessary to compel performance.

The rights of the Trustee or any party or parties on behalf of whom the Trustee is acting shall not be subject to any defense, set-off, counterclaim or recoupment whatsoever, whether arising out of any breach of any duty or obligation

of the Issuer, the Master Trustee or the Trustee owing to Trinity Health, or by reason of any other indebtedness or liability at any time owing by the Issuer, the Master Trustee or the Trustee to Trinity Health.

Tax Covenant

Trinity Health covenants and agrees for itself and on behalf of the Issuer that it will at all times do and perform, for itself and on behalf of the Issuer, all acts and things permitted by law (including complying with Section 148 of the Code) and the Loan Agreement which are necessary in order to assure that interest paid on the Bonds (or any of them) will be excluded from gross income for federal income tax purposes and will take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, Trinity Health agrees to comply with the provisions of the Tax Agreement. This covenant shall survive payment in full or defeasance of the Bonds.

Events of Default

The following events shall be a Loan Default Event as under the Loan Agreement: (a) if Trinity Health shall fail to pay any payment required by the Loan Agreement; (b) if any material representation or warranty made by Trinity Health, or any Members of the Obligated Group in any document, instrument or certificate furnished to the Trustee or the Issuer in connection with the issuance of the Series 2001 Obligation or the Bonds shall at any time prove to have been incorrect in any respect as of the time made; (c) if Trinity Health shall fail to observe or perform any other covenant, condition, agreement or provision in the Loan Agreement on its part to be observed or performed for a period of 60 days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to Trinity Health by the Issuer or the Trustee; except that, if such failure or breach can be remedied but not within such 60 day period such failure shall not become a Loan Default Event for so long as Trinity Health shall diligently proceed to remedy such failure or breach in accordance with and subject to any directions or limitations of time established by the Trustee; (d) any Event of Default as defined under the Indenture or the Master Indenture.

Remedies on Default

If a Loan Default Event shall occur under the Loan Agreement, the Trustee on behalf of the Issuer may, among other things, declare all installments of Loan Repayments payable for the remainder of the term of the Loan Agreement.

The Issuer or the Trustee may also take whatever action, at law or in equity, to collect the payment required under the Loan Agreement then due or otherwise enforce the performance and observance of any obligation, agreement or covenant of Trinity Health contained in the Loan Agreement.

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APPENDIX D

SUMMARY OF THE MASTER INDENTURE

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SUMMARY OF THE MASTER INDENTURE

The following summary of certain provisions of the Master Indenture should not be regarded as a full statement of the Master Indenture or of the portions summarized. Reference is made to the Master Indenture in its entirety, a copy of which is on file at the principal corporate trust office of the Master Trustee, for a complete statement of the provisions thereof.

DEFINITIONS

The following defined terms as used in the summary of the Master Indenture in this **APPENDIX D** shall have the following meanings;

“Accelerable Instrument” means any Obligation or any mortgage, indenture, loan agreement or other instrument under which there has been issued or incurred, or by which there is secured, any Indebtedness evidenced by an Obligation, which Obligation or instrument provides that, upon the occurrence of an event of default under such Obligation or instrument, the holder thereof (or a credit enhancer exercising the rights of such holder) may request that the Master Trustee declare such Obligation or Indebtedness due and payable prior to the date on which it would otherwise become due and payable.

“Affiliate” means, as to any Person, a corporation, limited liability company, partnership, joint venture, association, business trust or similar entity (i) which is controlled directly or indirectly by such Person; or (ii) a majority of the members of the Directing Body of which are members of the Directing Body of such Person. For the purposes of this definition, “control” means with respect to: (i) a corporation having stock, the ownership, directly or indirectly, of more than 50% of the securities (as defined in Section 2(l) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation; (ii) a not for profit corporation not having stock, having the power to elect or appoint, directly or indirectly, a majority of the members of the Directing Body of such corporation; or (iii) any other entity, the power to direct the management of such entity through the ownership of at least a majority of its voting securities or the right to designate or elect at least a majority of the members of its Directing Body, by contract or otherwise.

“Board Resolution” means a copy of a resolution certified by the Secretary or an Assistant Secretary of a Person to have been duly adopted by the Governing Body of such Person and to be in full force and effect on the date of such certification.

“Bondholder,” “owner” or “holder” means, with respect to Related Bonds, the registered owner of any Related Bond.

“Book Value,” when used with respect to any Property of a Person, means the value of such Property, net of accumulated depreciation and amortization, as reflected in the most recent audited financial statements of such Person prepared in accordance with generally accepted accounting principles, provided that the aggregate value of the Property of one or more Persons shall be calculated in such a manner that no portion of the value of any Property is included more than once.

“Business Day” means a day which is not (a) a Saturday, Sunday or legal holiday on which banking institutions in the State of Indiana or the State of New York are authorized by law to close or (b) a day on which the New York Stock Exchange is closed.

“Capitalized Interest” means amounts irrevocably deposited in escrow to pay interest on Long-Term Indebtedness or Related Bonds and interest earned on such amounts to the extent such interest earned is required to be applied to pay interest on Long-Term Indebtedness or Related Bonds.

“Capitalized Lease” means any lease of real or personal property which, in accordance with generally accepted accounting principles, is required to be capitalized on the balance sheet of the lessee.

“Capitalized Rentals” means, as of the date of determination, the amount at which the aggregate rentals due and to become due under a Capitalized Lease under which a Person is a lessee would be reflected as a liability on a balance sheet of such Person.

“Code” means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Master Indenture shall be deemed to include the United States Treasury Regulations, including temporary and proposed regulations, relating to such section which are applicable to the Related Bonds or the use of the proceeds thereof.

“Consultant” means a professional consulting, financial advisory, accounting, investment banking or commercial banking firm selected by Trinity Health and not unacceptable to the Master Trustee, having the skill and experience necessary to render the particular report required and having a favorable and nationally recognized reputation for such skill and experience, which firm does not control any member of the Credit Group or any Affiliate thereof and is not controlled by or under common control with any member of the Credit Group or an Affiliate thereof.

“Counsel” means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for Trinity Health, any other member of the Credit Group or the Master Trustee.

“Credit Group” means Trinity Health, any other Members of the Obligated Group and their Affiliates and the Designated Affiliates.

“Current Assets” means cash and cash equivalent deposits, marketable securities, accounts receivable, accrued interest receivables and any other assets of a Person ordinarily considered current assets under generally accepted accounting principles.

“Current Value” means the fair market value of Property, as evidenced by an Officer’s Certificate of Trinity Health delivered to the Master Trustee.

“Debt Service Requirements” means, with respect to the period of time for which calculated, the aggregate of the payments required to be made during such period in respect of principal (whether at maturity, as a result of mandatory sinking fund redemption, mandatory prepayment or otherwise) and interest on outstanding Long-Term Indebtedness of each Person or a group of Persons with respect to which calculated; provided that: (i) interest shall be excluded from the determination of the Debt Service Requirements to the extent that Capitalized Interest is available to pay such interest; and (ii) principal of Indebtedness shall be excluded from the calculation of Debt Service Requirements to the extent that (a) amounts are on deposit in an irrevocable escrow and such amounts (including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied to pay such principal and (b) such amounts so required to be applied are sufficient to pay such principal.

“Designated Affiliate” means any Person that is listed on **Exhibit B** to the Master Indenture after designation as a Designated Affiliate pursuant to the Master Indenture.

“Directing Body” means with respect to: (i) a corporation having stock (a) the Governing Body of such corporation or (b) the owners, directly or indirectly, of more than 50% of the securities (as defined in Section 2(l) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the members of the Governing Body of such corporation; (ii) a not for profit corporation not having stock, such corporation’s member or members if the member or members have complete discretion to elect the members of the Governing Body of such corporation, or the Governing Body of such corporation if the corporation’s member or members do not have

such discretion; and (iii) any other entity, the Person or group of Persons performing the function of a Governing Body for such entity. For the purposes of this definition, all references to members and Governing Bodies shall be deemed to include all entities performing the function of members or Governing Bodies, however denominated.

“Effective Date” means July 1, 1998, which is the date of the original execution and delivery of the Master Trust Indenture (Amended and Restated).

“Escrow Obligations” means (i) with respect to any Obligation which secures a series of Related Bonds, those securities permitted to be used to defease Related Bonds of such series under the Related Bond Indenture or (ii) with respect to any other Obligations, those securities permitted to be used to defease such Obligations under the Supplemental Master Indenture pursuant to which such Obligations were issued.

“Expenses” means, for any period, the aggregate of all expenses calculated under generally accepted accounting principles, including without limitation any taxes, incurred by the Person or group of Persons involved during each period, minus (i) interest on Long-Term Indebtedness, (ii) depreciation and amortization, (iii) any unrealized loss resulting from changes in the value of investment securities, (iv) extraordinary expenses (including without limitation losses on the sale of assets other than in the ordinary course of business and losses on the extinguishment of debt), (v) any expenses resulting from a forgiveness of or the establishment of reserves against Indebtedness of an Affiliate which does not constitute an extraordinary expense and, if such calculation is being made with respect to the Credit Group, excluding any such expenses attributable to transactions between any members of the Credit Group, (vi) losses resulting from any reappraisal, revaluation or write-down of assets and (vii) any items which Trinity Health considers to be non-cash items (in accordance with generally accepted accounting principles), including non-cash losses attributable to any discontinuance of operations.

“Fiscal Year” means, for a Person, any period of twelve consecutive months selected by such Person as its fiscal year. For purposes of making any historical calculations or determinations pursuant to the Master Indenture on a Fiscal Year basis, or for purposes of combinations or consolidation of accounting information provided for in the Master Indenture, with respect to those entities whose actual fiscal year is different from that of Trinity Health, the actual fiscal year of such entities which ended within the Fiscal Year of Trinity Health shall be used; provided, however, that for purposes of making any such calculations or determinations, Trinity Health may designate in writing to the Master Trustee as the “Fiscal Year” any consecutive twelve-month period; and provided, further, that, for purposes of the financial reports prepared pursuant to the Master Indenture, the accounting information for any Affiliates of Trinity Health whose fiscal year is different from that of Trinity Health shall be included in such financial reports in accordance with generally accepted accounting principles. Whenever the Master Indenture refers to a Fiscal Year of a specific entity, such reference shall be to the actual fiscal year adopted by such entity.

“Governing Body” means (i) the board of directors, board of trustees or similar group in which the right to exercise the powers of corporate directors or trustees is vested or (ii) any duly authorized committee of such board to which the relevant powers of such board have been lawfully delegated.

“Guaranty” means all obligations of a Person guaranteeing, or in effect guaranteeing, any Indebtedness or other obligation of any Primary Obligor in any manner, whether directly or indirectly, including but not limited to obligations incurred through an agreement, contingent or otherwise, by such Person (i) to purchase such Indebtedness or obligation or any Property constituting security therefor, (ii) to advance or supply funds (a) for the purchase or payment of such Indebtedness or obligation or (b) to maintain working capital or other balance sheet condition, (iii) to purchase securities or other Property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the Primary Obligor to make payment of the Indebtedness or obligation or (iv) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

“Hedging Obligation” means an obligation expressly identified in an Officer’s Certificate of Trinity Health delivered to the Master Trustee as being entered into in order to hedge the interest payable on all or a portion of any Indebtedness, which agreement may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g., a call, put, cap, floor or collar) and which agreement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof.

“Historical Debt Service Coverage Ratio” means, for any period of time, the ratio determined by dividing Income Available for Debt Service for that period by the Debt Service Requirements on Long-Term Indebtedness for such period; provided that, when such calculation is being made with respect to the Credit Group, Income Available for Debt Service and Debt Service Requirements shall be determined only with respect to those Persons who are members thereof at the close of such period.

“Income Available for Debt Service” means, for any period, the excess of Revenues over Expenses of the Person or group of Persons involved.

“Indebtedness” means, for any Person, (i) indebtedness (including Non-Recourse Indebtedness) incurred or assumed by such Person for borrowed money or for the acquisition, construction or improvement of Property other than goods acquired in the ordinary course of business of such Person, (ii) Capitalized Rental obligations of such Person and (iii) all Guaranties by such Person; provided that Indebtedness shall not include Indebtedness of one member of the Credit Group to another member of the Credit Group, any Guaranty by any member of the Credit Group of Indebtedness of any other member of the Credit Group, the joint and several liability of any Member of the Obligated Group on Indebtedness issued by another Member of the Obligated Group, any Hedging Obligations or any obligation to repay moneys deposited by patients or others with a member of the Credit Group as security for or as prepayment of the cost of patient care or any rights of residents of life care, elderly housing or similar facilities to endowment or similar funds deposited by or on behalf of such residents.

“Lien” means any mortgage, lease or pledge of, security interest in or lien, charge, restriction or encumbrance on any Property of Trinity Health or a Material Designated Affiliate which secures Indebtedness, other than Indebtedness of Trinity Health or a Material Designated Affiliate to another member of the Credit Group.

“Long-Term Indebtedness” means, with respect to any Person, (i) all Indebtedness of such Person for money borrowed or credit extended which is not Short-Term, (ii) all Indebtedness of such Person incurred or assumed in connection with the acquisition, construction or improvement of Property which is not Short-Term, (iii) Guaranties by such Person of Indebtedness which is not Short-Term and (iv) Capitalized Rentals under Capitalized Leases entered into by such Person; provided, however, that Indebtedness that could be described by more than one of the foregoing categories shall not in any case be considered more than once for the purpose of any calculation made pursuant to the Master Indenture.

“Master Indenture” means the Master Trust Indenture (Amended and Restated) dated as of July 1, 1998 between Trinity Health and the Master Trustee, as it may from time to time be further amended or supplemented, amended and restated in accordance with the terms of the Master Indenture.

“Master Trustee” means Chase Manhattan Trust Company, National Association, or any successor trustee under the Master Indenture.

“Material Designated Affiliate” means any Designated Affiliate whose total revenues, as set forth in its financial statements for the most recently completed Fiscal Year, exceed 5% of the combined total revenues of the Credit Group, as set forth in the financial statements of the Credit Group for the most recently completed Fiscal Year.

“Member” or **“Member of the Obligated Group”** means Trinity Health and any Person that is listed on *Exhibit A* to the Master Indenture after designation as a Member of the Obligated Group pursuant to the Master Indenture.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns.

“Non-Recourse Indebtedness” means any Indebtedness the liability for which is effectively limited to Property, Plant and Equipment and the income therefrom, the cost of which Property, Plant and Equipment shall have been financed solely with the proceeds of such Indebtedness, with no recourse, directly or indirectly, to any other Property or the general credit of any Person.

“Obligated Group” means Trinity Health and any other Person which has fulfilled the requirements for entry into the Obligated Group set forth in the Master Indenture and which has not ceased such status pursuant to the Master Indenture. The foregoing notwithstanding, Trinity Health may not withdraw from the Obligated Group.

“Obligation holder,” “owner” or **“holder”** means, with respect to Obligations, the registered owner of any fully registered or book entry Obligation unless alternative provision is made in the Supplemental Master Indenture pursuant to which such Obligation is issued for establishing ownership of such Obligation, in which case such alternative provision shall control.

“Obligations” means (i) any evidence of Indebtedness and (ii) any obligation evidencing a payment obligation under a Hedging Obligation, each of which has been issued by Trinity Health or another Member of the Obligated Group and authenticated by the Master Trustee pursuant to the Master Indenture.

“Obligations outstanding” or **“outstanding Obligations”** means all Obligations which have been duly authenticated and delivered by the Master Trustee under the Master Indenture, except:

(a) Obligations canceled after purchase or because of payment at or prepayment prior to maturity;

(b) (i) Obligations for the payment or prepayment of which cash or Escrow Obligations shall have been theretofore deposited with the Master Trustee (whether upon or prior to the maturity or prepayment date of any such Obligations); provided that if such Obligations are to be prepaid prior to the maturity thereof, notice of such prepayment shall have been given or irrevocable arrangements satisfactory to the Master Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Master Trustee shall have been filed with the Master Trustee and (ii) Obligations securing Related Bonds for the payment or redemption of which cash or Escrow Obligations shall have been theretofore deposited with the Related Bond Trustee (whether upon or prior to the maturity or redemption date of any such Obligations); provided that if such Related Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Related Bond Trustee shall have been made therefor, or waiver of notice satisfactory in form to the Related Bond Trustee shall have been filed with the Related Bond Trustee;

(c) Obligations in lieu of which others have been authenticated under the Master Indenture; and

(d) for the purposes of all consents, approvals, waivers and notices required to be obtained or given under the Master Indenture, (i) Obligations held or owned by or for the benefit of a member of the Credit Group and (ii) Obligations evidencing or constituting Hedging Obligations.

Notwithstanding the foregoing, any Obligation securing Related Bonds shall be deemed outstanding if such Related Bonds are outstanding.

“Officer’s Certificate” means a certificate signed, in the case of a certificate delivered by a corporation, by an officer authorized to sign by resolution of the Governing Body of such corporation or, in the case of a certificate delivered by any other Person, the chief executive or chief financial officer of such other Person.

“Outstanding Related Bonds” or ***“Related Bonds outstanding”*** means all Related Bonds which have been duly authenticated and delivered by the Related Bond Trustee under the Related Bond Indenture and are deemed outstanding under the terms of such Related Bond Indenture or, if such Related Bond Indenture does not specify when Related Bonds are deemed outstanding thereunder, all such Related Bonds which have been so authenticated and delivered, except:

- (a) Related Bonds canceled after purchase or because of payment at or redemption prior to maturity;

- (b) Related Bonds for the payment or redemption of which cash or Escrow Obligations of the type described in clause (i) of the definition thereof shall have been theretofore deposited with the Related Bond Trustee or other fiduciary (whether upon or prior to the maturity or redemption date of any such Related Bonds) in accordance with the Related Bond Indenture; provided that, if such Related Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Related Bond Trustee or other fiduciary shall have been made therefor, or waiver of such notice satisfactory in form to the Related Bond Trustee or other fiduciary shall have been filed with the Related Bond Trustee or other fiduciary;

- (c) Related Bonds in lieu of which others have been authenticated under the Related Bond Indenture for such series; and

- (d) for the purposes of all covenants, approvals, waivers and notices required to be obtained or given under the Related Bond Indenture or Related Loan Agreement, Related Bonds held or owned by or for the benefit of a member of the Credit Group.

“Paying Agent” means the bank or banks, if any, designated pursuant to a Related Bond Indenture to receive and disburse the principal of, premium, if any, and interest on any Related Bonds or designated pursuant to the Supplemental Master Indenture to receive and disburse the principal of, premium, if any, and interest on any Obligations.

“Permitted Encumbrances” means as of any particular time:

- (a) any Lien on Property of Trinity Health or any Material Designated Affiliate which was created prior to its acquisition by such Person in order to secure Indebtedness if, at the time of such acquisition, the aggregate amount remaining unpaid on such Indebtedness (whether or not assumed by such Person) does not exceed (i) the fair market value of such Property or (ii) if such Property has been purchased by such Person, the lesser of the acquisition price or the fair market value of such Property;

- (b) any Lien on any Property of Trinity Health or any Material Designated Affiliate granted in favor of, or securing Indebtedness to, any other member of the Credit Group;

- (c) any Lien on Property if such Lien equally and ratably secures all of the Obligations;

- (d) Liens on Property given, granted, bequeathed or devised by the owner thereof existing at the time of such gift, grant, bequest or devise, provided that such Liens secure Indebtedness which is not assumed by Trinity Health or any Material Designated Affiliate, and such Liens attach solely to the Property (including the income therefrom) which is the subject of such gift, grant, bequest or devise;

(e) Liens on the proceeds of Indebtedness (or on income from the investment of such proceeds) that secure payment of such Indebtedness and any security interest in any rebate fund established pursuant to the Code, any depreciation reserve fund, debt service or interest reserve fund, debt service fund or any similar fund established pursuant to the terms of any Supplemental Master Indenture, Related Bond Indenture or Related Loan Document in favor of the Master Trustee, a Related Bond Trustee, a Related Issuer, any creditor in respect of Indebtedness incurred under such Supplemental Master Indenture, Related Bond Indenture or Related Loan Document, or the provider of any liquidity or credit support for such Indebtedness;

(f) Liens on Escrow Obligations;

(g) any Lien on any Related Bond or any evidence of Indebtedness of Trinity Health or any Material Designated Affiliate acquired by or on its behalf by the provider of liquidity or credit support for such Related Bond or Indebtedness;

(h) Liens on accounts receivable of Trinity Health or any Material Designated Affiliate arising as a result of the sale of such accounts receivable with or without recourse, provided that the aggregate sales price of such accounts receivable is not less than 20% of the aggregate face amount of such accounts receivable;

(i) Liens on any Property of Trinity Health or any Material Designated Affiliate existing on the Effective Date of the Master Indenture or existing at the time any Person becomes a Member of the Obligated Group or a Designated Affiliate (if, at the time such Person becomes a Designated Affiliate, such Person constitutes a Material Designated Affiliate); provided that no such Lien (or the amount of Indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any Property of Trinity Health, such Member or such Material Designated Affiliate not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified is otherwise permitted under the Master Indenture;

(j) Liens on Property of a Person existing on the date that such Person is merged into or consolidated with Trinity Health or a Material Designated Affiliate, or on the date of a sale, lease or other disposition of the Property of a Person as an entirety or substantially as an entirety to Trinity Health or a Material Designated Affiliate which Liens secure Indebtedness that is assumed by such Member or Material Designated Affiliate as a result of any such merger, consolidation or acquisition; provided that no such Lien may be increased, extended, renewed or modified after such date to apply to any Property of Trinity Health or such Material Designated Affiliate not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified is otherwise permitted under the Master Indenture;

(k) Liens which secure Non-Recourse Indebtedness;

(l) Liens arising out of Capitalized Leases;

(m) Liens on Property of Trinity Health or a Material Designated Affiliate securing Indebtedness, in addition to the Liens described in the preceding subparagraphs of this definition, if the total aggregate Book Value (or at the option of Trinity Health, Current Value) of the Property subject to a Lien of the type described in this subparagraph (m) does not exceed 25% of the combined value of the total assets of the Credit Group (calculated on the same basis as the value of Property subject to such Lien), as set forth in the financial statements of the Credit Group for the most recently completed Fiscal Year; and

(n) Liens on any Property of Trinity Health or a Material Designated Affiliate given (by mortgage, security interest, conveyance in trust, deed, sale or lease) in order to satisfy the legal or policy requirements of any Related Issuer in connection with the issuance of any Related Bonds.

“Permitted Investments” shall mean (i) with respect to any Obligation which secures a series of Related Bonds, the obligations in which the Related Bond Trustee may invest funds under the Related Bond Indenture, (ii) with respect to any Obligations for which a Supplemental Master Indenture specifies certain permitted investments, the investments so specified and (iii) in all other cases such legal and prudent investments as are agreed upon by Trinity Health and the Master Trustee.

“Person” means any natural person, firm, joint venture, association, partnership, business trust, corporation, public body, agency or political subdivision thereof or any other similar entity.

“Primary Obligor” means the Person who is primarily obligated on an obligation which is guaranteed by another Person.

“Property” means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible (including cash) or intangible, wherever situated and whether owned on the Effective Date of the Master Indenture or hereafter acquired.

“Property, Plant and Equipment” means all Property of a Person which is classified as property, plant and equipment under generally accepted accounting principles.

“Rating Agency” means Moody’s or Standard & Poor’s and their respective successors and assigns.

“Related Bonds” means (i) any revenue bonds or similar obligations issued by any state, commonwealth or territory of the United States or any municipal corporation or other political subdivision formed under the laws thereof or any constituted authority, agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, the proceeds of which are loaned or otherwise made available to any member of the Credit Group in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations to or upon the order of such issuer and (ii) any revenue or general obligation bonds issued by the Credit Group or any other Person in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations to the holder of such bonds or to the Related Bond Trustee.

“Related Bond Indenture” means any indenture, bond resolution or similar instrument pursuant to which any series of Related Bonds is issued,

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

“Related Issuer” means any issuer of a series of Related Bonds.

“Related Loan Document” means any document or documents (including, without limitation, any loan agreement, lease, sublease or installment sales contract) pursuant to which any proceeds of any Related Bonds are loaned to or advanced to or made available to or for the benefit of any member of the Credit Group, or any Property financed or refinanced with such proceeds is leased, sublet or sold to a member.

“Reporting Group” means, collectively, Trinity Health, any other Members of the Obligated Group, their Affiliates, the Material Designated Affiliates and any other Designated Affiliate which Trinity Health chooses to include in the financial statements prepared pursuant to the Master Indenture. The Reporting Group shall at all times include such Persons that, collectively with Trinity Health, any other the Members of the Obligated Group and their Affiliates, represent at least 75% of the total revenues of the Credit Group, as determined based upon the financial statements of the members of the Reporting Group and the Credit Group for the most recently completed Fiscal Year.

“Revenues” means, for any period, the revenues of any Person, as determined in accordance with generally accepted accounting principles; but excluding, in any event, (i) any unrealized gain resulting from

changes in the value of investment securities, (ii) any gains on the sale or other disposition of fixed or capital assets not in the ordinary course, (iii) earnings resulting from any reappraisal, revaluation or write-up of fixed or capital assets or (iv) any revenues recognized from deferred revenues related to entrance fees; provided, however, that, if such calculation is being made with respect to the Credit Group, such calculation shall be made in such a manner so as to exclude any revenues attributable to transactions between members of the Credit Group.

“Series 1998 Bond Insurer” means MBIA Insurance Corporation.

“Series 1998 Bonds” means, collectively, the (i) \$20,460,000 City of Fresno, California Hospital Refunding Revenue Bonds, Series 1998 (Holy Cross Health System Corporation), (ii) \$53,385,000 Idaho Health Facilities Authority Hospital Revenue Bonds, Series 1998 (Holy Cross Health System Corporation), (iii) \$98,520,000 Indiana Health Facility Financing Authority Hospital Revenue Bonds, Series 1998 (Holy Cross Health System Corporation) and (iv) \$52,140,000 County of Franklin, Ohio Hospital Revenue Bonds, Series 1998 (Holy Cross Health System Corporation).

“Short-Term,” when used in connection with Indebtedness, means Indebtedness of a Person for money borrowed or credit extended having an original maturity less than or equal to one year and not renewable at the option of the debtor for, or subject to any binding commitment to refinance or otherwise provide for such Indebtedness having, a term greater than one year beyond the date of original issuance.

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc., and its successors and assigns.

“Supplemental Master Indenture” means an indenture amending or supplementing the Master Indenture entered into pursuant to the Master Indenture after the Effective Date of the Master Indenture.

“Tax-Exempt Organization” means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxation under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

“Trinity Health” means Trinity Health Corporation (formerly known as Holy Cross Health System Corporation), an Indiana nonprofit corporation, its successors and assigns and any surviving, resulting or transferee corporation.

All accounting terms not specifically defined in the Master Indenture shall be construed in accordance with generally accepted accounting principles consistently applied, except as otherwise stated in the Master Indenture. If any change in accounting principles from those used in the preparation of the financial statements of Trinity Health as of May 31, 1997 (May 31 being the end of Trinity Health’s Fiscal Year prior to Fiscal Year 2000 when the end of its Fiscal Year was changed to June 30) results from the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board, American Institute of Certified Public Accountants or other authoritative bodies that determine generally accepted accounting principles (or successors thereto or agencies with similar functions) and such change results in a change in the accounting terms used in the Master Indenture, the accounting terms used in the Master Indenture shall be deemed modified to reflect such change in accounting principles so that the criteria for evaluating the applicable Person’s or group of Persons’ financial condition shall be substantially the same after such change as if such change had not been made; provided that the foregoing shall not be deemed to require Trinity Health to restate its audited financial statements as a result of any such change or to refer to any such change in the audited financial statements or the notes thereto in circumstances in which generally accepted accounting principles would prohibit any such restatement or reference to any such change. Any such modification shall be described in an Officer’s Certificate of Trinity Health filed with the Master Trustee, which shall contain a certification to the effect that (i) such modifications are occasioned by such a change in accounting principles and (ii) such modifications will not have a materially adverse effect on the Obligation

holders or result in materially different criteria for evaluating the applicable Person's or group of Persons' financial condition.

OBLIGATIONS

Issuance of Obligations

Each Obligation or series of Obligations must be issued pursuant to a Supplemental Master Indenture and shall be designated so as to differentiate such Obligation or the Obligations of such series from any other Obligation or the Obligations of any other series. Unless provided to the contrary in the related Supplemental Master Indenture, Obligations shall be issued by Trinity Health. Obligations shall be issued in such denomination or denominations as shall be authorized in the related Supplemental Master Indenture. The total principal amount of Obligations, the number of Obligations and the number of series of Obligations that may be created under the Master Indenture is not limited. No authorization or approval of any Designated Affiliate or any Affiliate of Trinity Health or any other Members of the Obligated Group is required under the Master Indenture for the issuance of Obligations.

Payment of Obligations

The principal of, premium, if any, and interest on the Obligations shall be payable in any currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, and such principal, premium, if any, and interest shall be payable at the designated corporate trust office of the Master Trustee or at the designated office of any alternate Paying Agent or Agents named in any such Obligations or in a Related Bond Indenture. Unless contrary provision is made in the Supplemental Master Indenture pursuant to which such Obligation is issued or the election referred to in the next sentence is made, payment of the interest on the Obligations shall be made to the person appearing on the registration books (to be kept by the Master Trustee as Obligation registrar) as the registered owner thereof and shall be paid by check or draft mailed to the registered owner at its address as it appears on such registration books or at such other address as is furnished to the Master Trustee in writing by such holder; provided, however, that any Supplemental Master Indenture creating any Obligation or series of Obligations may provide that interest on such Obligation or series of Obligations may be paid, upon the request of the holder of such Obligation or Obligations, by wire transfer or by such other means as are then commercially reasonable and acceptable to the holder thereof. The foregoing notwithstanding, if Trinity Health so elects, payments on such Obligation shall be made directly by check or draft hand delivered to the holder thereof or its designee or shall be made by wire transfer to such holder or by such other means as are then commercially reasonable and acceptable to the holder thereof, in either case, delivered on or prior to the date on which such payment is due. Except with respect to Obligations directly paid, to or upon the order of the holder thereof, Trinity Health shall deposit with the Master Trustee, prior to each due date of the principal of and premium, if any, or interest on any of the Obligations, a sum sufficient to pay such principal, premium, if any, or interest so becoming due. Any such moneys shall, upon the written request and direction of Trinity Health, be invested in Permitted Investments. Supplemental Master Indentures may create such security, including debt service reserve funds and other funds, as are necessary to provide for payment or to hold moneys deposited for payment or as security for a related series of Obligations or by such other means as are then commercially reasonable and acceptable to the holder thereof.

Security for Obligations

All Obligations issued and outstanding under the Master Indenture shall be equally and ratably secured by the Master Indenture, except as otherwise permitted by the Master Indenture and as specifically provided in the Supplemental Master Indentures pursuant to which such Obligations are issued. Any one or more series of Obligations issued under the Master Indenture may be secured by one or more Liens, provided that such Liens constitute Permitted Encumbrances. Such security need not extend to any other Indebtedness (including any other Obligations or series of Obligations). The Supplemental Master Indenture pursuant to which any one or more series of Obligations is issued may provide for such supplements or amendments to the

provisions hereof, as are necessary to provide for such security and to permit realization upon such security solely for the benefit of the Obligations entitled thereto.

COVENANTS

Payment of Obligations

The Corporation unconditionally and irrevocably covenants that it will promptly pay jointly and severally, together with the other Members of the Obligated Group, the principal of, premium, if any, and interest on the Obligations issued under the Master Indenture and any other payments, including payments of the purchase price of any Obligations or Related Bonds tendered or deemed tendered for purchase pursuant to the terms of the related Supplemental Master Indenture, the Related Bond Indenture or the Related Loan Document, as the case may be, which are required by the terms of the Obligations, on the dates, at the times, at the places and in the manner provided in the Obligations, the related Supplemental Master Indentures and the Master Indenture, when and as the same become due and payable, whether at maturity, upon call for prepayment, by acceleration of maturity or otherwise. Notwithstanding any schedule of payments upon the Obligations set forth in the Obligations or the related Supplemental Master Indentures, Trinity Health unconditionally and irrevocably agrees to make payments upon the Obligations and be liable therefor jointly and severally, together with the other Members of the Obligated Group, at the times and in the amounts equal to the amounts to be paid as principal of, premium, if any, and interest on, and the purchase price of, any Related Bonds.

The Corporation shall cause its Designated Affiliates, and shall use reasonable efforts to cause its Affiliates, subject (in each case) to contractual and organizational limitations, to pay, loan or otherwise transfer to Trinity Health such moneys as are necessary, in the aggregate, to pay the principal of, premium, if any, and interest on all outstanding Obligations and to make any other payments, including payments of the purchase price of any Obligations or Related Bonds tendered or deemed tendered for purchase pursuant to the terms of the related Supplemental Master Indenture, the Related Bond Indenture or the Related Loan Document, as the case may be, which are required by the terms of the Obligations, on the dates, at the times, at the places and in the manner provided in the Obligations, the related Supplemental Master Indentures and the Master Indenture, when and as the same become due and payable, whether at maturity, upon call for prepayment, by acceleration of maturity or otherwise.

Designated Affiliates

The Corporation may designate any Person as a Designated Affiliate under the Master Indenture, and such Person shall thereafter be deemed a Designated Affiliate until such time as Trinity Health shall declare that such Person will no longer be a Designated Affiliate; provided, however, that Trinity Health may not declare that a Person shall no longer be a Designated Affiliate if an event of default under the Master Indenture, or an event which, with the passage of time or giving of notice, or both, would constitute an event of default under the Master Indenture, shall have occurred and be continuing at the time of such declaration or shall result from any such declaration. The Corporation may, in its sole discretion, elect to include any Designated Affiliate within the Reporting Group, but shall be under no obligation to so include a Designated Affiliate which is not a Material Designated Affiliate; provided, however, that the Reporting Group shall at all times include such Persons that, collectively with Trinity Health, any other Members of the Obligated Group and their Affiliates, represent at least 75% of the total revenues of the Credit Group, as determined based upon the financial statements of the members of the Reporting Group and the Credit Group for the most recently completed Fiscal Year. With respect to each such Person which is (and so long as such Person is) designated as a Designated Affiliate, Trinity Health shall either (i) maintain, directly or indirectly, control of each Designated Affiliate, including the power to direct the management, policies, disposition of assets and actions of such Designated Affiliate to the extent required to cause such Designated Affiliate to comply with the terms and conditions of the Master Indenture, whether through the ownership of voting securities, partnership interests, membership, reserved powers, the power to appoint members, trustees or directors or otherwise, or (ii) execute and have in effect such contracts or other agreements that Trinity Health in its sole judgment

deems sufficient for it to cause such Designated Affiliate to comply with the terms and conditions of the Master Indenture.

The Corporation shall cause its Designated Affiliates to comply with the terms and conditions of the Master Indenture which are applicable to the Designated Affiliates and the Related Loan Documents, if any, to which the Designated Affiliates are a party. The Corporation shall make such reasonable efforts as it deems reasonably necessary to ensure that its Affiliates comply with the terms or conditions of the Master Indenture applicable to Affiliates.

Notwithstanding anything to the contrary in the Master Indenture, no Person shall cease to be a Designated Affiliate if any outstanding Related Bonds have been issued for the benefit of such Person until there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law, the cessation by such Person of such status will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable thereon to which such Related Bond would otherwise be entitled.

Entrance into the Obligated Group

Any Person may become a Member of the Obligated Group if:

(a) such Person shall execute and deliver to the Master Trustee a Supplemental Master Indenture, which shall be executed and delivered by Trinity Health and the Master Trustee, containing the agreement of such Person (i) to become a Member of the Obligated Group and thereby to become subject to compliance with all provisions of the Master Indenture and (ii) unconditionally and irrevocably (subject to the right of such Person to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of the Master Indenture) to make payments upon each Obligation jointly and severally, together with the other Members of the Obligated Group, at the times and in the amounts provided in each such Obligation;

(b) Trinity Health shall have approved the admission of such Person into the Obligated Group; and

(c) the Master Trustee shall have received (1) an Officer's Certificate of Trinity Health which demonstrates that, immediately upon such Person becoming a Member of the Obligated Group, the Obligated Group would not, as a result of such transaction, be in default in the performance or observance of any covenant or condition to be performed or observed by them under the Master Indenture, (2) an opinion of Counsel to the effect that (x) the instrument described in paragraph (a) above has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy, fraudulent conveyance, insolvency and other similar laws generally affecting enforcement of creditors' rights and the application of general principles of equity and to the opinion exceptions set forth in the Master Indenture and (y) the addition of such Person to the Obligated Group will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status, and (3) if all amounts due or to become due on all Related Bonds have not been paid to the holders thereof and provision for such payment has not been made in such manner as to have resulted in the defeasance of all Related Bond Indentures, an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law the consummation of such transaction, will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable on such Related Bond otherwise entitled to such exemption.

Each successor, assignee, surviving, resulting or transferee corporation of a Member must agree to become, and satisfy the above-described conditions to becoming, a Member of the Obligated Group prior to any such succession, assignment or other change in such Member's corporate status.

Cessation of Status as a Member of the Obligated Group

Each Member covenants that it will not take any action, corporate or otherwise, which would cause it or any successor thereto into which it is merged or consolidated to cease to be a Member of the Obligated Group unless:

(a) prior to cessation of such status, there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law, the cessation by the Member of its status as a Member will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable thereon to which such Bond would otherwise be entitled;

(b) prior to and immediately after such cessation, no event of default exists under the Master Indenture and no event shall have occurred which with the passage of time or the giving of notice, or both, would become such an event of default;

(c) prior to such cessation, there is delivered to the Master Trustee an opinion of Counsel to the effect that the cessation by such Member of its status as a Member will not adversely affect the status as a Tax-Exempt Organization of any other Member which otherwise has such status; and

(d) prior to such cessation, Trinity Health shall have consented thereto.

The foregoing notwithstanding, Trinity Health shall not withdraw from the Obligated Group.

General Covenants

The Corporation covenants in the Master Indenture to, and shall cause each of its Designated Affiliates to, and shall use reasonable efforts to cause each of its Affiliates to:

(a) except as otherwise expressly provided in the Master Indenture, (i) preserve its corporate or other separate legal existence, (ii) preserve all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs as then conducted and (iii) be qualified to do business and conduct its affairs in each jurisdiction where its ownership of Property or the conduct of its business or affairs requires such qualification; provided, however, that nothing contained in the Master Indenture shall be construed to obligate Trinity Health, or to obligate Trinity Health to cause its Designated Affiliate or to use reasonable efforts to cause its Affiliate, to retain, preserve or keep in effect any rights, licenses or qualifications that, in the sole discretion of Trinity Health, are no longer used or useful in the conduct of its business;

(b) in the case of Trinity Health and any Person which is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group, so long as the Master Indenture shall remain in force and effect and so long as all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or provision for such payment has not been made, take no action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status as a Tax-Exempt Organization, which could result in any such Related Bond being declared invalid or result in the interest on any Related Bond, which is otherwise exempt from federal or state income taxation, becoming subject to such taxation; and

(c) at its sole cost and expense, promptly comply with all present and future laws, ordinances, orders, decrees, decisions, rules, regulations and requirements of every duly constituted governmental authority, commission and court and the officers thereof which may be applicable to it or any of its affairs, business, operations and Property, any part thereof, any of the streets, alleys, passageways, sidewalks, curbs, gutters, vaults and vault spaces adjoining any of its Property or any part thereof or to the use or manner of use, occupancy or condition of any of its Property or any part

thereof if the failure to so comply would have a materially adverse effect on the operations or financial affairs of the Credit Group taken as a whole.

The foregoing notwithstanding, Trinity Health and any other Person which is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group may (i) cease to be a not for profit corporation or (ii) take actions which could result in the alteration or loss of its status as a Tax-Exempt Organization if prior thereto there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that such actions would not adversely affect the validity of any Related Bond, the exemption from federal or state income taxation of interest payable on any Related Bond otherwise entitled to such exemption or adversely affect the enforceability in accordance with its terms of the Master Indenture against any Person.

The Corporation shall not be obligated to, and shall not be obligated to cause its Material Designated Affiliates to, remove any Lien required to be removed under the Master Indenture, to pay or otherwise satisfy and discharge its obligations, including Indebtedness (other than Obligations), or any demands or claims against it, or to comply with any law, ordinance, rule, order, decree, decision, regulation or requirement or any Lien referred to in the Master Indenture, as long as Trinity Health shall, or shall cause its Material Designated Affiliates to, contest, in good faith and at its cost and expense and in its own name and behalf, the amount or validity thereof in an appropriate manner or by appropriate proceedings which shall operate during the pendency thereof to prevent the collection of or other realization upon the obligation, Indebtedness, demand, claim or Lien so contested and the sale, forfeiture or loss of its Property or any part thereof; provided that no such contest shall subject any Obligation holder or the Master Trustee to the risk of any liability. Each such contest shall be promptly prosecuted to final conclusion (subject to the right of Trinity Health or the Material Designated Affiliate engaging in such a contest to settle such contest), and in any event Trinity Health shall, and shall cause its Material Designated Affiliate to, save the holders of all Obligations and the Master Trustee harmless from and against all losses, judgments, decrees and costs (including attorneys' fees and expenses in connection therewith) as a result of such contest and shall, promptly after the final determination of such contest or settlement thereof, pay and discharge the amounts which shall be determined to be payable therein, together with all penalties, fines, interests, costs and expenses thereon or incurred in connection therewith.

Insurance

The Corporation shall, and shall cause each of its Designated Affiliates to, maintain or cause to be maintained at its sole cost and expense, insurance with respect to its Property, the operation thereof and its business against such casualties, contingencies and risks (including but not limited to public liability and employee dishonesty) and in amounts not less than is customary in the case of corporations engaged in the same or similar activities and similarly situated and as is adequate, in the judgment of Trinity Health, to protect its Property and operations.

Historical Debt Service Coverage Ratio

The Corporation shall calculate the Historical Debt Service Coverage Ratio of the Credit Group for each Fiscal Year. If the Historical Debt Service Coverage Ratio for any Fiscal Year is less than 1.10 to 1.00, Trinity Health shall retain a Consultant to make recommendations with respect to the rates, fees and charges of the members of the Credit Group and their methods of operation and other factors affecting their financial condition in order to increase such Historical Debt Service Coverage Ratio to at least 1.10 to 1.00. A copy of the Consultant's report and recommendations, if any, shall be filed with the Master Trustee.

The Corporation shall, and shall cause each of its Designated Affiliates to, and shall use reasonable efforts to cause each of its Affiliates to, follow each recommendation of the Consultant applicable to each of them to the extent feasible (as determined in the reasonable judgment of Trinity Health's Governing Body) and permitted by law. Provided that Trinity Health retains a Consultant and follows, and causes its Designated Affiliates to follow, and uses reasonable efforts to cause its Affiliates to follow, to the extent feasible, the Consultant's recommendations, if any, applicable to each of them, the Credit Group's failure to maintain an

Historical Debt Service Coverage Ratio of at least 1.10 to 1.00 shall not constitute an event of default under the Master Indenture or an event which, with the giving of notice or the passage of time, or both, would constitute an event of default under the Master Indenture.

The foregoing provisions notwithstanding, if in any Fiscal Year the Historical Debt Service Coverage Ratio of the Credit Group is less than 1.10 to 1.00, Trinity Health shall not be obligated to retain a Consultant, as aforesaid, and no event of default under the Master Indenture or event which, with the giving of notice or the passage of time, or both, would constitute an event of default under the Master Indenture shall occur as a result of the Credit Group's failure to maintain an Historical Debt Service Coverage Ratio of at least 1.10 to 1.00, if (i) there is filed with the Master Trustee a written report of such Consultant to the effect that applicable laws or regulations have prevented the Credit Group from achieving an Historical Debt Service Coverage Ratio of at least 1.10 to 1.00, and, if requested by the Master Trustee, such report shall be accompanied by a concurring opinion of Counsel as to any conclusions of law supporting the report of such Consultant; (ii) the report of such Consultant indicates that the fees and rates charged by the members of the Credit Group are such that, in the opinion of the Consultant, the Credit Group has generated the maximum amount of Revenues reasonably practicable given such laws or regulations; and (iii) the Historical Debt Service Coverage Ratio for such Fiscal Year was at least 1.00 to 1.00. The Corporation shall not be required to cause the Consultant's report referred to in the preceding sentence to be prepared more frequently than once every two Fiscal Years if, at the end of the first of such two Fiscal Years, Trinity Health provides to the Master Trustee an Officer's Certificate or an opinion of Counsel to the effect that the applicable laws and regulations underlying the Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way.

Merger, Consolidation, Sale or Conveyance

The Corporation shall not merge into, or consolidate with, one or more Persons which are not Members of the Obligated Group, or allow one or more of such corporations to merge into it, or sell or convey all or substantially all of its Property to any Person who is not a Member of the Obligated Group, unless:

(a) any successor corporation to Trinity Health (including without limitation any purchaser of all or substantially all the Property of Trinity Health) is a corporation organized and existing under the laws of the United States of America or a state thereof and shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume, jointly and severally, the due and punctual payment of the principal of, premium, if any, and interest on all Obligations according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture to be kept and performed by Trinity Health;

(b) immediately after such merger or consolidation or such sale or conveyance, Trinity Health would not be in default in the performance or observance of any covenant or condition of any Related Loan Document or the Master Indenture; and

(c) if all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or fully provided for, there shall be delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance will not adversely affect the validity of such Related Bonds or the exemption otherwise available from federal or state income taxation of interest payable on such Related Bonds.

If Trinity Health consolidates or merges with one or more Persons which are not Members of the Obligated Group and is not the survivor, or if Trinity Health sells or conveys substantially all of its Property to any Person which is not a Member of the Obligated Group, then upon such Person or Persons' execution and delivery of the agreement provided for in the Master Indenture, such Person or Persons shall succeed to and be substituted for Trinity Health, with the same effect as if such Person or Persons had been named in the Master Indenture; and Trinity Health shall thereupon be relieved of any further obligation or liabilities under the

Master Indenture or the Obligations; and Trinity Health may thereupon or at any time thereafter be dissolved, wound up or liquidated. Any such successor Person or Persons may thereupon issue Obligations in such Person or Persons' own name or names, and Trinity Health shall be released from its obligations under the Master Indenture and under any Obligations if Trinity Health shall have conveyed all of the Property owned by it (or all such Property shall be deemed conveyed by operation of law) to such successor Person or Persons. All Obligations so issued by such successor Person or Persons shall in all respects have the same legal rank and benefit under the Master Indenture as Obligations theretofore or thereafter issued as though such Obligations had been issued by Trinity Health without any such consolidation, merger, sale or conveyance having occurred.

Except as may be expressly provided in any Supplemental Master Indenture, the ability of any of Trinity Health's Designated Affiliates or Affiliates to merge into, or consolidate with, one or more corporations, or allow one or more corporations to merge into it, or sell or convey all or substantively all of its Property to any Person is not limited by the provisions of the Master Indenture.

Notwithstanding anything to the contrary in the Master Indenture, no Designated Affiliate or Affiliate shall engage in any merger or consolidation or any sale or conveyance of substantially all of its assets if any Related Bonds then outstanding have been issued for its benefit unless there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law, such action will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable thereon to which such Related Bond would otherwise be entitled.

Financial Statements

The Corporation shall keep, and shall cause its Designated Affiliates to keep, and shall use reasonable efforts to cause its Affiliates to keep, proper books of records and accounts in which full, true and correct entries will be made of all dealings or transactions of or in relation to their business and affairs in accordance with generally accepted accounting principles consistently applied, except as may be disclosed in the notes to the audited financial statements referred to in subparagraphs (a) and (b) below, and Trinity Health shall furnish to the Master Trustee:

(a) as soon as practicable after they are available, but in no event more than 180 days after the last day of each Fiscal Year of Trinity Health, a financial report of Trinity Health and its Affiliates for such Fiscal Year certified by a firm of nationally recognized independent certified public accountants selected by Trinity Health. Such financial report shall, at a minimum, cover the results of operations of Trinity Health and its Affiliates for such Fiscal Year, shall include a statement of financial position of Trinity Health and its Affiliates as of the end of such Fiscal Year and shall show in comparative form the financial figures for the preceding Fiscal Year. Such financial report may be prepared on a consolidated basis or a combined basis in accordance with generally accepted accounting principles and may include entities other than Trinity Health and its Affiliates; provided that, if and only if such financial report includes information regarding such entities, such financial report shall be accompanied by (i) a consolidating or combining statement of financial position for Trinity Health, and its Affiliates and (ii) a consolidating or combining statement of operations for Trinity Health and its Affiliates;

(b) if the financial statements referred to in subparagraph (a) above do not include the results of operations of any Material Designated Affiliate, then, as soon as practicable, but in no event more than 180 days after the end of each of such Material Designated Affiliate's Fiscal Years, a financial report of such Material Designated Affiliate certified by a firm of nationally recognized independent certified public accountants selected by such Material Designated Affiliate. Such financial report shall, at a minimum, cover the results of operations of such Material Designated Affiliate, shall include a statement of financial position of such Material Designated Affiliate as of the end of such Fiscal Year and shall show in comparative form the figures for the preceding Fiscal Year. Such financial report may be prepared on a consolidated basis or a combined basis in accordance with

generally accepted accounting principles and may include entities other than such Material Designated Affiliate; provided that, if and only if such financial report includes information regarding such entities, such financial report shall be accompanied by (i) a consolidating or combining statement of financial position and (ii) a consolidating or combining statement of operations for such Material Designated Affiliate;

(c) if financial statements have been delivered to the Master Trustee pursuant to subparagraph (b) above, then, as soon as practicable, but in no event more than 180 days after the last day of each Fiscal Year, a statement of financial position and a statement of operations for the Reporting Group for such Fiscal Year prepared by or at the direction of the chief financial officer of Trinity Health, together with a certificate of such chief financial officer that such financial statements were prepared substantially in accordance with generally accepted accounting principles (except for required consolidations); and

(d) at the time of delivery of the financial report referred to in subparagraph (a) above, an Officer's Certificate of Trinity Health demonstrating the calculation of the Historical Debt Service Coverage Ratio of the Credit Group for such Fiscal Year and stating that the officer executing such certificate has made, or caused to be made, a review of the activities of each member of the Credit Group during the preceding Fiscal Year for purposes of determining whether or not the members of the Credit Group have complied with all of the terms and conditions of the Master Indenture and that each such member has kept, observed, performed and fulfilled each and every covenant, provision and condition of the Master Indenture on its part to be performed and is not in default in the performance or observance of any of the terms, covenants, provisions or conditions of the Master Indenture, or if any such Person shall be in default, such certificate shall specify all such defaults and the nature thereof.

Liens on Property

The Corporation shall not create or incur or permit to be created or incurred or to exist any Lien on any of its Property, and shall not permit its Material Designated Affiliates to create or incur or permit to be created or incurred or to exist any Lien on any of their Property, except, in each case, for Permitted Encumbrances. The ability of any of Trinity Health's Affiliates or Designated Affiliates not constituting Material Designated Affiliates to create or incur or to permit to be created or incurred or to exist any Lien on their Property is not limited by the provisions of the Master Indenture.

EVENTS OF DEFAULT

Extension of Payment

In case the time for the payment of principal of or the interest on any Obligation shall be extended, whether or not such extension be by or with the consent of the Master Trustee, such principal or such interest so extended shall not be entitled in case of an event of default under the Master Indenture to the benefit or security of the Master Indenture, except subject to the prior payment in full of the principal of all Obligations then outstanding and of all interest thereon, the time for the payment of which shall not have been extended.

Events of Default

Each of the following events is pursuant to the Master Indenture declared an "event of default":

(a) failure of the Obligated Group (i) to pay any installment of interest or principal, or any premium, on any Obligation when the same shall become due and payable, whether at maturity, upon any date fixed for prepayment or by acceleration or otherwise or (ii) to pay, when due, the purchase price of any Obligation or any Related Bond secured by an Obligation which is tendered or

deemed tendered for purchase pursuant to the related Supplemental Master Indenture, the Related Bond Indenture or the Related Loan Agreement, as the case may be; or

(b) failure of Trinity Health or any other Member of the Obligated Group to comply with, observe or perform any other covenants, conditions, agreements or provisions of the Master Indenture and to remedy such default within 60 days after written notice thereof to Trinity Health from the Master Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Obligations; provided that, if such default cannot with due diligence and dispatch be wholly cured within 60 days but can be wholly cured, the failure of Trinity Health or such other Member of the Obligated Group to remedy such default within such 60-day period shall not constitute an event of default under the Master Indenture if Trinity Health or such other Member of the Obligated Group shall, immediately upon receipt by Trinity Health of such notice, commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch; or

(c) any representation or warranty made by Trinity Health or any other Member of the Obligated Group in the Master Indenture or in any Supplemental Master Indenture or in any statement or certificate furnished to the Master Trustee or the purchaser of any Obligation or Related Bond in connection with the delivery of any Obligation or sale of any Related Bond or furnished by Trinity Health or any other Member pursuant to the Master Indenture or any Supplemental Master Indenture proves untrue in any material respect as of the date of the issuance or making thereof and shall not be corrected or brought into compliance within 60 days after written notice thereof to Trinity Health by the Master Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Obligations; or

(d) default by Trinity Health or any other Member of the Obligated Group in the payment of the principal of, premium, if any, or interest on any Indebtedness for borrowed money (other than Non-Recourse Indebtedness) of Trinity Health or such other Member of the Obligated Group, including without limitation any Indebtedness created by any Related Loan Document, as and when the same shall become due, or an event of default as defined in any mortgage, indenture, loan agreement or other instrument under or pursuant to which there was issued or incurred, or by which there is secured, any such Indebtedness (including any Obligation) of Trinity Health or any other Member of the Obligated Group, and which default in payment or event of default entitles the holder thereof (or a credit enhancer exercising the rights of such holder) to declare or, in the case of any Obligation, to request that the Master Trustee declare, such Indebtedness due and payable prior to the date on which it would otherwise become due and payable; provided, however, that if such Indebtedness is not evidenced by an Obligation or issued, incurred or secured by or under a Related Loan Document, a default in payment thereunder shall not constitute an "event of default" under the Master Indenture unless the unpaid principal amount of such Indebtedness, together with the unpaid principal amount of all other Indebtedness so in default, exceeds 10% of the Current Assets shown on the financial statements most recently delivered to the Master Trustee pursuant to the Master Indenture; or

(e) any judgment, writ or warrant of attachment or of any similar process shall be entered or filed against Trinity Health or any other Member of the Obligated Group or against any Property of Trinity Health or any other Member of the Obligated Group and remains unvacated, unpaid, unbonded, unstayed or uncontested in good faith for a period of 60 days; provided, however, that none of the foregoing shall constitute an event of default unless the amount of such judgment, writ, warrant of attachment or similar process, together with the amount of all other such judgments, writs, warrants or similar processes so unvacated, unpaid, unbonded, unstayed or uncontested, exceeds 10% of the Current Assets shown on the financial statements most recently delivered to the Master Trustee pursuant to the Master Indenture; or

(f) Trinity Health or any other Member of the Obligated Group admits insolvency or bankruptcy or its inability to pay its debts as they mature, or is generally not paying its debts as such debts become due, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for Trinity Health or such other Member of the Obligated Group, or for the major part of its Property; or

(g) a trustee, custodian or receiver is appointed for Trinity Health or any other Member of the Obligated Group or for the major part of its Property and is not discharged within 90 days after such appointment; or

(h) bankruptcy, dissolution, reorganization, arrangement, insolvency or liquidation proceedings, proceedings under Title 11 of the United States Code, as amended, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by or against Trinity Health or any other Member of the Obligated Group (other than bankruptcy proceedings instituted by Trinity Health or any other Member of the Obligated Group against third parties), and if instituted against Trinity Health or any other Member of the Obligated Group, are allowed against Trinity Health or such other Member of the Obligated Group, or are consented to, or are not dismissed, stayed or otherwise nullified, within 90 days after such institution.

In addition, as long as the Series 1998 Bonds are outstanding and the Series 1998 Bond Insurer is performing its obligations under each existing financial guaranty insurance policy on the Series 1998 Bonds and is not contesting the validity or enforceability of any financial guaranty insurance policy on the Series 1998 Bonds, an event of default shall occur under the Master Indenture in the event that the Historical Debt Service Coverage Ratio of the Credit Group for any Fiscal Year is less than 1.0 to 1.0.

Acceleration

If an event of default has occurred and is continuing, the Master Trustee may, and if requested by either the holders of not less than 25% in aggregate principal amount of outstanding Obligations or the holder of any Accelerable Instrument under which Accelerable Instrument an event of default exists (which event of default permits the holder thereof to request that the Master Trustee declare such Indebtedness evidenced by an Obligation due and payable prior to the date on which it would otherwise become due and payable), shall, by notice in writing delivered to Trinity Health, declare the entire principal amount of all Obligations then outstanding under the Master Indenture and the interest accrued thereon immediately due and payable, and the entire principal and such interest shall thereupon become immediately due and payable, subject, however, to the provisions of the Master Indenture with respect to waivers of events of default. The foregoing notwithstanding, if the Supplemental Master Indenture creating an Obligation or Obligations includes a requirement that the consent of any credit enhancer, liquidity provider or any other Person be obtained prior to the acceleration of such Obligation or Obligations, the Master Trustee may not accelerate such Obligation or Obligations without the consent of such Person.

Remedies; Rights of Obligation Holders

Upon the occurrence of any event of default under the Master Indenture, the Master Trustee may pursue any available remedy including a suit, action or proceeding at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Obligations outstanding under the Master Indenture and any other sums due under the Master Indenture and may collect such sums in the manner provided by law out of the Property of Trinity Health or any other Member of the Obligated Group, wherever situated.

If an event of default shall have occurred, and if it shall have been requested so to do by either the holders of 25% or more in aggregate principal amount of Obligations outstanding or the holder of an Accelerable Instrument upon whose request pursuant to the Master Indenture the Master Trustee has accelerated the Obligations, the Master Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Master Indenture as the Master Trustee shall deem most expedient in the interests

of the holders of Obligations; provided, however, that the Master Trustee shall have the right to decline to comply with any such request if the Master Trustee shall be advised by Counsel (who may be its own Counsel) that the action so requested may not lawfully be taken or the Master Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of Obligations not parties to such request.

No remedy by the terms of the Master Indenture conferred upon or reserved to the Master Trustee (or to the holders of Obligations) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Master Trustee or to the holders of Obligations under the Master Indenture now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default, or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default under the Master Indenture, whether by the Master Trustee or by the holders of Obligations, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

Direction of Proceedings by Holders

The holders of a majority in aggregate principal amount of the Obligations then outstanding which have become due and payable in accordance with their terms or have been declared due and payable pursuant to the Master Indenture and have not been paid in full in the case of remedies exercised to enforce such payment, or the holders of a majority in aggregate principal amount of the Obligations then outstanding in the case of any other remedy, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Master Indenture or for the appointment of a receiver or any other proceedings under the Master Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Master Indenture and that the Master Trustee shall have the right to decline to comply with any such request if the Master Trustee shall be advised by Counsel (who may be its own Counsel) that the action so directed may not lawfully be taken or the Master Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of the Obligations not parties to such direction. Pending receipt of such direction from the holders of a majority in aggregate principal amount of the Obligations outstanding, such direction may be given in the same manner and with the same effect by the holder of an Accelerable Instrument upon whose request pursuant to the Master Indenture the Master Trustee has accelerated the Obligations.

The foregoing notwithstanding, the holders of a majority in aggregate principal amount of the Obligations then outstanding which are entitled to the exclusive benefit of certain security in addition to that intended to secure all or other Obligations shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Master Indenture, the Supplemental Master Indenture or Indentures pursuant to which such Obligations were issued or so secured or any separate security document in order to realize on such security; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and of the Master Indenture.

Application of Moneys

All moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of the Master Indenture (except moneys held for the payment of Obligations called for prepayment or redemption which have become due and payable) shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees of, expenses, liabilities and advances

incurred or made by the Master Trustee, any Related Issuers and any Related Bond Trustees, be applied as follows:

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

First: To the payment to the persons entitled thereto of all installments of interest then due on the Obligations, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second: To the payment to the persons entitled thereto of the unpaid principal and premium, if any, on the Obligations which shall have become due (other than Obligations called for redemption or payment for payment of which moneys are held pursuant to the provisions of the Master Indenture), in the order of the scheduled dates of their payment, and, if the amount available shall not be sufficient to pay in full Obligations due on any particular date, then to the payment ratably, according to the amount of principal and premium due on such date, to the persons entitled thereto without any discrimination or privilege; and

Third: To the payment to the persons entitled thereto of all unpaid principal and interest on Obligations, payment of which was extended by such persons as described in the Master Indenture.

(b) If the principal of all the Obligations shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Obligations without preference or priority of principal, premium or interest over the others, 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, premium, if any, and interest to the persons entitled thereto without any discrimination or privilege; provided that no amount shall be paid to any Obligation holder who has extended the time for payment of either principal or interest as described in the Master Indenture until all other principal, premium, if any, and interest owing on Obligations has been paid; and

(c) If the principal of all the 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 paragraph (b) of the Master Indenture described above in the event that the principal of all the Obligations shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of the Master Indenture described above.

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of the Master Indenture, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the holder of any unpaid Obligation until such Obligation shall be presented to the Master Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all Obligations and interest thereon have been paid under the provisions of the Master Indenture and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; provided that, if no other Person shall be entitled thereto, then the balance shall be paid to Trinity Health.

Rights and Remedies of Obligation Holders

No holder of any Obligation shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Master Indenture or for the execution of any trust of the Master Indenture or for the appointment of a receiver or any other remedy under the Master Indenture, unless a default shall have become an event of default and (a) the holders of 25% or more in aggregate principal amount (i) of the Obligations which have become due and payable in accordance with their terms or have been declared due and payable pursuant to the Master Indenture and have not been paid in full in the case of powers exercised to enforce such payment or (ii) the Obligations then outstanding in the case of any other exercise of power or (b) the holder of an Accelerable Instrument upon whose request pursuant to the Master Indenture the Master Trustee has accelerated the Obligations, shall have made a written request to the Master Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted under the Master Indenture or to institute such action, suit or proceeding in its own name, and unless the Master Trustee shall thereafter fail or refuse to exercise the powers granted under the Master Indenture, or to institute such action, suit or proceeding in its own name; and such notification and request are declared pursuant to the Master Indenture in every case at the option of the Master Trustee to be conditions precedent to the execution of the powers and trusts of the Master Indenture and to any action or cause of action for the enforcement of the Master Indenture or for the appointment of a receiver or for any other remedy under the Master Indenture; it being understood and intended that no one or more holders of the Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice the Lien of the Master Indenture by its, his or their action or to enforce any right under the Master Indenture except in the manner in the Master Indenture provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Master Indenture and for the equal benefit of the holders of all Obligations outstanding. Nothing in the Master Indenture contained shall, however, affect or impair the right of any holder to enforce the payment of the principal of, premium, if any, and interest on any Obligation at and after the maturity thereof, or the obligation of Trinity Health and any other Members of the Obligated Group to pay the principal, premium, if any, and interest on each of the Obligations issued under the Master Indenture to the respective holders thereof at the time and place, from the source and in the manner in said Obligations expressed.

Termination of Proceedings

In case the Master Trustee shall have proceeded to enforce any right under the Master Indenture by the appointment of a receiver, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Master Trustee, then and in every case Trinity Health, any other Members of the Obligated Group and the Master Trustee shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Master Indenture and all rights, remedies and powers of the Master Trustee shall continue as if no such proceedings had been taken.

Waiver of Events of Default

If, at any time after the principal of all Obligations shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as provided in the Master Indenture and before the acceleration of any Related Bond, Trinity Health or any other Member of the Obligated Group shall pay or shall deposit with the Master Trustee a sum sufficient to pay all matured installments of interest upon all such Obligations and the principal and premium, if any, of all such Obligations that shall have become due otherwise than by acceleration (with interest on overdue installments of interest and on such principal and premium, if any, at the rate borne by such Obligations to the date of such payment or deposit, to the extent permitted by law) and the expenses of the Master Trustee, and any and all events of default under the Master Indenture, other than the nonpayment of principal of and accrued interest on

such Obligations that shall have become due by acceleration, shall have been remedied, then and in every such case the holders of a majority in aggregate principal amount of all Obligations then outstanding and the holder of each Accelerable Instrument who requested the giving of notice of acceleration, by written notice to Trinity Health and the Master Trustee, may waive all events of default and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or affect any subsequent event of default, or shall impair any right consequent thereon.

For the purposes of the Master Indenture, unless a Related Bond Trustee elects to the contrary or contrary provision is made in a Related Bond Indenture, each Related Bond Trustee shall be deemed the holder of the Obligation or Obligations pledged to secure the Related Bonds with respect to which such Related Bond Trustee is acting as trustee. If two or more series of Related Bonds are issued concurrently under the same Related Bond Indenture, the Related Bond Trustee shall be deemed the holder of the Obligations pledged to secure such Related Bonds to the extent of the principal amount of each such series of Related Bonds to which such Obligations relate.

The foregoing notwithstanding, in the case of any series of Related Bonds supported by credit enhancement, the Related Bond Trustee shall exercise such rights as it may have as a holder of an Obligation in accordance with the directions of such credit enhancer as long as the credit enhancer is performing its obligations under the credit enhancement instrument and is not contesting the validity or enforceability of the credit enhancement instrument.

SUPPLEMENTAL MASTER INDENTURES

Supplemental Master Indentures Not Requiring Consent of Obligation Holders

The Corporation and the Master Trustee may, without the consent of, or notice to, any of the Obligation holders, but with the consent of the Series 1998 Bond Insurer in the case of an amendment pursuant to subparagraph (m) below as long as the Series 1998 Bonds are outstanding and the Series 1998 Bond Insurer is performing its obligations under each existing financial guaranty insurance policy on the Series 1998 Bonds and is not contesting the validity or enforceability of any financial guaranty insurance policy on the Series 1998 Bonds, amend or supplement the Master Indenture, for any one or more of the following purposes:

- (a) to cure any ambiguity or defective provision in or omission from the Master Indenture in such manner as is not inconsistent with and does not impair the security of the Master Indenture or adversely affect the holder of any Obligation;
- (b) to grant to or confer upon the Master Trustee for the benefit of the Obligation holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Obligation holders and the Master Trustee, or either of them, to add to the covenants of the Obligated Group for the benefit of the Obligation holders or to surrender any right or power conferred under the Master Indenture upon the Obligated Group;
- (c) to assign and pledge under the Master Indenture any additional revenues, properties or collateral;
- (d) to evidence the succession of another corporation to the covenants and agreements of Trinity Health or any other Member of the Obligated Group or the Master Trustee, or the successor of any thereof under the Master Indenture;
- (e) to permit the qualification of the Master Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter in effect or to permit the qualification of any Obligations for sale under the securities laws of any state of the United States;
- (f) to provide for the refunding or advance refunding of any Obligation;

- (g) to provide for the issuance of Obligations;
- (h) to reflect the addition of a Member to or the withdrawal of a Member from the Obligated Group in accordance with the Master Indenture;
- (i) to provide for the issuance of Obligations with original issue discount, provided such issuance would not materially adversely affect the holders of outstanding Obligations;
- (j) to permit an Obligation to be secured by security which is not extended to all Obligation holders;
- (k) to permit the issuance of Obligations which are not in the form of a promissory note;
- (l) to modify or eliminate any of the terms of the Master Indenture as long as such Supplemental Master Indenture expressly provides that any such modifications or eliminations shall become effective only when there is no Obligation outstanding of any series created prior to the execution of such Supplemental Master Indenture;
- (m) to make any other changes to the Master Indenture (other than changes described in the proviso in the first paragraph under the subcaption, **“Supplemental Master Indentures Requiring Consent of Obligation Holders”**) as long as the Historical Debt Service Coverage Ratio of the Credit Group for the immediately preceding Fiscal Year was not less than 1.50 to 1.00; provided, however, that no such amendment to the Master Indenture made pursuant to this subparagraph (m) shall (i) lower the Historical Debt Service Coverage Ratio of the Credit Group specified in the Master Indenture below 1.10 to 1.00 or (ii) increase the percentages specified in subparagraphs (h) and (m) of the definition of “Permitted Encumbrances” or otherwise alter the covenants in the Master Indenture respecting Liens; and
- (n) to make any other change which does not materially adversely affect the holders of any of the Obligations and does not materially adversely affect the holders of any Related Bonds, including, without limitation, any modification, amendment or supplement to the Master Indenture or any indenture supplemental to the Master Indenture in such manner as to establish or maintain exemption of interest on any Related Bonds under a Related Bond Indenture from federal income taxation under applicable provisions of the Code.

As long as the Series 1998 Bonds are outstanding and the Series 1998 Bond Insurer is performing its obligations under each existing financial guaranty insurance policy on the Series 1998 Bonds and is not contesting the validity or enforceability of any financial guaranty insurance policy on the Series 1998 Bonds, no amendments made pursuant to subparagraph (m) above shall be effective without the consent of the Series 1998 Bond Insurer.

Supplemental Master Indentures Requiring Consent of Obligation Holders

In addition to Supplemental Master Indentures described above, the holders of not less than a majority in aggregate principal amount of the Obligations which are outstanding at the time of the execution of such Supplemental Master Indenture or, in case less than all of the several series of Obligations are affected thereby, the holders of not less than a majority in aggregate principal amount of the Obligations of each series affected thereby which are outstanding under the Master Indenture at the time of the execution of such Supplemental Master Indenture, shall have the right, from time to time, anything contained in the Master Indenture to the contrary notwithstanding, to consent to and approve the execution by Trinity Health and the Master Trustee of such Supplemental Master Indentures as shall be deemed necessary and desirable by Trinity Health for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture or in any Supplemental Master Indenture; provided, however, that no such supplement shall permit, or be construed as permitting, (a) an extension of the stated maturity or

reduction in the principal amount of or reduction in the rate or extension of the time of paying of interest on or reduction of any premium payable on the redemption of, any Obligation, without the consent of the holder of such Obligation, (b) a reduction in the aforesaid aggregate principal amount of Obligations the holders of which are required to consent to any such Supplemental Master Indenture, without the consent of the holders of all the Obligations at the time outstanding which would be affected by the action to be taken, (c) the creation of any Lien ranking prior to or on a parity with the Lien of the Master Indenture with respect to the trust estate, if any, subject hereto or terminate the Lien of the Master Indenture on any Property at any time subject to the Master Indenture or deprive the holder of any Obligation of the security afforded by the Lien of the Master Indenture, except as otherwise permitted by the Master Indenture, or (d) modification of the rights, duties or immunities of the Master Trustee.

SATISFACTION OF MASTER INDENTURE

Defeasance

If the payment or provision for the payment of the entire indebtedness on all Obligations (including, any Obligations owned by Trinity Health or any other Member of the Obligated Group) outstanding shall be made in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on all Obligations outstanding, as and when the same become due and payable;

(b) by depositing with the Master Trustee, in trust, at or before maturity, moneys in an amount sufficient to pay or redeem (when redeemable) all Obligations outstanding (including the payment of premium, if any, and interest payable on such Obligations to the maturity or redemption date thereof), provided that such moneys, if invested, shall be invested at the direction of Trinity Health in Escrow Obligations, in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations outstanding at or before their respective maturity dates; it being understood that the investment income on such Escrow Obligations may be used at the direction of Trinity Health for any other purpose permitted by law;

(c) by delivering to the Master Trustee, for cancellation by it, all Obligations outstanding; or

(d) by depositing with the Master Trustee, in trust, before maturity, Escrow Obligations in such amount as the Master Trustee shall determine will, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations outstanding at or before their respective maturity dates;

and if all other sums payable under the Master Indenture by the Obligated Group shall have been paid or provision for their payment shall have been made, and if any such Obligations are to be redeemed or prepaid prior to the maturity thereof, notice of such redemption or pre-payment shall have been given in accordance with the requirements of the Master Indenture or provisions satisfactory to the Master Trustee shall have been made for the giving of such notice, then in that case, the Master Indenture and the estate and rights granted under the Master Indenture shall cease, determine, and become null and void, and thereupon the Master Trustee shall, upon a written request of Trinity Health, and upon receipt by the Master Trustee of an Officer's Certificate of Trinity Health and an opinion of Counsel acceptable to the Master Trustee, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of the Master Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging the Master Indenture and the lien hereof. The satisfaction and discharge of the Master Indenture shall be without prejudice to the rights of the Master Trustee to charge and be reimbursed by the Obligated Group for any expenditures which it may thereafter incur in connection with the Master Indenture. The foregoing

notwithstanding, the liability of the Obligated Group in respect of the Obligations shall continue, but the holders thereof shall thereafter be entitled to payment only out of the moneys or Escrow Obligations deposited with the Master Trustee as aforesaid.

Any moneys, funds, securities, or other property remaining on deposit under the Master Indenture (other than said Escrow Obligations or other moneys deposited in trust as above provided) shall, upon the full satisfaction of the Master Indenture, forthwith be transferred, paid over and distributed to Trinity Health.

The Corporation may at any time surrender to the Master Trustee for cancellation by it any Obligations previously authenticated and delivered which Trinity Health may have acquired in any manner whatsoever, and such Obligations, upon such surrender and cancellation, shall be deemed to be paid and retired.

Provision for Payment of a Particular Series of Obligations or Portion Thereof

If the payment or provision for the payment of the entire indebtedness on all Obligations of a particular series or a portion of such a series (including any such Obligations owned by Trinity Health or any other Member of the Obligated Group) shall be made in one of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on all Obligations of such series or portion thereof outstanding, as and when the same shall become due and payable;

(b) by depositing with the Master Trustee, in trust, at or before maturity, moneys in an amount sufficient to pay or redeem (when redeemable) all Obligations of such series or portion thereof outstanding (including the payment of premium, if any, and interest payable on such Obligations to the maturity or redemption date), provided that such moneys, if invested, shall be invested at the direction of Trinity Health in Escrow Obligations in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations of such series or portion thereof outstanding at or before their respective maturity dates; it being understood that the investment income on such Escrow Obligations may be used at the direction of Trinity Health for any other purpose permitted by law;

(c) by delivering to the Master Trustee, for cancellation by it, all Obligations of such series or portion thereof outstanding; or

(d) by depositing with the Master Trustee, in trust, Escrow Obligations in such amount as the Master Trustee shall determine will, together with the income or increment to accrue thereon without consideration of any reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations of such series or portion thereof at or before their respective maturity dates;

and if all other sums payable under the Master Indenture by the Obligated Group with respect to such series of Obligations or portion thereof shall have been paid or provision for their payment shall have been made, and if any such Obligations of such series or portion thereof are to be redeemed or prepaid prior to the maturity thereof, notice of such redemption or prepayment shall have been given in accordance with the requirements of the Master Indenture or provisions satisfactory to the Master Trustee shall have been made for the giving of such notice, then in that case such Obligations shall cease to be entitled to any lien, benefit or security under the Master Indenture. The foregoing notwithstanding, the liability of the Obligated Group in respect of such Obligations shall continue, but the holders thereof shall thereafter be entitled to payment (to the exclusion of all other Obligation holders) only out of the moneys or Escrow Obligations deposited with the Master Trustee as aforesaid.

APPENDIX E

BOOK-ENTRY SYSTEM

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (the “Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations (“Direct Participants”). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, L.L.C., and the National Association of Securities Dealers, Inc. Access to the DTC system also is available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of 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 (“Beneficial Owner”), in turn, is to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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 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 nominee effect no 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.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer of such Bonds 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).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on each payment date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe that it will not receive payment on such payment date. 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 Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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

The Issuer, Trinity Health and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Bonds (i) payments of principal of or interest and premium, if any, on the Bonds, (ii) any document representing or confirming beneficial ownership interests in the Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "rules" applicable to DTC are on file with the Securities and Exchange Commission, and the current "procedures" of DTC to be followed in dealing with the Participants are on file with DTC.

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

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments with respect to the Bonds to DTC Participants, Indirect Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Bonds and other related transactions by and between DTC, the DTC Participants, the Indirect Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters, and neither the DTC Participants, the Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but, instead, should confirm the same with DTC or the DTC Participants, as the case may be.

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APPENDIX F

FORM OF OPINION OF BOND COUNSEL

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[date of closing]

Montgomery County, Maryland
101 Monroe Street
Rockville, Maryland 20850

Ladies and Gentlemen:

We have acted as bond counsel and counsel to Montgomery County, Maryland, a body politic and corporate and a political subdivision of the State of Maryland (the "Issuer"), in connection with the issuance by the Issuer of \$65,000,000 aggregate principal amount of its Economic Development Revenue Bonds (Trinity Health Credit Group), Series 2001, dated October 15, 2001 (the "Bonds"). In connection with the issuance of the Bonds, we have examined:

- (i) Sections 14-101 through 14-109 of Article 41 of the Annotated Code of Maryland (1997 Replacement Volume and 2001 Cumulative Supplement), as amended (the "Act");
- (ii) a resolution of the Issuer adopted on October 16, 2001 (the "Resolution");
- (iii) a Bond Indenture dated as of October 15, 2001 (the "Bond Indenture") by and between the Issuer and Bank One Trust Company, N.A. (the "Trustee");
- (iv) a Loan Agreement dated as of October 15, 2001 (the "Loan Agreement") by and between the Issuer and Trinity Health Corporation (the "Borrower"), pursuant to which the Issuer will lend the proceeds of the Bonds to the Borrower;
- (v) the form of Bond; and
- (vi) other proofs submitted to us relative to the issuance and sale of the Bonds.

We refer you to the Bonds and to the Bond Indenture for a description of the purposes for which the Bonds are issued, the security for the Bonds, the manner in which and times at which the principal, premium (if any) and interest on, and the redemption price of, the Bonds are payable, the interest rate or rates payable on the Bonds, the provisions under which the Bonds may be redeemed prior to their stated maturity and all other details of the Bonds.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon the factual statements, representations and warranties made by the Issuer and the Borrower in the documents underlying issuance of the Bonds, the certified proceedings of the Issuer, and certifications by public officials and officials of the Borrower (including certifications as to the use of proceeds of the Bonds, matters pertaining to qualified 501(c)(3) bonds and other information which is material to paragraph (i) below).

Foley & Lardner, counsel to the Borrower, has rendered an opinion dated this date respecting, among other things, the tax-exempt status of the Borrower. We are relying upon such opinion, without independent investigation, in rendering this opinion.

We have made no investigation of, and are rendering no opinion regarding, the title to real or personal property.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Bond Indenture.

Based upon the foregoing, and subject to the qualifications set forth herein, it is our opinion under existing law and as of the date hereof that:

(a) The Issuer is a validly created and existing body politic and corporate and a political subdivision of the State of Maryland, having full power and authority to issue the Bonds.

(b) The Bond Indenture has been duly authorized, executed and delivered by the Issuer and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms.

(c) The Loan Agreement has been duly authorized, executed and delivered by the Issuer and, assuming the due authorization, execution and delivery thereof by the Borrower, constitutes a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms.

(d) The Resolution has been validly adopted by the Issuer and has not been amended, rescinded or revoked and is in full force and effect.

(e) The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding limited obligations of the Issuer, entitled to the benefits and securities of the Bond Indenture.

(f) Enforcement of the Bonds, the Bond Indenture and the Loan Agreement is subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and to equitable principles, whether considered at law or in equity.

(g) By the terms of the Act, the Resolution and the Bond Indenture, neither the Bonds nor the interest thereon shall ever constitute an indebtedness or general obligation of the Issuer or a charge against, or pledge of the general credit or taxing powers of the Issuer, within the meaning of any constitutional or charter provision or statutory limitation, and neither shall ever constitute or give rise to any pecuniary liability of the Issuer. The Bonds and the interest thereon are limited obligations of the Issuer, repayable by the Issuer solely from the revenues derived from Loan repayments (both principal and interest) made to the Issuer by the Borrower on account of the Loan and from any other monies made available to the Issuer for such purpose.

(h) By the terms of the Act, the principal amount of Bonds, the interest payable thereon, their transfer, and any income derived therefrom, including any profit made in the sale or transfer thereof, is and shall remain exempt from taxation by the State of Maryland and by its several counties and municipalities, but no opinion is expressed as to estate or inheritance taxes, Maryland franchise taxes on certain financial institutions measured by income, or to any other taxes not levied or assessed directly on the Bonds or the interest thereon.

(i) Interest on the Bonds is excludable from gross income for federal income tax purposes, and the interest on the Bonds is not an enumerated preference or adjustment for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest may be taken into account in determining "adjusted current earnings" for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign

corporations engaged in a trade or business in the United States. The opinion set forth in the preceding sentence is subject to the condition that the Issuer and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer and the Borrower have made covenants and representations intended to comply with all such requirements. We have not independently verified, and will not monitor compliance with, the covenants and representations of the Issuer and the Borrower. In the event of noncompliance with such covenants and representations, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for Federal income tax purposes from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

Other than as set forth in the preceding paragraphs (h) and (i), we express no opinion regarding the federal or state income tax consequences arising with respect to the Bonds.

The opinions in this letter are limited to the matters set forth in this letter, and no other opinions should be inferred beyond the matters expressly stated herein. This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

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