

**HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA**

**MINUTES OF NOVEMBER 8, 2012 MEETING**

**(Open Session)**

**Attendees:** Authority Board Members: Ralph Rosenberg; Dr. Chuck Lingle; John Hayes; Lamar Reese; Fred Ghiglieri; Dr. Steven Wolinsky; Dr. John Inman, Jr.; Rev. Eugene Sherman; and Rev. H. B. Johnson; Legal Counsel: James E. Reynolds, Jr. Also present were: Joel Wernick; Kerry Loudermilk; Joe Austin; Tommy Chambless; Tom Sullivan; Tim Trottier; and, Records, Annette Allen and Mary Barfield.

**Absent Authority Members:** None

**Call to Order:**

The meeting was called to order by Chairman Rosenberg at 7:30 A.M. in the Willson Board Room of Phoebe's Main Campus.

**Open Meeting and Establish a Quorum:**

Mr. Rosenberg welcomed the Authority and established that a quorum was present, with all nine Members being in attendance.

**Approval of the Agenda:**

The proposed Agenda was reviewed and a motion was made by Fred Ghiglieri and seconded by Rev. Sherman, to adopt the Agenda as presented. The motion was approved by all Authority Members in attendance.

**Approval of the Minutes:**

The Minutes of the August 23, 2012 meeting having been provided to the Members prior to the meeting, were considered for approval. Dr. Lingle made a motion, seconded by John Hayes to approve the Minutes as previously provided (copy attached). The motion passed unanimously.

**Audited Financial Statements for FYE 2012:**

Lin Harris of Draffin & Tucker presented the audited financial statements of the Authority for its FYE 2012. Questions and discussion followed. A motion was made by Dr. Lingle and seconded by Dr. Inman, to approve and accept the presented Financial Statements (a copy of which is attached).

**Closing of the Meeting:**

A motion was made by Rev. Sherman and seconded by Lamar Reese to close the meeting in order to discuss with legal counsel pending and potential claims and litigation as well as to discuss proprietary plans and strategies that may be of competitive advantage in the operation of Phoebe Putney Memorial Hospital and/or Phoebe North or their medical facilities.

Mr. Rosenberg polled the individual Authority Members with respect to their vote on the motion and their votes are shown below:

Ralph Rosenberg	Yes
Dr. Chuck Lingle	Yes
Fred Ghiglieri	Yes
Lamar Reese	Yes
Rev. Sherman	Yes
Rev. H. B. Johnson	Yes
John Hayes	Yes
Dr. Wolinsky	Yes
Dr. John Inman	Yes

The motion having passed, the meeting was closed at 7:45 A.M.

**Open Session Reconvened:**

The Open Session portion of the Meeting reconvened, the Members having voted to do so.

**Financial Report:**

Kerry Loudermilk gave a presentation on financial operations in connection with Phoebe Main Campus and Phoebe North combined. Discussions ensued. A copy of his report is attached.

**CEO Report:**

Joel Wernick presented a detailed report to the Authority concerning the need for Phoebe to remain a financially healthy and stable hospital. Phoebe is rated AA by Moody's and is likely the smallest U.S. Not-for-Profit Hospital with such a rating. Because of the corresponding interest savings, the Phoebe Board and Officers give high priority to maintaining the best possible financial rating. A copy of the presentation is attached.

At Mr. Wernick's request, Bob LaGessee gave an informative presentation regarding the Dougherty County/Phoebe Putney Memorial Hospital Inmate Medical Services Contract. A copy of the presentation is attached.

Dr. Wolinsky left the meeting at 8:40 A.M., followed by Rev. H. B. Johnson at 8:50 A.M.

**Consideration of Resolution for Issuance of 2012 Bonds and Modification of Outstanding 2008 Series A and B Bonds:**

Kerry Loudermilk gave a report and explanation to the Authority regarding the 1993, 2008 and 2012 Bonds and the strategy in connection with both the conversion of 2008 Bonds and the issuance of the 2012 Bonds. The proposed Bond Resolution pertaining to the conversion of the Series 2008 Bond and the Series 2012 Bonds was reviewed by Jay Reynolds. A copy of the Resolution had been previously provided to the Members. Following a motion by Dr. Lingle, seconded by Rev. Sherman, all seven Members present voted to approve and adopt the attached Bond Resolution.

**Resolution Authorizing Clarification of Amended and Restated Lease:**

Jay Reynolds presented a proposed Resolution authorizing clarification of the term of the Amended and Restated Lease. A motion was made by Fred Ghiglieri, seconded by John Hayes, to approve the attached Clarifying Resolution which had been previously provided to the Members. All seven Members present approved adoption of the same.

**Recognition of Departing Board Member and other Business:**

A framed Resolution honoring Dr. John S. Inman, Jr. was read and presented to Dr. Inman by Chairman Rosenberg for his many years of leadership, vision and service to the Authority and to the Community. A copy of the Resolution is attached.

Mr. Rosenberg reminded the Authority Members that a likely November 30, 2012 Special Meeting would probably be held to approve final pricing of the Bond, and the corresponding agreement with the Underwriters.

**Adjournment:**

There being no further business, the meeting adjourned at 9:15 A.M.

  
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Mary S. Barfield, Recorder

## AGENDA

### HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

Meeting of November 8, 2012  
7:30 A.M.  
(Willson Board Room)

- |       |   |                                   |
|-------|---|-----------------------------------|
| I.    | Open meeting and establish quorum   | Ralph Rosenberg                   |
| II.   | Consider Approval of Agenda   | Ralph Rosenberg                   |
| III.  | Consideration of Open Session Minutes of August 23, 2012 meeting (Draft previously provided to Members)   | Ralph Rosenberg                   |
| IV.   | Presentation of Authority's Audited Financial Statements for FYE 2012   | Lin Harris                        |
| V.    | Motion and vote to close meeting in order to: discuss pending and potential claims and litigation as well as other legally confidential matters with legal counsel and to discuss and review proprietary plans and strategies that may be of competitive advantage in the operation of Phoebe Putney Memorial Hospital and/or Phoebe North or their medical facilities. | Ralph Rosenberg                   |
| VI.   | Financial Reports   | Kerry Loudermilk                  |
| VII.  | CEO Reports   | Joel Wernick                      |
| VIII. | Consideration of Resolution for issuance of 2012 Bonds and Resolution for Modification to outstanding 2008 Series A and B Bond Documents  | Kerry Loudermilk/<br>Jay Reynolds |
| IX.   | Resolution authorizing clarification of Amended and Restated Lease  | Jay Reynolds                      |
| X.    | Recognition of departing Board Members and other Business, if any   | Ralph Rosenberg                   |
| XI.   | Mention of likely November 30 <sup>th</sup> Special Meeting to approve final pricing of Bonds agreement with underwriters   | Ralph Rosenberg/<br>Jay Reynolds  |
| XII.  | Adjournment   | Ralph Rosenberg                   |

**HOSPITAL AUTHORITY OF  
ALBANY-DOUGHERTY COUNTY, GEORGIA**

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**FINANCIAL STATEMENTS**

**for the years ended July 31, 2012 and 2011**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Hospital Authority of Albany-Dougherty  
County, Georgia  
Albany, Georgia

We have audited the accompanying balance sheets of Hospital Authority of Albany-Dougherty County, Georgia (Authority) as of July 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have 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, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Authority of Albany-Dougherty County, Georgia as of July 31, 2012 and 2011, and the results of its operations and changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Continued

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Accounting principles generally accepted in the United States of America require that Management's Discussions and Analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Draffin & Tucker, LLP*

Albany, Georgia

November 8, 2012



**Management's Discussion and Analysis  
For the Year Ending July 31, 2012**

Our discussion and analysis of the Hospital Authority of Albany-Dougherty County, Georgia's (Authority) financial performance provides an overview of the Authority's financial activities during the fiscal years ended July 31, 2012, 2011 and 2010. Please read it in conjunction with the Authority's financial statements and accompanying notes.

**Using the Annual Report**

The Authority's financial statements consist of three statements – a balance sheet; a statement of revenues, expenses and changes in net assets; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Authority.

**The Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Assets**

One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses, and changes in net assets report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net assets and changes in them. You can think of the Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the Authority's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Authority.

**The Statement of Cash Flows**

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?" and "What was the change in cash balance during the reporting period?"



**Management's Discussion and Analysis  
For the Year Ending July 31, 2012**

**The Authority's Net Assets**

The Authority's net assets are the difference between its assets and liabilities reported on the balance sheet. The following table summarizes the balance sheets as of July 31, 2012, 2011 and 2010:

**Balance Sheet Data**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets:			
Current assets	\$ 29,919,557	\$ 206,309	\$ 37,749
Capital assets, net	35,583,970	-	-
Other noncurrent assets	<u>157,345,334</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>222,848,861</u>	\$ <u>206,309</u>	\$ <u>37,749</u>
Current liabilities	\$ 225,354,339	\$ 3,612,415	\$ 4,477
Net assets:			
Invested in capital assets, net of related debt	35,583,970	-	-
Unrestricted	<u>( 38,089,448)</u>	<u>(3,406,106)</u>	<u>33,272</u>
Total liabilities and net assets	\$ <u>222,848,861</u>	\$ <u>206,309</u>	\$ <u>37,749</u>

**Management's Discussion and Analysis  
For the Year Ending July 31, 2012**

The following table summarizes the revenues and expenses for the periods ended July 31, 2012, 2011 and 2010:

**Statement of Revenue and Expense Data**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 35,898,719	\$ -	\$ -
Operating expenses	<u>39,604,242</u>	<u>4,380,735</u>	<u>86,404</u>
Operating loss	( 3,705,523)	(4,380,735)	(86,404)
Nonoperating income (expenses)	<u>4,606,151</u>	<u>941,357</u>	<u>98,938</u>
Increase (decrease) in net assets	900,628	(3,439,378)	12,534
Net assets at beginning of year	( <u>3,406,106</u> )	<u>33,272</u>	<u>20,738</u>
Net assets at end of year	\$( <u>2,505,478</u> )	\$( <u>3,406,106</u> )	\$ <u>33,272</u>

The Authority purchased Palmyra Park Hospital, LLC on December 16, 2011 from HCA Healthcare, Inc. The facility is a fully-operational acute care hospital licensed for 248 beds. The facility has continued to offer services to the community during the transition period to new ownership. Long range plans are currently in process for the facility to provide a dedicated Women and Children's Center for the community and surrounding areas.

**Capital Assets**

As of July 31, 2012, the Authority had approximately \$35,584,000 invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the financial statements. In 2012, the Authority purchased new capital assets costing approximately \$35,584,000.

**Short-Term Obligations**

At year-end, the Authority had approximately \$217,893,000 in short-term obligations outstanding as detailed in Note 7 to the financial statements. In 2012, the Authority entered into short-term obligations of approximately \$217,893,000.

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HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

BALANCE SHEETS, July 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 17,648,418	\$ 206,309
Patient accounts receivable, net of estimated uncollectibles of \$21,395,538 in 2012	9,092,766	-
Supplies, at lower of cost (first-in, first-out) or market	2,912,781	-
Other current assets	<u>265,592</u>	<u>-</u>
Total current assets	<u>29,919,557</u>	<u>206,309</u>
<b>Capital assets:</b>		
Non-depreciable	6,514,274	-
Depreciable, net of accumulated depreciation	<u>29,069,696</u>	<u>-</u>
Total capital assets, net of accumulated depreciation	<u>35,583,970</u>	<u>-</u>
<b>Other assets:</b>		
Goodwill	<u>157,345,334</u>	<u>-</u>
Total assets	<u>\$ 222,848,861</u>	<u>\$ 206,309</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 3,737,256	\$ 3,612,415
Accrued expenses	2,732,950	-
Estimated third-party payor settlements	891,070	-
Deferred revenue	100,000	-
Short-term obligations	<u>217,893,063</u>	<u>-</u>
Total current liabilities	225,354,339	3,612,415
<b>Net assets:</b>		
Unrestricted	<u>( 2,505,478)</u>	<u>(3,406,106)</u>
Total liabilities and net assets	<u>\$ 222,848,861</u>	<u>\$ 206,309</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS

for the years ended July 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Net patient service revenue (net of provision for bad debts of \$9,088,000 in 2012)	\$ 35,292,985	\$ -
Other revenue	<u>605,734</u>	<u>-</u>
Total operating revenues	<u>35,898,719</u>	<u>-</u>
Operating expenses:		
Salaries and wages	11,975,422	-
Employee health and welfare	4,146,124	-
Medical supplies and other	12,584,774	4,380,735
Professional services	2,781,463	-
Purchased services	5,489,805	-
Depreciation and amortization	<u>2,626,654</u>	<u>-</u>
Total operating expenses	<u>39,604,242</u>	<u>4,380,735</u>
Operating loss	<u>( 3,705,523)</u>	<u>(4,380,735)</u>
Nonoperating income (expenses):		
Contributions from Phoebe Putney Memorial Hospital, Inc.	4,956,151	941,357
Interest expense	<u>( 350,000)</u>	<u>-</u>
Total nonoperating income	<u>4,606,151</u>	<u>941,357</u>
Increase (decrease) in net assets	900,628	(3,439,378)
Net assets, beginning of year	<u>( 3,406,106)</u>	<u>33,272</u>
Net assets, end of year	<u>\$( 2,505,478)</u>	<u>\$(3,406,106)</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

STATEMENTS OF CASH FLOWS  
for the years ended July 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Funds paid to Georgia Department of Community Health:		
Indigent Care Trust Fund	\$( 2,802,812)	\$( 3,834,070)
Upper payment limit	( 744,169)	( 1,373,263)
Funds received from Georgia Department of Community Health:		
Indigent Care Trust Fund	8,282,542	11,058,756
Upper payment limit	2,199,081	4,672,475
Lease revenue	1	1
Transfer of funds received from Georgia Department of Community Health to Phoebe Putney Memorial Hospital, Inc.	( 6,934,642)	(10,523,898)
Cash received from patients and payors	27,697,023	-
Cash payments to employees	( 14,529,101)	-
Payments to vendors and other suppliers	<u>( 19,767,311)</u>	<u>( 772,797)</u>
Net cash used by operating activities	<u>( 6,599,388)</u>	<u>( 772,796)</u>
Cash flows from capital and related financing activities:		
Proceeds from short-term obligations	217,993,063	-
Interest paid on short-term obligations	( 350,000)	-
Purchase of capital assets	<u>( 241,874)</u>	<u>-</u>
Net cash provided by capital and related financing activities	<u>217,401,189</u>	<u>-</u>
Cash flows from investing activities:		
Acquisition of Palmyra Park Hospital, LLC	<u>(198,315,843)</u>	<u>-</u>

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

STATEMENTS OF CASH FLOWS, Continued  
for the years ended July 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from noncapital financing activities:		
Transfer from Phoebe Putney Memorial Hospital, Inc.	\$ 3,546,981	\$ 5,207,333
Transfer to Phoebe Putney Memorial Hospital, Inc.	( 3,546,981)	(5,207,333)
Noncapital contributions	<u>4,956,151</u>	<u>941,356</u>
Net cash provided by noncapital financing activities	<u>4,956,151</u>	<u>941,356</u>
Net increase in cash	17,442,109	168,560
Cash, beginning of year	<u>206,309</u>	<u>37,749</u>
Cash, end of year	\$ <u>17,648,418</u>	\$ <u>206,309</u>
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash in current assets	\$ <u>17,648,418</u>	\$ <u>206,309</u>
Reconciliation of operating loss to net cash flows used by operating activities:		
Operating loss	\$( 3,705,523)	\$(4,380,735)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	2,626,654	-
Changes in:		
Patient accounts receivable	( 9,092,766)	-
Supplies	303,253	-
Other assets	378,850	-
Accounts payable	124,841	3,607,939
Amounts due to third-party payors	891,070	-
Accrued expenses	<u>1,874,233</u>	<u>-</u>
Net cash used by operating activities	\$( <u>6,599,388</u> )	\$( <u>772,796</u> )

Supplemental disclosures of cash flow information:

- See Note 9 for additional information related to the purchase of Palmyra.

See accompanying notes to financial statements.



# HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

#### Organization

The Hospital Authority of Albany-Dougherty County, Georgia (Authority) is a public corporation organized to operate, control, and manage matters concerning the County's health care functions.

On September 1, 1991, the Hospital Authority implemented a reorganization plan whereby all of the assets and day-to-day management of Phoebe Putney Memorial Hospital were transferred to Phoebe Putney Memorial Hospital, Inc., a not-for-profit corporation (Corporation), qualified as an organization described in Section 501(c)(3) of the Internal Revenue Code. The transfer was made pursuant to a Lease and Transfer Agreement dated as of December 11, 1990 between the Hospital Authority and the Corporation. A nominal annual lease payment is paid to the Hospital Authority. During 2009, the lease term was renewed to the original term of forty years.

Under the terms of the Agreement, any debt issued by the Hospital Authority will be the responsibility of the Corporation. As of July 31, 2012, approximately \$213,830,000 of Revenue Anticipation Certificates are outstanding in the Authority's name. These certificates are recorded and disclosed in the financial statements of the Corporation for the year ended July 31, 2012.

On December 15, 2011, the Authority purchased substantially all assets of Palmyra Park Hospital, LLC (Palmyra), a general acute care hospital located in Albany, Georgia. The Authority is operating Palmyra under the name Phoebe North. See Note 9 for a summary of the purchase transaction. See Note 16 for information related to the lease of Palmyra to the Corporation subsequent to year end.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Enterprise Fund Accounting

The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement No. 20, as amended, the Authority has elected to apply the provisions of all relevant pronouncements of the FASB, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncement.

Allowance for Doubtful Accounts

The Authority provides an allowance for doubtful accounts based on the evaluation of the overall collectibility of the accounts receivable. As accounts are known to be uncollectible, the account is charged against the allowance.

Supplies

Supplies are valued at the lower-of-cost or market value.

Capital Assets

Capital asset acquisitions are recorded at cost. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Depreciation is provided over the estimated useful life of each depreciable asset (per the American Hospital Association (AHA) Guidelines for Depreciable Assets) and is computed using the straight-line method. The AHA Guidelines generally provide the following range in asset life by category:

Land improvements	10 to 20 years
Buildings and improvements	10 to 40 years
Equipment	3 to 15 years

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Goodwill

Goodwill and intangible assets with indefinite lives are not amortized, but are tested for impairment annually and more frequently in the event of an impairment indicator. Intangible assets with definite lives are amortized over their respective estimated useful lives, and reviewed whenever events or circumstances indicate impairment may exist. Intangible assets are categorized as capital assets in the balance sheet.

As of July 31, 2012, the Authority had goodwill of approximately \$157,345,000, which is subject to the impairment tests prescribed under the authoritative guidance. See Note 8 for additional information related to goodwill. See Note 9 for additional information related to the purchase of Palmyra.

Net Assets

Net assets of the Authority are classified into two components – *invested in capital assets, net of related debt* and *unrestricted*. These classifications are defined as follows:

- *Invested in capital assets, net of related debt* – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Unrestricted net assets* – This component of net assets consists of net assets that do not meet the definition of *invested in capital assets, net of related debt*.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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.

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HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Charity Care

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

Operating Revenues and Expenses

The Authority's statement of revenues, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Authority's principal activity. Nonexchange revenues, including interest expense, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating income. Amounts restricted to capital acquisitions are reported after nonoperating income.

Income Taxes

The Authority is a governmental entity and is exempt from income taxes. Therefore, no provision for income taxes is made in the financial statements.

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HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Risk Management

The Authority is exposed to various risks of loss from torts. The Authority purchases commercial insurance with a self-retention amount to protect itself against such risks. The provision for estimated professional liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. See Note 12 for a summary of the professional and general liability program. The Authority is self-insured for employee health and accident benefits, and purchases stop-loss coverage for large claims. The expenses for employee health claims include the costs of actual claims incurred and an estimate of the claims incurred but not reported. See Note 11 for a summary of the employee health plan. The Authority has purchased commercial insurance for claims arising from theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters.

Compensated Absences

The Authority has implemented a paid hours off (PHO) policy in an effort to preserve the PHO accrued by Palmyra Park Hospital, LLC's employees prior to acquisition. The accrued PHO earned by the new employees will be carried forward to future years until exhausted. The new employees will also be able to earn PHO from the Authority and will be able to use the PHO earned from the Authority once their PHO from their prior employer is exhausted.

Authority employees will earn PHO at varying rates depending on employee level and length of employment. PHO may be used for personal, vacation, holiday and sick time away from work. Generally, employees may carry forward PHO time. In the event of termination, the employee will be compensated for unused PHO. The Authority also provides to its employees an extended illness bank and a short-term disability bank of which both accrue at varying rates based on employee level and length of employment.

Restricted Resources

When the Authority has both restricted and unrestricted resources available to finance a particular program, it is the Authority's policy to use restricted resources before unrestricted resources.

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HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

2. Charity Care

The Authority maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. The following information measures the level of charity care provided during the years ended July 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Charges foregone, based on established rates	\$ <u>4,485,995</u>	\$ <u>-</u>
Estimated costs and expenses incurred to provide charity care	\$ <u>1,102,086</u>	\$ <u>-</u>
Equivalent percentage of charity care patients to all patients served	<u>2.8%</u>	<u>-</u> %

3. Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. The Authority does not believe that there are any significant credit risks associated with receivables due from third-party payors.

Revenue from the Medicare and Medicaid programs accounted for approximately 36% and 8%, respectively, of the Authority's net patient revenue for the year ended July 31, 2012. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Authority believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC's have authority to pursue improper payments with a three year look back from the date the claim was paid. 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.

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

3. Net Patient Service Revenue, Continued

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

- Medicare

Inpatient acute care, outpatient and rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

The Authority is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare Administrative Contractor (MAC). The Authority's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Authority. As of year end, the Authority's only open Medicare cost report is for the reporting period ending July 31, 2012.

- Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per admission. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Authority is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicaid fiscal intermediary. As of year end, the Authority's only open Medicaid cost report is for the reporting period ending July 31, 2012.

The Authority contracts with certain managed care organizations to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diem rates.

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

3. Net Patient Service Revenue, Continued

The Authority has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Authority under these agreements includes discounts from established charges and prospectively determined rates per discharge.

During 2010, the state of Georgia enacted legislation known as the Provider Payment Agreement Act (the Act) whereby hospitals in the state of Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient revenue. The Act became effective July 1, 2010, the beginning of state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment resulted in an increase in hospital payments on Medicaid services of approximately 11.88%. Approximately \$732,000 and \$0- relating to the Act is included in medical supplies and other in the accompanying statements of revenues, expenses and changes in net assets for the years ended July 31, 2012 and 2011, respectively.

Gross patient charges, contractual adjustments, provision for bad debts, and related allowances included in net patient service revenue are as follows:

	<u>2012</u>	<u>2011</u>
Gross patient charges	\$ <u>161,207,370</u>	\$ <u>-</u>
Medicare	43,868,960	-
Medicaid	10,440,670	-
Indigent and charity care	4,485,995	-
Other third-party payors	58,030,499	-
Provision for bad debts	<u>9,088,261</u>	<u>-</u>
Total uncompensated care	<u>125,914,385</u>	<u>-</u>
Net patient service revenue	\$ <u><u>35,292,985</u></u>	\$ <u><u>-</u></u>

Continued



HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

4. Deposits

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Authority's bylaws require that all bank balances be insured or collateralized by U.S. government securities held by the pledging financial institution's trust department in the name of the Authority. The Authority had no uncollateralized cash balances at July 31, 2012 and 2011.

The carrying amount of deposits included in the Authority's balance sheets is as follows:

	<u>2012</u>	<u>2011</u>
Cash	\$ <u>17,648,418</u>	\$ <u>206,309</u>

5. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Authority at July 31, 2012 and 2011 consisted of these amounts:

	<u>2012</u>	<u>2011</u>
<b>Patient accounts receivable:</b>		
Receivable from patients and their insurance carriers	\$ 21,767,882	\$ -
Receivable from Medicare	6,668,325	-
Receivable from Medicaid	<u>2,052,097</u>	-
Total patient accounts receivable, net	30,488,304	-
Less allowance for uncollectible amounts and contractual adjustments	<u>21,395,538</u>	-
Patient accounts receivable, net	\$ <u>9,092,766</u>	\$ <u>-</u>
<b>Accounts payable and accrued expenses:</b>		
Payable to employees (including payroll taxes)	\$ 2,237,636	\$ -
Payable to suppliers	3,554,609	3,612,415
Other	<u>677,961</u>	-
Total accounts payable and accrued expenses	\$ <u>6,470,206</u>	\$ <u>3,612,415</u>

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

6. Capital Assets

Capital asset changes for the year ended July 31, 2012 was as follows:

	July 31, 2011	<u>Increases</u>	<u>Decreases</u>	July 31, 2012
Land	\$ -	\$ 5,664,620	\$ -	\$ 5,664,620
Construction-in-progress	<u>-</u>	<u>849,654</u>	<u>-</u>	<u>849,654</u>
Total capital assets not being depreciated	<u>-</u>	<u>6,514,274</u>	<u>-</u>	<u>6,514,274</u>
Land improvements	-	104,465	-	104,465
Buildings and improvements	-	25,058,287	-	25,058,287
Equipment	<u>-</u>	<u>6,533,599</u>	<u>-</u>	<u>6,533,599</u>
Total capital assets being depreciated	<u>-</u>	<u>31,696,351</u>	<u>-</u>	<u>31,696,351</u>
Less accumulated depreciation and amortization for:				
Land improvements	-	8,558	-	8,558
Buildings and improvements	-	1,189,039	-	1,189,039
Equipment	<u>-</u>	<u>1,429,058</u>	<u>-</u>	<u>1,429,058</u>
Total accumulated depreciation	<u>-</u>	<u>2,626,655</u>	<u>-</u>	<u>2,626,655</u>
Capital assets being depreciated, net	<u>-</u>	<u>29,069,696</u>	<u>-</u>	<u>29,069,696</u>
Total capital assets, net	\$ <u>-</u>	\$ <u>35,583,970</u>	\$ <u>-</u>	\$ <u>35,583,970</u>

Depreciation expense for the year ended July 31, 2012 amounted to approximately \$2,626,654.

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

7. Short-Term Obligations

A schedule of changes in the Authority's short-term obligations follows:

	<u>2011 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2012 Balance</u>
Due to Phoebe Putney Memorial Hospital	\$ -	\$ 3,006,703	\$ -	\$ 3,006,703
Due to Phoebe Putney Health System	<u>-</u>	<u>214,886,360</u>	<u>-</u>	<u>214,886,360</u>
Total short-term obligations	\$ <u>-</u>	\$ <u>217,893,063</u>	\$ <u>-</u>	\$ <u>217,893,063</u>

The short-term obligations are made up of funds provided to the Authority by the Corporation and Phoebe Putney Health System to finance the purchase of Palmyra and to fund the day-to-day operations of the Authority. These obligations were satisfied through the lease and transfer of assets between the Authority and the Corporation on August 1, 2012.

8. Goodwill

On December 15, 2011, the Authority purchased the assets of Palmyra Park Hospital, LLC, an acute care hospital located in Dougherty County, Georgia. This transaction resulted in approximately \$157,345,000 of goodwill. The goodwill recognized is the result of a long history of successful operations resulting in strong earnings and consistent growth in revenues. The goodwill will be evaluated for impairment each year. At July 31, 2012, the balance sheet reported goodwill of approximately \$157,345,000 related to the acquisition of Palmyra Park Hospital, LLC.

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

8. Goodwill, Continued

The changes in the carrying amount of goodwill for the years ended July 31, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Balance at beginning of year:		
Goodwill	\$ -	\$ -
Accumulated impairment losses	<u>-</u>	<u>-</u>
	-	-
Goodwill acquired during the year	157,345,334	-
Impairment losses	<u>-</u>	<u>-</u>
Balance at end of year:		
Goodwill	157,345,334	-
Accumulated impairment losses	<u>-</u>	<u>-</u>
Total	<u>\$ 157,345,334</u>	<u>\$ -</u>

9. Acquisition of Palmyra Park Hospital, LLC

On December 15, 2011, the Authority purchased Palmyra Park Hospital, LLC. Accordingly, the results of operations for Palmyra Park Hospital, LLC have been included in the accompanying financial statements from that date forward. The acquisition was made for the purpose of strengthening the Authority's competitive position in the service area.

Consideration for the acquisition comprised  
the following (at fair value):

Cash \$ 198,315,843

Goodwill in the amount of \$157,345,334 was recognized in the acquisition of Palmyra Park Hospital, LLC and is attributable to a long history of successful operations resulting in strong earnings and consistent growth in revenues.

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

9. Acquisition of Palmyra Park Hospital, LLC, Continued

The following assets and liabilities were recognized in the acquisition (at fair value):

Prepaid expenses, supplies, and other assets	\$ 3,888,017
Capital assets	37,968,750
Current liabilities	( 886,258)
Total identifiable assets	40,970,509
Goodwill	<u>157,345,334</u>
Total	<u>\$ 198,315,843</u>

The above estimated fair values of assets acquired and liabilities assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired. The Authority believes that information provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed, but the Authority is waiting for additional information necessary to finalize those fair values. Thus, the provisional measurements of fair value set forth above are subject to change. Such changes could be significant. The Authority expects to finalize the valuation and complete the purchase price allocation as soon as practicable, but no later than one year from the acquisition date.

The amounts of Palmyra Park Hospital, LLC's revenue and decrease in net assets included in the statements of revenues, expenses and changes in net assets (from the date of acquisition) for 2012 are approximately \$35,899,000 and \$2,910,000, respectively. The following pro forma information is based on the assumption that the acquisition occurred on August 1, 2010.

	<u>2012</u>	<u>2011</u>
Operating revenue	\$ <u>60,383,000</u>	\$ <u>69,778,000</u>
Increase (decrease) in net assets	\$ <u>( 2,143,000)</u>	\$ <u>( 7,702,000)</u>

Costs related to the acquisition, which include legal, consulting, valuation, and other fees, in the amount of approximately \$5,677,000 have been charged directly to operations and are included in the medical supplies and other, and purchased services lines in the 2012 statements of revenues, expenses, and changes in net assets.

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

10. Defined Contribution Plan

Authority employees may participate in the Phoebe Putney Health System 403(b) Deferred Savings Plan (Plan). All employees are eligible to participate in the Plan. Each employee may contribute up to 100% of their adjusted salary, up to the federal limit. The System matches 50% of each participant's contributions up to a maximum of 4%. Employees are fully vested in the System's matching contributions after three years of service. At its discretion, the Authority may make additional contributions to the Plan. Plan expense was approximately \$685,000 and \$-0- for the years ended July 31, 2012 and 2011, respectively.

11. Employee Health Insurance

The Authority has a self-insurance program under which a third-party administrator processes and pays claims. The Authority reimburses the third-party administrator for claims incurred and paid and has purchased stop-loss insurance coverage for claims in excess of \$150,000 for each individual employee. Total expenses related to this plan were approximately \$802,000 and \$-0- for the years ended July 31, 2012 and 2011, respectively.

12. Malpractice Insurance

The Hospital is covered by a claims-made general and professional liability insurance policy with a specified deductible per incident and excess coverage on a claims-made basis through Phoebe Putney Health System's wholly-owned subsidiary, Phoebe Putney Indemnity, LLC (PPI), located in South Carolina. Effective December 16, 2011, PPI added the Hospital as an additional insured under the policy. Under the policy endorsement, the limit of liability is \$5,000,000 for claims occurring on or after December 16, 2011. Claims occurring prior to December 16, 2011, are under the previous owner's insurance policy.

PPHS purchases excess insurance of \$25,000,000 above PPI. PPHS purchases an additional \$25,000,000 high limit excess above the first captive layer giving a total of \$50,000,000 annual aggregate limit of excess coverage. Phoebe North is covered under this policy as a named insured.

Various claims and asserts have been made against the Hospital in its normal course of providing services. In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance.

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

13. Fair Values of Financial Instruments

The following methods and assumptions were used by the Authority in estimating the fair value of its financial instruments:

- Cash: The carrying amount reported in the balance sheet for cash approximates its fair value.
- Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.
- Estimated third-party payor settlements: The carrying amount reported in the balance sheet for estimated third-party payor settlements approximates its fair value.
- Short-term obligations: The carrying amount reported in the balance sheet for short-term obligations approximates its fair value.

The carrying amounts and fair values of the Authority's financial instruments at July 31, 2012 and 2011 are as follows:

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	\$ 17,648,418	\$ 17,648,418	\$ 206,309	\$ 206,309
Accounts payable and accrued expenses	\$ 6,470,206	\$ 6,470,206	\$ 3,612,415	\$ 3,612,415
Estimated third-party payor settlements	\$ 891,070	\$ 891,070	\$ -	\$ -
Short-term obligations	\$ 217,893,063	\$ 217,893,063	\$ -	\$ -

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

14. Concentrations of Credit Risk

The Authority grants credit without collateral to patients substantially all of whom are local residents of Dougherty County or the immediate surrounding counties of Georgia and are insured under third-party payor agreements. A significant portion of the net receivables are from patients covered by various government programs such as Medicare or Medicaid. The mix of net receivables from patients and third-party payors at July 31, 2012 and 2011 was as follows:

	<u>2012</u>	<u>2011</u>
Medicare	31%	- %
Medicaid	5%	- %
Commercial	61%	- %
Patients	<u>3%</u>	<u>- %</u>
Total	<u>100%</u>	<u>- %</u>

15. Health Care Reform

In recent years, there has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare on the national and state levels. In 2010, legislation was enacted which included cost controls on hospitals, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of certain provisions will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Authority.

16. Subsequent Event

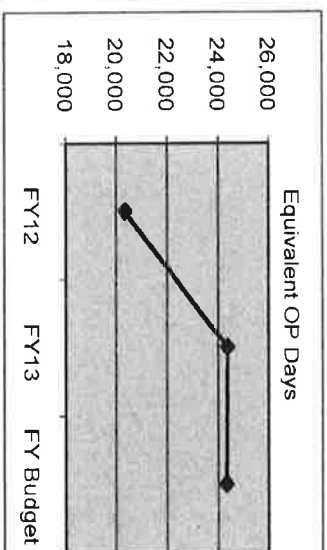
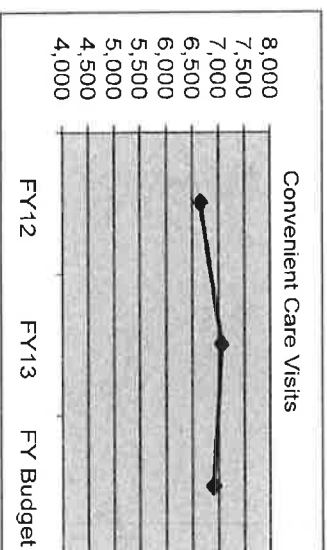
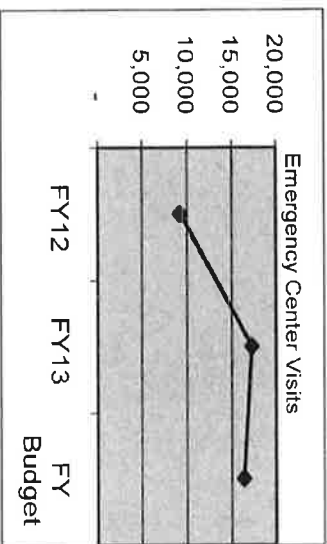
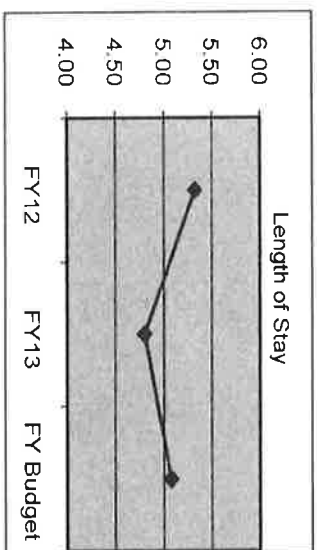
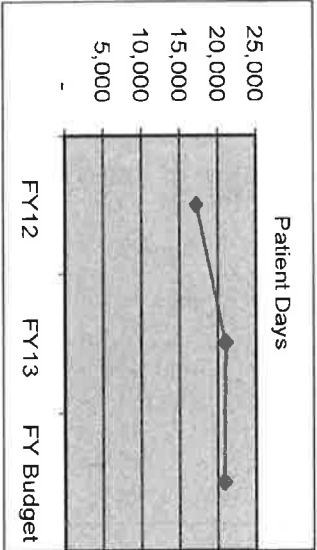
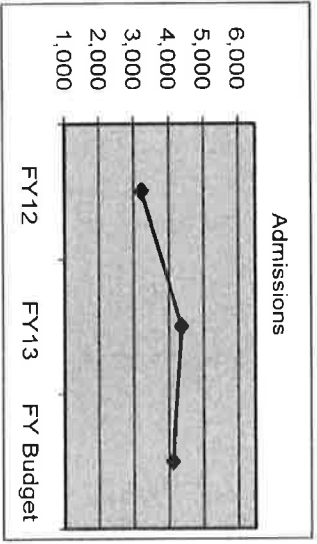
Effective August 1, 2012, the lease between the Authority and the Corporation was amended and restated. The amendment was made for the transfer and inclusion of Palmyra. The amendment included the extension of the lease for a term of forty years from the date of the current amendment.

The Authority is in the process of issuing Series 2012 Revenue Anticipation Certificates (Series 2012) in an aggregate principal amount not to exceed \$125,000,000. Pursuant to the Master Indenture, the Corporation will issue a promissory note in a principal amount equal to the principal amount of the Series 2012 to the Authority. The proceeds will be used to fund certain capital expenditures associated with properties owned by the Authority and leased to the Corporation.



# MAIN CAMPUS & PHOEBE NORTH COMBINED

## FY12 - Main Campus Data Only



Statistic	YTD FY13		Budget	
	FY12	FY13	FY Budget	Variance
Admissions	3,229	4,379	4,112	267
Patient Days	17,203	21,046	20,871	175
Length of Stay	5.33	4.81	5.08	(0.27)
Emergency Center Visits	9,282	17,275	16,377	898
Convenient Care Visits	6,664	7,063	6,915	148
Equivalent OP Days	20,373	24,367	24,333	34

0-11



# Report to the Hospital Authority of Albany-Dougherty County



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November 8, 2012

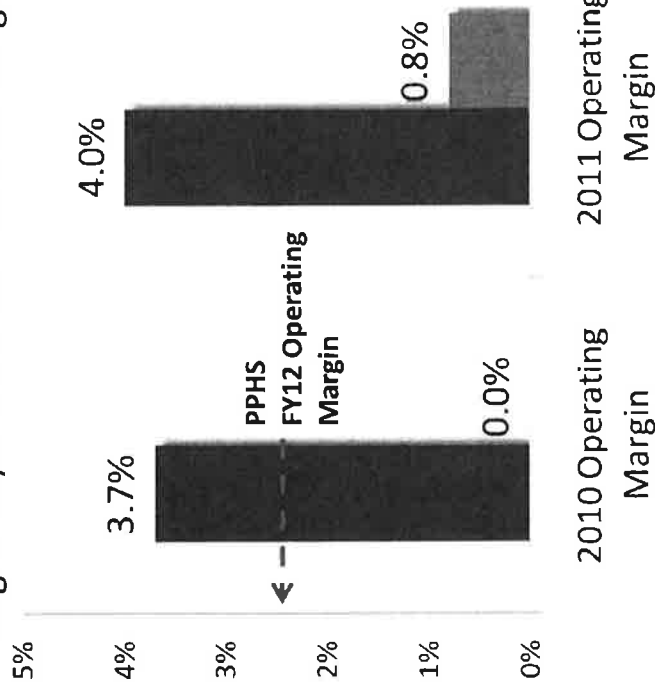
**A HEALTHY HOSPITAL**

# A Healthy Hospital

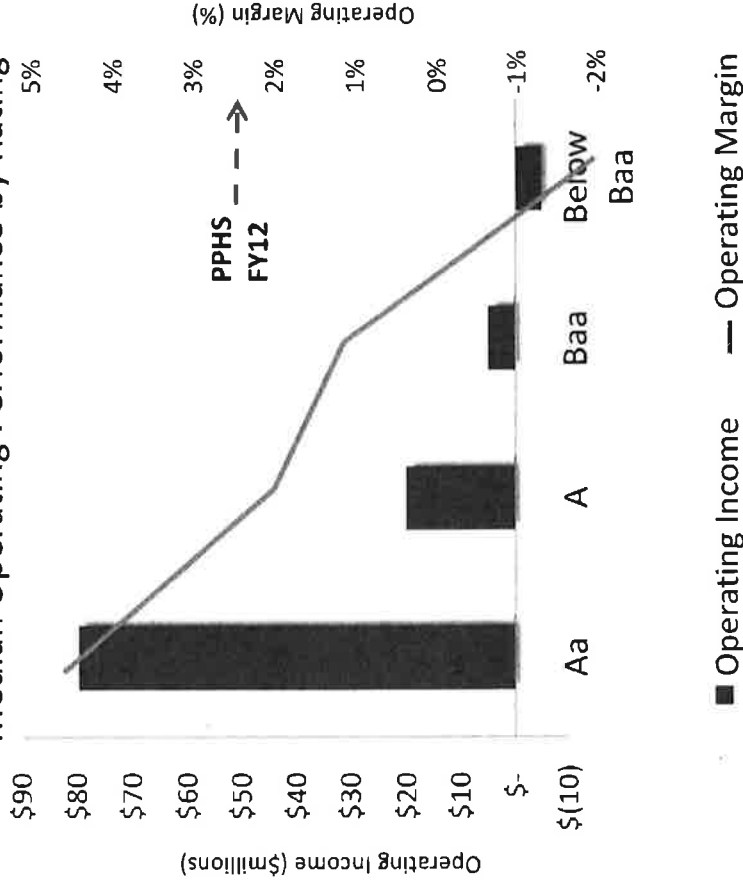
A modest operating margin is necessary to financial stability.

PPHS Bond Rating is AA

Largest 50/Smallest 50 – Median Margins



Median Operating Performance by Rating



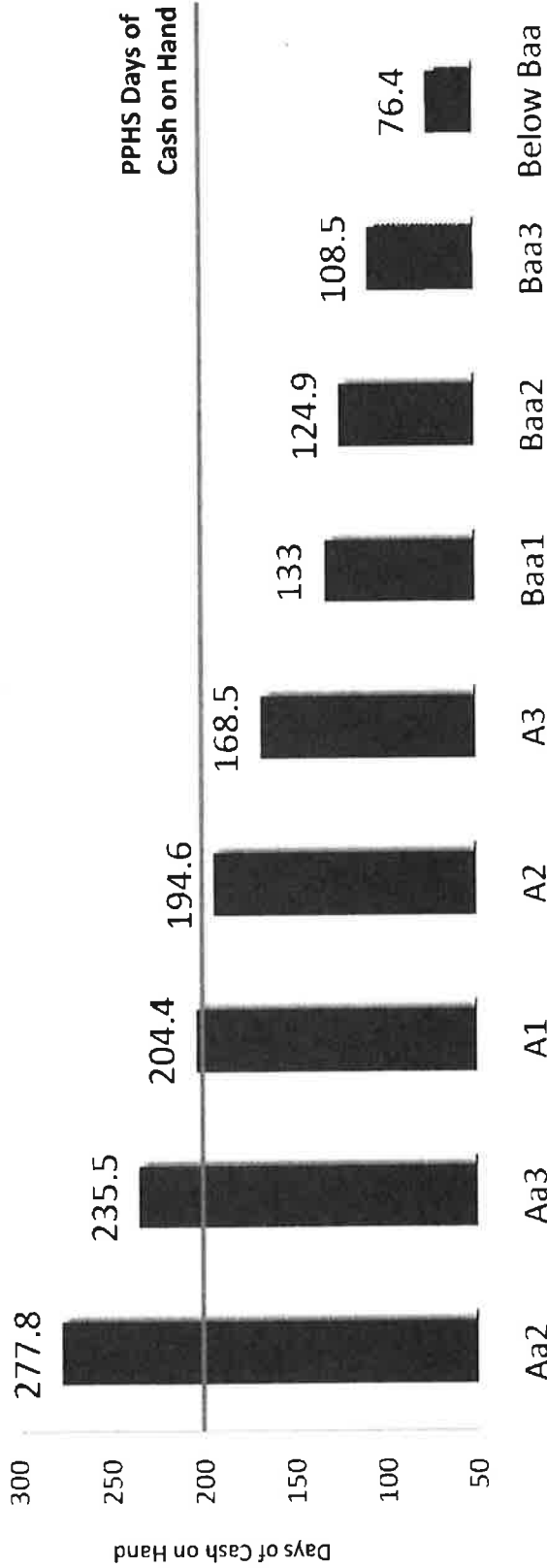
Source: Moody's U.S. Not-for-Profit Hospital Medians

■ Operating Income — Operating Margin



## A Healthy Hospital

Just like with other businesses, there is a healthy level of cash on hand that hospitals and health systems like PPHS need to pay bills, distribute payroll, and operate responsibly.



Source: Becker's Hospital Review

# Sources and Uses of Capital For Authority

## Uses of Capital

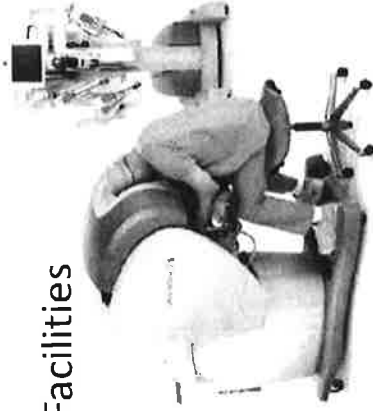


By Phoebe

- Equipment/Technology/Facilities
- Repay Borrowed Funds
- Savings/Investments

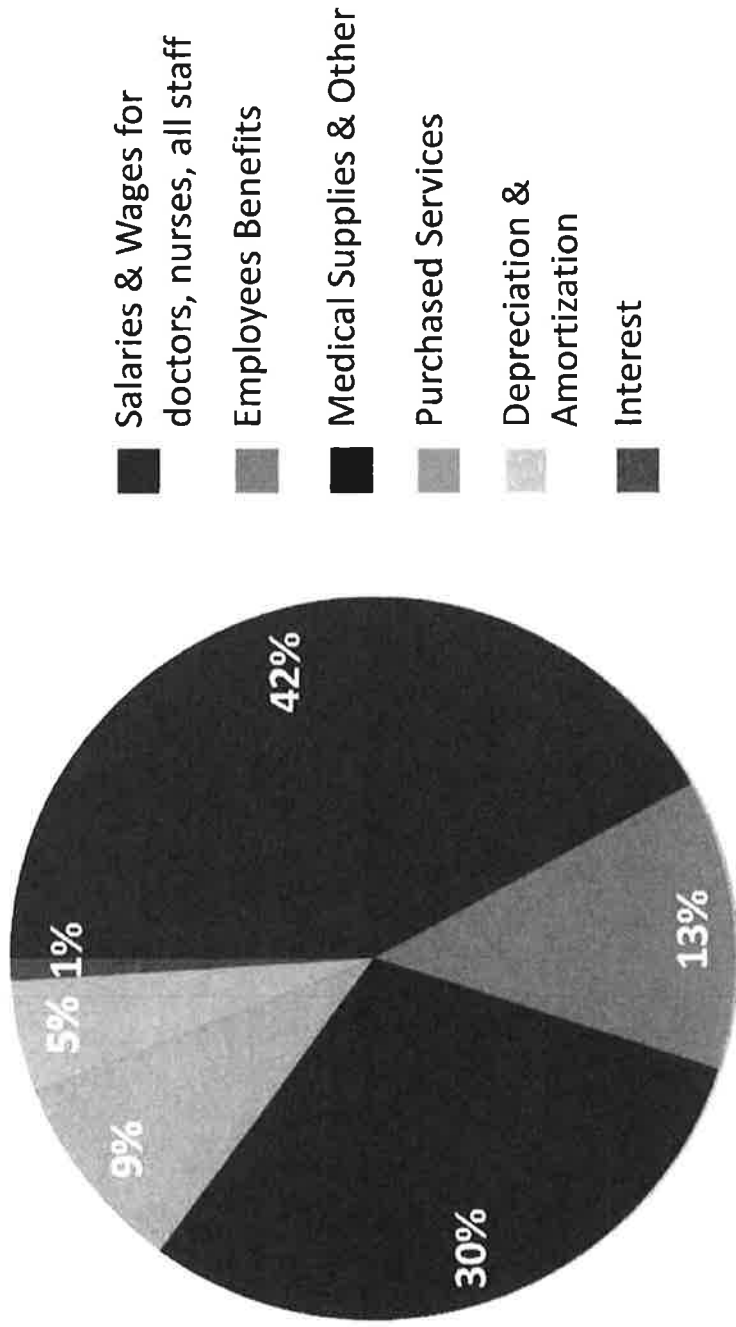
## Potential Capital Sources for Phoebe

- Net Income
- Borrowing
- Donations



*Managing the cost of debt to access capital efficiently has been a board strategy for more than 23 years.*

# What it Takes to Run A Hospital



## ***Investments Are Common and Necessary***

- Facility replacement and renovation
  - The cost of building Digestive Health Center - \$285 square foot.
- Electronic medical records implementation
  - Duke University will spend \$700 million to implement its EPIC EHR
- Radiosurgery/radiation therapy machine
  - On average hospitals purchase a new radiation technology very 6-8 years and can cost anywhere from \$2-\$4 million

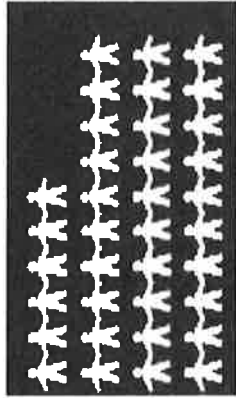


# A NEW LANDSCAPE

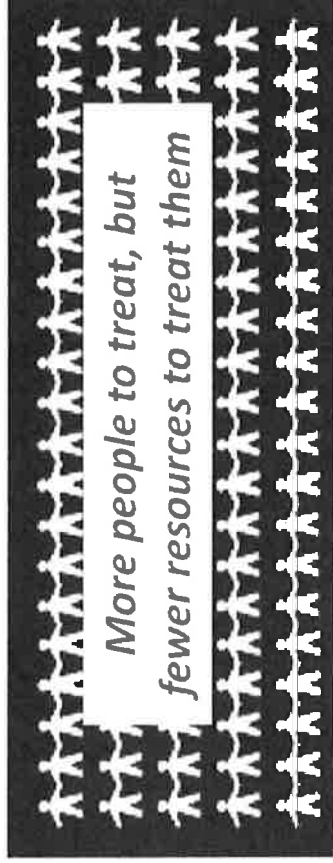
## ***More People, Less Money***

There will be 32 million more people covered through a combination of public and private-sector insurance, but less money to pay for their care.

*Today*



*Tomorrow*



Plus, a possible \$400 million cut for hospitals across the state if the provider fee expires next July.

## ***Our Financial Risk is Increasing***

Hospitals will be held more responsible for preventive and follow-up care after patients leave the hospital

- Reducing readmissions is not as simple as just improving care within the hospitals.
- Because we won't be paid for each point of care in the future, we'll have to be more responsible for care before and after patient are at our facilities.

***“Starting this fiscal year, hospitals face up to a 1 percent penalty of their total Medicare funding if readmission rates are too high, followed by 2 percent in fiscal 2014 and 3 percent the year after that.”***

***-Georgia Hospital Association***

**PHOEBE**

# Dangerous Times for Hospitals (especially those in communities like Albany)

*"While some hospitals cite financial problems, others join forces because of collaboration mandated under the Affordable Care Act and changing reimbursement models."*  
-FierceHealthcare

*Beginning in 2014, the law reduces the amount of funding to hospitals that serve a disproportionate share of uninsured or low-income patients. This will leave public hospitals with an increased (nearly double) Medicaid patient load, but the ACA does not require states to increase the hospital reimbursement rate for these patients.*-Robert Wood Johnson Foundation

**LOOKING TO AFFILIATE**  
Salinas Valley Memorial Healthcare System  
Salinas, CA

**LOOKING TO AFFILIATE**  
EJGH  
Metairie, LA

**NEGATIVE OUTLOOK SINCE 2007**  
Southern Regional MEDICAL CENTER  
Riverdale, GA

**CLOSED**  
SPRING BRANCH MEDICAL CENTER  
an HCA affiliate  
Houston, TX

**CLOSED**  
HARTSELLE MEDICAL CENTER  
Huntsville, AL

# PAYOR RELATIONS



# Health plans control the money and do not provide care, so there are bound to be conflicts

## BlueCross BlueShield of Tennessee, Memorial face off in reimbursement negotiations

By Chuck Merriman, Published Online July 16th, 2012

Leaders with BlueCross BlueShield of Tennessee and Memorial Health Care System are at an impasse about how much reimbursement the health insurer will provide for hospital care.

Atlanta

## Tenet Healthcare and Blue Cross Remain In Impasse Over Rates

With two days left before their contract expires, Blue Cross Blue Shield, Georgia's largest health insurer, and Tenet Healthcare, one of Atlanta's largest hospital systems, remain deadlocked over reimbursement rates.

The Augusta Chronicle

Tom Corwin

Saturday, July 28, 2012

## Parent company of Blue Cross worst to deal with,

hospital survey says  
A national survey of hospital branches, Anthem/WellPoint, to be the worst to deal with in term of contracts, rates and overall.

## UPMC-Highmark disagree on rate increases

By Chuck Merriman, Published Online May 1, 2012, 2:43pm EDT

March rates will rise through Dec 31, 2014, has become the latest point of disagreement between health insurer Highmark Inc. and the University of Pittsburgh Medical Center.

## Middlesex Hospital, UnitedHealthCare at Contract Impasse

Worcester, Mass.

UnitedHealthCare has sent a letter to all of its members warning that its contract with Middlesex could expire on April 1 if an agreement isn't reached by March 5. Email the author March 5, 2012.

## UnitedHealth, Hartford Hospital In Contract Battle

By Matthew Sturdevant, The Hartford Courant

Hartford Hospital and UnitedHealth Group, the nation's largest health insurer, are in a tough contract negotiation that could leave thousands of customers facing higher out-of-pocket expenses if the current agreement expires Oct. 28.

# Hospitals Aren't Receiving Large Increases

Expected Average Contract Rate Increase in the Next 12 Months

PPHS expected increase - 0%



With medical inflation hovering around 6%, this means nearly all hospitals expect rate increases in line or less than inflation.

■ 0-3% ■ 4-7% ■ 8-11% ■ More than 11% ■ Other

***Health Plans Are Doing Just Fine***

- WellPoint (Parent company of BCBSGA)
  - Net Income: \$2,650,000,000
  - Premiums Earned: \$55,970,000,000
  - Revenue Growth: 3.34%
  - Market Share: 8.34% (54 million)
  
- United
  - Net Income: \$5,140,000,000
  - Premiums Earned: \$91,980,000,000
  - Revenue Growth: 8.2%
  - Market Share: 13.6% (84 million)





# OUR PATH FORWARD

## ***Four Part Strategy***

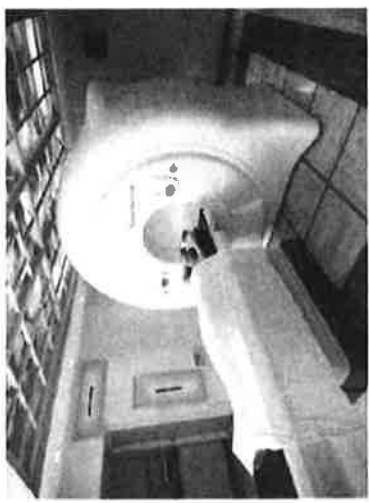
- Modest, single digit operating margin for investment
- Growing select services and capabilities
- Achieve economies of scale to reduce costs and gain efficiencies
- Continuation of past successful work with health plans



## *Good Stewards of Your Healthcare Dollar*

### I N V E S T M E N T S

- **\$10.8M** for routine equipment, infrastructure for regional hospitals
- **\$90M** for renovating Women's & Children's hospital, PPMH and other facilities
- **\$36M** for routine equipment, infrastructure for PPMH
- **\$20M** for information systems
- **\$65M** for new buildings (digestive disease center, distribution center, two medical office buildings, etc.)



## ***Meeting Community Needs***

Growing select services and capabilities

- Services that are or will be in demand
  - Women and Children’s Hospital
  - Digestive Health
  - Emergency Services
- Improving preventive, primary, post-discharge care to keep people out of hospital
  - Rehabilitation
  - Digestive Health
  - Supplying School Nurses at no cost to tax payers
- Make better use of local facilities
  - Savings achieved by leasing old Palmyra instead of building
  - Low daily census at Palmyra = inefficient use of community resources

## ***Benefits of a Health System***

- Achieve economies of scale to reduce costs and gain efficiencies
  - Examples – shared services, IT, supplies
- Learn and implement best practices across the system
  - Performance Excellence

## ***Positive Payor/Provider Relationships***

- Long-term partnership with BCBSGA and others
  - New contracts within past few years
    - Cigna
    - Coventry/First health
    - United

**THANK YOU**



HOSPITAL AUTHORITY OF ALBANY-  
DOUGHERTY COUNTY, GA

Dougherty County - PPMH Inmate Medical  
Services Contract

CORRECTIONS MEDICAL SERVICE LINE



# Jail Contract Historical Review

- For many years, Phoebe has provided In-Hospital free health care to DOCO jail inmates
  - The value ranged from \$375K to \$1M annually depending on the services provided.
- Dougherty County seeking to reduce the cost of "In-Jail Clinic" inmate healthcare services sends out an RFP Spring 2010
- PPMH awarded contract for "In-Jail Clinic" beginning July 1, 2010 (FY2011)
- The Components of Jail Inmate Healthcare Expenses
  - Jail Clinic
  - Hospital / Ancillary Care
  - Transportation
    - \* Jail Staff Man hours
    - o Transport Vehicle
    - e Added Operating Costs



## Jail Contract Value Added

3

- Immediate Actions Taken To Reduce Expense and Improve Quality
  - Increased Physician/PA time to provide onsite medical evaluations
  - Installed Portable X-ray machine onsite
  - Provide Onsite EKGs

## **Jail Contract Value Added**

### **Result**

- **Reduced overtime and unnecessary care**
- **Reduced**
  - **Transports for EC**
  - **Transports for Office Visits**
  - **Transports for X-rays**
  - **Cost of hospitalization and physician services**

## Jail Contract Value Added

5

- Transport Cost Savings to County
  - July 2009 last year Prison Health Services Contract
    - 1502 Transports - \$175,734\* County Cost (Baseline Year)
  - July 2010 to July 2011 – Year 1 of PPMH Contract
    - 797 Transports - \$93,249\* County Cost
      - **Baseline savings: \$82,485**
  - July 2011 to July 2012 – Year 2 of PPMH Contract
    - 687 Transports – \$80,379\* County Cost
      - **Baseline savings: \$95,355**

*\*County expenses reflect only the hourly rate for employees time estimated at a minimum of 2 hours per transport. Cost of wear and tear on vehicles, fuel, insurance are not included. This information was provided by Jail Administration and reflects estimate of actual costs to DOCO.*



## County Payments

Fiscal Year	Vendor	*County Payment
2009	PHS	\$ 1,300,000
2010	PHS	\$ 1,462,000
2011	PPMH	\$ 700,000
2012	PPMH	\$ 875,000
2013	PPMH	\$ 913,000

\*Payments to Prison Health Services (PHS) for 2009-2010 are estimated based on the previous vendor's contract. Payments to PPMH reflect reduced rate from contract pricing.



## PPMH Contract 2010-2013

	2011	2012	2013
Negotiated Price**	\$ 1,462,478	\$ 1,518,674	\$ 1,556,705
Less: DOCO Payments*	<u>(700,000)</u>	<u>(875,000)</u>	<u>(913,031)</u>
DOCO Savings	<u>\$ 762,478</u>	<u>\$ 643,674</u>	<u>\$ 643,674</u>

\*The agreed contract price is as shown. However, there has been an agreed upon reduction of the payments to the figure shown. Each time this has occurred the contract term has been extended an additional year.

\*\*The negotiated rate is shown at the <900 inmate rate. There is an escalator in the contract for >900 inmates that is not reflected in these numbers.

## Value Added In Multiple Ways

1. Continued Inpatient Inmate Medical Care at no cost to DOCO
2. As DOCO's Inmate Medical Services provider, Phoebe has:
  - Decreased Total DOCO Contract Payment
  - Decreased Transportation Costs
  - Improved Quality Of Clinical Care
    - PA and Physician availability provide timely onsite medical care
    - Surgical Pre-Op service preformed onsite
    - Closer onsite medical observations improved the quality of care
    - On call Physician available 24 hours a day to determine transport need
    - Installed Portable X-ray machine
    - Onsite EKG machine
    - Improved inmate health means reduced liability risk and personnel cost

RESOLUTION IN CONNECTION WITH THE ISSUANCE BY THE HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA OF ITS REVENUE ANTICIPATION CERTIFICATES (PHOEBE PUTNEY MEMORIAL HOSPITAL) SERIES 2012 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$125,000,000 TO PROVIDE FUNDS TO FINANCE CERTAIN CAPITAL IMPROVEMENTS FOR PHOEBE PUTNEY MEMORIAL HOSPITAL; AUTHORIZING EXECUTION AND DELIVERY OF CERTAIN INSTRUMENTS, DOCUMENTS AND CERTIFICATES CONTEMPLATED TO BE EXECUTED AND DELIVERED IN CONNECTION WITH THE ISSUANCE OF THE SERIES 2012 CERTIFICATES, AND CERTAIN RELATED MATTERS.

*WHEREAS*, pursuant to the Hospital Authorities Law (O.C.G.A. Section 31-7-70, et seq., as amended) (the "Act"), the Hospital Authority of Albany-Dougherty County, Georgia (the "Authority") is authorized to issue its revenue anticipation certificates for the purposes provided in the Act, and the Authority has determined that it is necessary and in the public interest for it to issue a series of revenue anticipation certificates for such purposes;

*WHEREAS*, Phoebe Putney Memorial Hospital, Inc. (the "Hospital") has requested the Authority to issue a series of its revenue anticipation certificates and use the proceeds thereof to provide funds to finance certain capital improvements for the Hospital and to pay the costs of issuance thereof;

*WHEREAS*, the Authority has found and determined that, in order to continue to provide adequate and improved health care for the citizens of the City of Albany, Georgia and Dougherty County, Georgia and surrounding areas, it is necessary and appropriate for the Authority to provide for the issuance of its Revenue Anticipation Certificates (Phoebe Putney Memorial Hospital) Series 2012 in an aggregate principal amount not to exceed \$125,000,000 (the "Series 2012 Certificates") pursuant to the Indenture of Trust dated as of December 1, 2012 (the "Indenture") between the Authority and U.S. Bank National Association, as trustee (the "Trustee");

*WHEREAS*, as security for the payment of the Series 2012 Certificates and pursuant to a Series 2012 Supplement to Master Indenture dated as of December 1, 2012 (the "Series 2012 Supplement") among the Hospital, Phoebe Putney Health System, Inc. and U.S. Bank National Association, National Association, as Master Trustee (the "Master Trustee"), supplementing the Master Trust Indenture dated as of March 1, 2002, as amended (the "Master Indenture") between the Hospital and the Master Trustee, the Hospital will execute and deliver to the Authority a promissory note in a principal amount equal to the principal amount of the Series 2012 Certificates issued pursuant to the Master Indenture (the "Series 2012 Obligation"), and the Authority will assign the Series 2012 Obligation to the Trustee pursuant to the Indenture;

*WHEREAS*, there has been presented to the Authority the following documents (collectively, the "Authority Documents"), copies of which have been made available to the Authority, which when executed will provide for the issuance and sale of the Series 2012 Certificates:

- (1) the form of the Indenture; and
- (2) the form of the Loan Agreement dated as of December 1, 2012 (the "Loan Agreement") between the Authority and the Hospital;

*WHEREAS*, it appears that each of the Authority Documents is appropriate for the purposes intended;



WHEREAS, upon their issuance and delivery, the Authority desires to sell the Series 2012 Certificates to Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of itself and as representative for Morgan Stanley & Co. LLC and Raymond James & Associates, Inc. (collectively, the "Underwriters"), for resale to the public pursuant to a certificate purchase agreement (the "Certificate Purchase Agreement") among the Authority, the Hospital and the Underwriters, which Certificate Purchase Agreement will be approved by the Authority at a future meeting of the Authority;

WHEREAS, in connection with the offering and sale of the Series 2012 Certificates to the public, there has been prepared a Preliminary Official Statement (the "Preliminary Official Statement"), a form of which has been presented to the Authority.

**NOW, THEREFORE, BE IT RESOLVED BY THE HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA AS FOLLOWS :**

Section 1. *Receipt of the Instruments.* The Authority hereby acknowledges receiving the Authority Documents.

Section 2. *Authorization of Project.* The Authority hereby determines and declares that the financing of the Project (as defined in the Loan Agreement) with a portion of the proceeds of the Series 2012 Certificates is a lawful and valid public purpose and will further the public purpose intended to be achieved by the Act.

Section 3. *Authorization and Execution of Series 2012 Certificates.* To provide the funds necessary to finance the costs of the acquiring, constructing and equipping of the Project, the issuance of the Series 2012 Certificates in an aggregate principal amount not to exceed \$125,000,000 hereby is authorized. The Series 2012 Certificates will bear interest at a rate or rates not to exceed 12% per annum, will mature not later than January 1, 2048, will be issued in such denominations, be subject to such rights of exchangeability and transfer, be subject to redemption prior to maturity, be payable, be in the form and be executed and authenticated, all on the terms set forth in the Indenture. The aggregate maximum principal and interest on the Series 2012 Certificates in any year will not exceed \$30,100,000. The execution of the Series 2012 Certificates in the manner provided in the Indenture and, upon their execution, the delivery of the Series 2012 Certificates to the Trustee for proper authentication and delivery to the purchasers thereof with instructions to that effect as provided in the Indenture are hereby authorized. The Chairman or Vice-Chairman of the Authority hereby is authorized to execute the Series 2012 Certificates and the Secretary or any Assistant Secretary of the Authority hereby is authorized to attest the Series 2012 Certificates.

Section 4. *Approval, Execution and Delivery of the Authority Documents.* In order to provide for the issuance of and to secure the payment of the principal of and the interest on the Series 2012 Certificates herein authorized according to their tenor, purport and effect, and in order to secure the performance and observance of all of the covenants, agreements and conditions in the Series 2012 Certificates, the execution and delivery of the Authority Documents are hereby authorized. The forms of the Authority Documents as submitted to the Authority at this meeting of the Authority are hereby approved, subject to such changes, insertions and deletions as may be approved and made in such form of the Authority Documents by the Chairman or Vice Chairman and Secretary or Assistant Secretary of the Authority executing the same, such execution to be conclusive evidence of such approval.

Section 5. *Approval of Other Documents.* The form and substance of the Master Indenture, the Series 2012 Supplement and the Series 2012 Obligation are hereby approved in substantially the forms submitted to the Authority with such changes, corrections, insertions, deletions, variations, additions, or omissions as may be acceptable to the parties thereto, the execution of the Authority

Documents by the Chairman or Vice Chairman of the Authority to be conclusive evidence of the approval thereof by the Authority.

Section 6. *Ratification, Approval, Use and Distribution of the Preliminary Official Statement.* The Preliminary Official Statement is hereby approved and authorized substantially in the form presented at this meeting of the Authority, and the distribution and circulation of the Preliminary Official Statement is hereby approved and authorized. The Chairman or Vice Chairman of the Authority is hereby authorized to execute a certificate "deeming final" the Preliminary Official Statement within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended. The execution of such Rule 15c-12 certificate will be conclusive evidence of the approval of the Preliminary Official Statement.

Section 7. *Approval, Execution, Use and Distribution of Final Official Statement.* The Chairman or the Vice Chairman of the Authority are each hereby authorized to execute (or otherwise evidence the Authority's approval in writing) the final Official Statement (the "Final Official Statement") in substantially the form of the Preliminary Official Statement, which execution and delivery will be conclusive evidence of the approval of the Final Official Statement, and the distribution and circulation of the Final Official Statement is hereby approved and authorized, subject to the terms, conditions and limitations to be contained therein.

Section 8. *Validation and Public Approval.* The Chairman or the Vice Chairman of the Authority is authorized to cause the commencement of proceedings to validate the Series 2012 Certificates as required by the Act and the Revenue Bond Law of the State of Georgia, O.C.G.A. Section 36-82-60 *et seq.*, including the inclusion of a waiver of any performance audit or performance review (as such terms are described in Section 36-82-100, Official Code of Georgia Annotated) with respect to the Series 2012 Certificates or the Project. Counsel to the Authority is hereby authorized to cause the publication of notice of a public hearing regarding the issuance of the Series 2012 Certificates to comply with Section 147(f) of the Internal Revenue Code of 1986, as amended, and to act as a hearing officer to conduct said hearing on behalf of the Authority.

Section 9. *Non-Arbitrage Certification.* The Chairman or Vice-Chairman of the Authority hereby is authorized to execute a non-arbitrage certification in order to comply with Section 103(c) of the Internal Revenue Code of 1986, as amended, and the applicable income tax regulations thereunder.

Section 10. *Designation of Trustee.* U.S. Bank National Association is designated the initial Trustee, Registrar and Paying Agent pursuant to the Indenture.

Section 11. *Authorization to Carry Out Intent of Resolution.* The appropriate officers and agents of the Authority are hereby authorized, empowered and directed to execute such other documents, instruments, contracts and certificates, whether or not expressly contemplated hereby, and to do all acts and things, in each case, as may be necessary to carry out and comply with the provisions of this Resolution and the provisions of the Preliminary Official Statement, the Final Official Statement, the Series 2012 Certificates and the Authority Documents for the full, punctual and complete performance of all terms, covenants, provisions and agreements herein and therein contained, and as otherwise may be necessary or desirable to effectuate the purpose and intent of this Resolution and the issuance of the Series 2012 Certificates.

Section 12. *No Personal Liability.* No stipulation, obligation or agreement herein contained or contained in the Authority Documents will be deemed to be a stipulation, obligation or agreement of any officer, commissioner, director, employee or agent of the Authority in his or her individual capacity,

and no such officer, commissioner, director, employee or agent will be personally liable on the Series 2012 Certificates or be subject to personal liability or accountability by reason of the issuance thereof.

Section 13. *Severability.* If any one or more of the covenants, agreements or provisions of this Resolution, or any of the documents contemplated hereby is held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or for any reason whatsoever is held invalid, then such covenants, agreements or provisions will be null and void and will be deemed separate from the remaining covenants, agreements, or provisions of this Resolution or of such documents and will in no way effect the validity of any of the other agreements and provisions of this Resolution or of the Series 2012 Certificates authorized hereunder.

Section 14. *Governing Law.* The Series 2012 Certificates will be issued, this Resolution is adopted and the Authority Documents will be executed with the intent that the laws of the State of Georgia will govern their construction.

Section 15. *Approval of All Acts.* All acts and deeds of the officers and agents of the Authority which are in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and delivery of the Series 2012 Certificates and the execution and delivery of the Authority Documents and the Final Official Statement and all other instruments, documents and certificates necessary to authorize the issuance and sale of the Series 2012 Certificates are in all respects approved and confirmed.

[SIGNATURES ON FOLLOWING PAGE]

Section 16. *Effective Date; Repealer.* This Resolution will become effective immediately upon its adoption and all resolutions in conflict herewith are to the extent of such conflict hereby repealed.

*PASSED, ADOPTED AND APPROVED* this 8<sup>th</sup> day of November, 2012.

HOSPITAL AUTHORITY OF ALBANY-  
DOUGHERTY COUNTY, GEORGIA

(SEAL)

By:   
Chairman

**SECRETARY'S CERTIFICATE**

The undersigned Secretary of the Hospital Authority of Albany-Dougherty County, Georgia DOES HEREBY CERTIFY that the foregoing pages of typewritten matter constitute a true and correct copy of a resolution unanimously adopted on November 8, 2012, by the board of directors of the Authority in a meeting duly called and assembled, which was open to the public and at which a quorum was present and acting throughout, and that the original of said resolution appears of record in the minute books of the Authority which is in my custody and control.

Given under my hand and seal of the Authority, this 8<sup>th</sup> day of November, 2012.

By Eugene B. Sherman, Jr.  
Secretary

11/06/12 Draft

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HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

and

[NAME OF TRUSTEE],  
as Trustee

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INDENTURE OF TRUST

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Dated as of December 1, 2012

Relating to

\$ \_\_\_\_\_  
Hospital Authority of Albany-Dougherty County, Georgia  
Revenue Anticipation Certificates  
(Phoebe Putney Memorial Hospital),  
Series 2012

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This instrument was prepared by:

McKenna Long & Aldridge LLP  
303 Peachtree Street, Suite 5300  
Atlanta, Georgia 30308

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Exhibit A - Form of Bond

## INDENTURE OF TRUST

THIS INDENTURE OF TRUST, dated as of December 1, 2012, between the HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA, a public body corporate and politic and an instrumentality of the State of Georgia created and existing under the Constitution and Laws of the State of Georgia (the "Issuer") and [NAME OF TRUSTEE], a national banking association organized and existing under the laws of the United States (the "Trustee"). Capitalized terms are used herein with the meaning given them in Article I.

### WITNESSETH:

WHEREAS, the Issuer is empowered pursuant to the Act, to issue its revenue certificates for the purpose of paying all or any part of the cost of the acquisition, construction, alternation, repair, modernization and other charges incident thereto in connection with any "project" and for the purpose of refunding outstanding revenue anticipation certificates; and

WHEREAS, pursuant to a Trust Indenture dated as of October 1, 1990, as supplemented by a 1993 Supplemental Trust Indenture dated as of August 1, 1993, each between the Issuer and with U.S. Bank National Association (as successor to SunTrust Bank, as successor to Trust Company Bank), as trustee, pursuant to which the Issuer authorized the issuance of its Revenue Bonds (Phoebe Putney Memorial Hospital), Series 1993 in the original aggregate principal amount of \$36,715,000, of which \$14,280,000 remain outstanding (the "Series 1993 Certificates"); and

WHEREAS, pursuant to an Indenture of Trust dated as of October 1, 2008 between the Issuer Regions Bank, as trustee, the Issuer issued its Refunding Revenue Anticipation Certificates (Phoebe Putney Memorial Hospital), Series 2008A in the original principal amount of \$54,225,000, of which \$48,680,000 remain outstanding (the "Series 2008A Certificates"); and

WHEREAS, pursuant to an Indenture of Trust dated as of October 1, 2008 between the Issuer Regions Bank, as trustee, the Issuer issued its Refunding Revenue Anticipation Certificates (Phoebe Putney Memorial Hospital), Series 2008B in the original principal amount of \$54,100,000, of which \$48,590,000 remain outstanding (the "Series 2008B Certificates" and together with the Series 2008A Certificates, the "Series 2008 Certificates"); and

WHEREAS, pursuant to an Indenture of Trust dated as of July 1, 2010 between the Issuer U.S. Bank National Association, as trustee, the Issuer issued its Revenue Anticipation Certificates (Phoebe Putney Memorial Hospital), Series 2010A in the original principal amount of up to \$99,000,000, of which \$97,475,000 remain outstanding (the "Series 2010A Certificates"); and

WHEREAS, the Series 1993 Certificates, the Series 2008 Certificates and the Series 2010A Certificates (collectively, the "Prior Bonds") are all secured on parity pursuant to the Master Trust Indenture dated as of March 1, 2002 (as supplemented, the "Master Indenture") with U.S. Bank National Association (as successor to SunTrust Bank), as master trustee (the "Master Trustee"), and the Obligated Group (comprised on the date hereof of Phoebe Putney Memorial Hospital, Inc. (the "Hospital") and Phoebe Putney Health System, Inc.); and

WHEREAS, in furtherance of the public purpose for which the Issuer was created, the Issuer proposes to issue \$[ ] in principal amount of its Revenue Anticipation Certificates (Phoebe Putney Memorial Hospital), Series 2012 (the "Bonds") pursuant to this Indenture, to finance (i) certain capital improvements to the facilities of the Hospital and (ii) costs of issuance of the Bonds, and to lend

the proceeds of the sale of the Bonds to the Hospital pursuant to the Loan Agreement (the "Agreement") of even date herewith between the Issuer and the Hospital, to accomplish such financing; and

WHEREAS, as security for the payment of the Bonds, and to evidence, among other things, the obligation of the Hospital to make loan payments pursuant to the Agreement sufficient to pay the principal of, premium, if any, and interest on the Bonds, the Hospital will execute and deliver to the Issuer its promissory note dated the date of its issuance in an amount equal to the principal amount of the Bonds (the "Series 2012 Master Note"); and

WHEREAS, all things necessary to make the Bonds when authenticated by the Trustee and issued as in this Indenture provided, the valid, binding and legal obligations of the Issuer according to the import thereof, and to constitute this Indenture a valid assignment and pledge of the payments under the Agreement (except for "Reserved Rights") for payment of the principal of, premium, if any, and interest on the Bonds, and to constitute this Indenture a valid assignment of the rights of the Issuer under the Agreement except as otherwise stated herein, have been done and performed, and the creation, execution and delivery of this Indenture, and the issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

#### GRANTING CLAUSES

That the Issuer, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Owners thereof, and of the sum of one dollar, lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect and to secure the performance and observance by the Issuer of all the covenants expressed herein and in the Bonds, does hereby assign and grant a security interest in the following to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the Issuer hereinafter set forth:

#### GRANTING CLAUSE FIRST

All right, title and interest of the Issuer in and to the Agreement (except for Reserved Rights) and the Series 2012 Master Note, including, but not limited to, the present and continuing right to make claim for, collect, receive and receipt for any of the sums, amounts, income, revenues, issues and profits and any other sums of money payable or receivable under the Agreement and the Series 2012 Master Note, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Issuer is or may become entitled to do under the Agreement and the Series 2012 Master Note.

#### GRANTING CLAUSE SECOND

All right, title and interest of the Issuer in and to all moneys and securities from time to time held by the Trustee under the terms of this Indenture, other than moneys held in the Rebate Fund.

#### GRANTING CLAUSE THIRD

Any and all other property rights and interests of every kind and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged, pledged, hypothecated or otherwise subjected hereto, as and for additional security herewith, by the Hospital or any other person on its behalf or with its written

consent or by the Issuer or any other person on its behalf or with its written consent, and the Trustee is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in said trust and assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of the Bonds, from time to time, issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds except in the case of funds held hereunder for the benefit of particular Owners of Bonds;

PROVIDED that if the Issuer, its successors or assigns well and truly pays, or causes to be paid, the principal of, premium, if any, and interest on the Bonds due or to become due thereon, at the times and in the manner set forth in the Bonds according to the true intent and meaning thereof, and causes the payments to be made on the Bonds as required hereunder, or provides, as permitted hereby, for the payment thereof by depositing with the Trustee the entire amount due or to become due thereon, and well and truly causes to be kept, performed and observed all of its covenants and conditions pursuant to the terms of this Indenture, and pays or causes to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon the final payment thereof this Indenture and the rights hereby granted will cease, determine and be void, except to the extent specifically provided in Article VIII hereof; otherwise this Indenture will remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said property, rights and interests, including, without limitation, the amounts payable under the Agreement and any other amounts hereby assigned and pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as herein expressed, and the Issuer has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the respective Owners of the Bonds as follows:

## ARTICLE I

### DEFINITIONS

*Section 1.01.* Definitions. All capitalized, undefined terms used herein have the meanings ascribed to such terms in Article I of the Agreement (as defined below). In addition, unless the context otherwise requires, the following words and phrases when used in this Indenture have the meanings specified in this Section:

"Act" means the Hospital Authorities Law, O.C.G.A. §31-7-70 et seq., as amended.

"Act of Bankruptcy" means the filing of a petition in bankruptcy (or any other commencement of a bankruptcy or similar proceeding) by or against the Hospital or any affiliate of the Hospital under any applicable bankruptcy, insolvency, reorganization or similar law, now or hereafter in effect.

"Agreement" means the Loan Agreement dated as of this date between the Issuer and the Hospital, and any amendments and supplements thereto.

"Authorized Denomination" means \$5,000 principal amount or any integral multiple thereof.

"Beneficial Owner" means, for any Bond that is held by a nominee, the beneficial owner of such Bond.

"Bond Counsel" means a firm of nationally recognized standing in the field of municipal finance law whose opinions are generally accepted by purchasers of public obligations and who is acceptable to the Trustee.

"Bond Fund" means the fund created in Section 6.01 hereof.

"Bond Register" means the books of the Issuer kept by the Trustee to evidence the registration and transfer of the Bonds.

"Bonds" means Hospital Authority of Albany-Dougherty County, Georgia Revenue Anticipation Certificates (Phoebe Putney Memorial Hospital), Series 2012 issued by the Issuer pursuant to this Indenture.

"Book-Entry System" means the system maintained by the Securities Depository described in Section 2.17 herein.

"Business Day" means any day other than (a) a Saturday or Sunday, (b) a day on which the Trustee is required or permitted by law to close, and (c) a day on which the New York Stock Exchange is closed.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, including, when appropriate, the statutory predecessor thereof, or any applicable corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context hereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of the Treasury (including applicable final or temporary regulations and also including regulations issued pursuant to the statutory predecessor of the Code, the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings), and applicable court decisions).

"Default" means any Default under this Indenture as specified in and defined by Section 9.01 hereof.

"Delivery Office" means the office of the Trustee designated in Section 13.04 hereof.

"Determination of Taxability" means a final decree or judgment of any federal court or a final action of the Internal Revenue Service determining that interest paid or payable on any Bond is or was includable in the gross income of an Owner of the Bonds for federal income tax purposes (other than an Owner who is a "substantial user" or "related person" to a "substantial user" within the meaning of Section 147(a) of the Code); provided, that no such decree, judgment, or action will be considered final for this purpose, however, unless the Hospital has been given written notice and, if it is so desired and is legally allowed, has been afforded the opportunity to contest the same, either directly or in the name of any Owner of a Bond, and until the conclusion of any appellate review, if sought.

"Fitch" means Fitch, Inc., its successors and their assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, "Fitch" will be deemed to refer to any other nationally recognized securities rating agency designated by the Hospital by written notice to the Trustee.

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

"Hospital" means (i) Phoebe Putney Memorial Hospital, Inc., a Georgia nonprofit corporation, and (ii) any surviving, resulting, or transferee entity as provided in the Agreement.

"Hospital Representative" means the person or persons at the time designated to act on behalf of the Hospital by written certificate furnished to the Issuer and the Trustee containing the specimen signatures of such person or persons and signed on behalf of the Hospital by its President or Vice President. Such certificate may designate an alternate or alternates.

"Indenture" means this Indenture of Trust, and any amendments or supplements hereto.

"Independent Counsel" means an attorney duly admitted to practice law before the highest court of any state and who is not a full-time employee, director, officer, or partner of the Issuer or the Hospital.

"Interest Payment Date" means each June 1 and December 1, beginning on June 1, 2013.

"Issuer" means the Hospital Authority of Albany-Dougherty County, Georgia, and its successors and assigns.

"Issuer Representative" means the person or persons at the time designated to act on behalf of the Issuer by written certificate furnished to the Hospital and the Trustee containing the specimen signatures of such person or persons and signed on behalf of the Issuer by its duly authorized agent. Such certificate may designate an alternate or alternates.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, "Moody's" will be deemed to refer to any other nationally recognized securities rating agency designated by the Hospital by written notice to the Trustee.

"Outstanding" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered by the Trustee under this Indenture, except:

- (a) Bonds canceled after purchase in the open market or because of payment at, or redemption prior to, maturity;
- (b) Bonds paid or deemed paid pursuant to Article VIII hereof;
- (c) Bonds in lieu of which others have been authenticated under Section 2.06 or Section 2.07 hereof; and
- (d) Bonds deemed tendered hereunder and for which another Bond has been issued.

"Owner" means the person or persons in whose name or names a Bond is registered on the books of the Issuer kept by the Trustee for that purpose in accordance with provisions of this Indenture.

"Par" means 100% of the principal amount of any Bond, or of the aggregate principal amount of the Bonds Outstanding, as the context may require, exclusive of accrued interest.

"Participant" means one of the entities which is a member of the Securities Depository and deposits securities, directly or indirectly, in the Book-Entry System.

"Prior Bonds" is defined in the fourth WHEREAS clause of this Indenture.

"Project" means the health care facilities financed with the proceeds of the Bonds as more fully described in Exhibit A to the Agreement.

"Project Fund" means the fund created in Section 6.04 hereof.

"Rebate Fund" means the fund created in Section 6.09 hereof.

"Record Date" means the 15<sup>th</sup> day of the month immediately preceding each Interest Payment Date.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System, from time to time in effect, and all official rulings and interpretations thereunder or thereof.

"Reserved Rights" means amounts payable to the Issuer under Sections 4.02(c), 7.02 and 8.04 of the Agreement and the right of the Issuer to receive notices.

"Responsible Officer" when used with respect to the Trustee, means any officer within the corporate trust administrative department of the Trustee, including any vice president, any assistant vice president, any trust officer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject.

"Securities Depository" means The Depository Trust Company, New York, New York, or its nominee, and its successors and assigns.

"Series 2012 Master Note" is defined in the sixth WHEREAS hereof.

"State" means the State of Georgia.

"S&P" means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, "S&P" will be deemed to refer to any other nationally recognized securities rating agency designated by the Hospital by written notice to the Trustee.

"Trustee" means **[Name of Trustee]**, a national banking association organized and existing under the laws of the United State and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor Trustee at the time serving as successor Trustee hereunder. "Principal Office" of the Trustee means the address specified in Section 13.04 hereof or such other address as may be designated in writing to the Issuer and the Hospital.

"Trust Estate" means the property conveyed to the Trustee pursuant to the Granting Clauses hereof.

**Section 1.02.** Uses of Phrases.

Words of the masculine gender will be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context otherwise indicates, the words "Bond," "Bondholder," "Owner," "registered owner" and "person" include the plural as well as the singular number, and the word "person" includes corporations and associations, including public bodies, as well as persons. Any percentage of Bonds, specified herein for any purpose, is to be figured on the unpaid principal amount thereof then Outstanding. All references herein to specific Sections of the Code refer to such Sections of the Code and all successor or replacement provisions thereto.

**ARTICLE II**

**THE BONDS**

**Section 2.01.** Authorized Amount of Bonds.

The total principal amount of Bonds that may be issued hereunder is hereby expressly limited to \$[\_\_\_\_\_].

**Section 2.02.** Issuance and Terms of Bonds.

(a) The Bonds will be designated "Hospital Authority of Albany-Dougherty County, Georgia Revenue Anticipation Certificates (Phoebe Putney Memorial Hospital), Series 2012." The Bonds will be in substantially the form of Exhibit A, which is part of this Indenture.

(b) The Bonds will be dated the date of initial authentication and delivery. The Bonds will be issued as fully registered Bonds, without coupons, in any Authorized Denomination. Unless the Issuer directs otherwise, the Bonds will be lettered "R" and will be numbered consecutively from 1 upward.

(c) Each Bond authenticated prior to the first Interest Payment Date thereon will bear interest from its dated date. Each Bond authenticated on or after the first Interest Payment Date thereon will bear interest from the Interest Payment Date thereon next preceding the date of authentication thereof, unless such date of authentication is an Interest Payment Date to which interest on such Bond has been paid in full or duly provided for, in which case from such date of authentication; provided that if, as shown by the records of the Trustee, interest on such Bond will be in default, such Bond will bear interest from the date to which interest has been paid in full on such Bond or, if no interest has been paid on such Bond, its dated date. Each Bond will bear interest on overdue principal and, to the extent permitted by law, on overdue premium, if any, and interest at the rate borne by such Bond.

(d) The principal of, premium, if any, and interest on the Bonds will be payable in any coin or currency of the United States of America that, at the respective dates of payment thereof, is legal tender for the payment of public and private debts.

(e) The principal of and premium, if any, on any Bonds shall be payable to the Bondholder at the Designated Office of the Trustee, upon presentation and surrender of such Bond.

(f) Payment of the interest on each Bond will be made by the Trustee on each Interest Payment Date to the person appearing as the registered owner thereof as of the close of business on the Record Date preceding the Interest Payment Date by check mailed to such registered owner at its address as it appears on the registration books maintained by the Trustee, or at such other address as is furnished in writing by such registered owner to the Trustee, notwithstanding the cancellation of any such Bonds upon any exchange or transfer thereof subsequent to the Record Date and prior to such Interest Payment



Date. Notwithstanding anything provided above, payment of interest on the Bonds may, at the option of the owner of such Bonds in an aggregate principal amount of at least \$1,000,000, be transmitted by wire transfer of immediately available funds to such owner to the bank account number on file with the Trustee, as of the relevant Record Date.

(g) The Bonds will bear interest at the rates per annum set forth below, computed on the basis of a 360-day year consisting of twelve 30-day months, payable on June 1, 2013, and semiannually thereafter on June 1 and December 1 of each year and will mature on December 1, in the years and in the principal amounts as follows, unless earlier called for redemption.

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2013		

2042

**Section 2.03.** Execution; Limited Obligations.

The Bonds will be executed on behalf of the Issuer with the manual or facsimile signature of the Chairman of the Issuer and the Issuer's corporate seal will be affixed thereto or printed or otherwise reproduced thereon and attested by the manual or facsimile signature of its Secretary or Treasurer. All authorized facsimile signatures will have the same force and effect as if manually signed. The Bonds are not general obligations of the Issuer but limited and special obligations payable solely from the amounts payable under the Agreement and other amounts specifically pledged therefor under this Indenture, and will be a valid claim of the respective Owners thereof only against the Trust Estate, which amounts are hereby pledged, assigned and otherwise secured for the equal and ratable payment of the Bonds and may be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in this Indenture. No Owner of any Bonds has the right to compel any exercise of taxing power (if any) of the Issuer to pay the Bonds or the interest thereon, and the Bonds do not constitute an indebtedness of the Issuer or a loan of credit thereof within the meaning of any constitutional or statutory provisions.

**Section 2.04.** Authentication.

No Bond will be valid or obligatory for any purpose or entitled to any security or benefit under this Indenture unless and until a certificate of authentication on such Bond substantially in the form set forth in the form of Bond attached hereto as Exhibit A hereto has been duly executed by the Trustee, and such executed certificate of authentication upon any such Bond will be conclusive evidence that such

Bond has been authenticated and delivered under this Indenture. The certificate of authentication on any Bond will be deemed to have been executed by the Trustee if signed by an authorized signatory of the Trustee but it will not be necessary that the same signatory execute the certificate of authentication on all of the Bonds.

**Section 2.05.** Form of Bonds.

The Bonds and the certificate of authentication to be endorsed thereon are to be in substantially the form set forth in Exhibit A attached hereto, with appropriate variations, omissions and insertions as permitted or required by this Indenture.

**Section 2.06.** Authentication and Delivery of Bonds.

Prior to the authentication and delivery by the Trustee of the Bonds, there will be filed or deposited with the Trustee:

(i) a copy, certified by the Chairman or Vice Chairman of the Issuer, of all resolutions adopted and proceedings had by the Issuer authorizing the issuance of the Bonds, including the resolution authorizing the execution, delivery and performance of this Indenture and the Agreement;

(ii) the opinion of Bond Counsel approving the validity of the Bonds and confirming the exclusion from gross income of interest on the Bonds; and

(iii) a request and authorization to the Trustee on behalf of the Issuer and signed by an authorized officer of the Issuer to authenticate and deliver the Bonds in such specified denominations as permitted herein to purchasers thereof upon payment to the Trustee, but for the account of the Issuer, of a specified sum of money. Upon payment of the proceeds to the Trustee, the Trustee will deposit the proceeds pursuant to Article VI hereof.

**Section 2.07.** Mutilated, Lost, Stolen or Destroyed Bonds.

In the event any Bond is mutilated, lost, stolen, or destroyed, the Issuer will execute and the Trustee will authenticate a new Bond of like date and denomination as that mutilated, lost, stolen or destroyed, provided that, in the case of any mutilated Bond, such mutilated Bond must first be surrendered to the Issuer or the Trustee, and in the case of any lost, stolen, or destroyed Bond, there first must be furnished to the Issuer and the Trustee evidence of such loss, theft or destruction satisfactory to the Issuer and the Trustee, together with an indemnity satisfactory to them. In the event any such Bond has matured, the Trustee, instead of issuing a duplicate Bond, may pay the same without surrender thereof, making such requirements as it deems fit for its protection, including a lost instrument bond. The Issuer and the Trustee may charge the Owner of such Bond with their reasonable fees and expenses for such service. In authenticating a new Bond, the Trustee may conclusively assume that the Issuer is satisfied with the adequacy of the evidence presented concerning the mutilation, loss, theft or destruction of any Bond or with any indemnity furnished in connection therewith if, after notification of the same, the Trustee has not received within two days following such notification written notice from the Issuer to the contrary.

**Section 2.08.** Transfer of Bonds; Persons Treated as Owners.

(a) The Trustee will keep books for the transfer of the Bonds as provided in this Indenture. Upon surrender for transfer of any Bond at the Principal Office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or his attorney duly authorized in writing,

the Issuer will execute and the Trustee will authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds in authorized denominations for a like aggregate principal amount. Subject to the provisions of Section 2.11 hereof relating to the transfer of ownership of Bonds held in the Book-Entry System, any Bond, upon surrender thereof at the Principal Office of the Trustee duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or its attorney duly authorized in writing, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of Bonds of any denominations authorized by this Indenture in an aggregate principal amount equal to the principal amount of such Bond. In each case, the Trustee may require the payment by the Owner of the Bond requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

(b) The Trustee will not be required to exchange or register a transfer of (a) any Bonds during the fifteen day period next preceding the date of the mailing of a notice of redemption of Bonds selected for redemption, or (b) any Bonds selected, called or being called for redemption in whole or in part except, in the case of any Bond to be redeemed in part, the portion thereof not so to be redeemed.

(c) Subject to the provisions of Section 2.11 hereof relating to Bonds held in the Book-Entry System, the Trustee and the Issuer may treat the person in whose name a Bond is registered as the absolute Owner thereof for all purposes, and neither the Issuer nor the Trustee will be bound by any notice or knowledge to the contrary, but such registration may be changed as hereinabove provided. All payments made to the Owner will be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

**Section 2.09.** Destruction of Bonds.

Subject to the provisions of Section 2.11 hereof relating to Bonds held in the Book-Entry System, whenever any Outstanding Bond is delivered to the Trustee for cancellation pursuant to this Indenture, or for replacement pursuant to Section 2.07 hereof, such Bond will be promptly cancelled and cremated or otherwise destroyed by the Trustee, and, upon the request of the Hospital and the Issuer, counterparts of a certificate of destruction evidencing such cremation or other destruction will be furnished by the Trustee to the Issuer and the Hospital.

**Section 2.10.** Temporary Bonds.

(a) Until Bonds in definitive form are ready for delivery, the Issuer may execute, and upon the request of the Issuer, the Trustee will authenticate and deliver, subject to the provisions, limitations and conditions set forth above, one or more Bonds in temporary form, whether printed, typewritten, lithographed or otherwise produced, substantially in the form of the definitive Bonds, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form will be entitled to the liens and benefits of this Indenture.

(b) Upon presentation and surrender of any Bond or Bonds in temporary form, the Issuer will, at the request of the Trustee, execute and deliver to the Trustee, and the Trustee will authenticate and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange will be made by the Trustee without making any charge therefor to the Owner of such Bond in temporary form. Notwithstanding the foregoing, Bonds in definitive form may be issued hereunder in typewritten form.

**Section 2.11.** Book-Entry System.

(a) The Bonds may be issued in the name of the Securities Depository or its nominee, as registered owner of the Bonds, and held in the custody of the Securities Depository or its designee. A single certificate (or such number of certificates required by the procedures of the Securities Depository)

will be issued and delivered to the Securities Depository (or its designee) for each maturity of the Bonds, and the Beneficial Owners will not receive physical delivery of Bond certificates except as provided herein. For so long as the Securities Depository continues to serve as securities depository for the Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of Bonds is to receive, hold or deliver any Bond certificate. The Issuer, the Hospital and the Trustee will recognize the Securities Depository or its nominee as the Owner for all purposes, including notices.

(b) The Issuer, the Hospital and the Trustee may rely conclusively upon (i) a certificate of the Securities Depository as to the identity of the Participants in the Book-Entry System with respect to the Bonds and (ii) a certificate of any such Participant as to the identity of, and the respective principal amount of Bonds beneficially owned by, the Beneficial Owners of the Bonds.

(c) Whenever, during the term of the Bonds, the beneficial ownership thereof is determined by a Book-Entry System at the Securities Depository, the requirements in this Indenture of holding, delivering or transferring Bonds will be deemed modified to require the appropriate person to meet the requirements of the Securities Depository as to registering or transferring the book-entry Bonds to produce the same effect. Any provision hereof permitting or requiring delivery of Bonds, while the Bonds are in the Book-Entry System, will be satisfied by the notation on the books of the Securities Depository in accordance with applicable state law.

(d) Except as otherwise specifically provided in this Indenture and the Bonds with respect to the rights of Participants and Beneficial Owners, when a Book-Entry System is in effect, the Issuer, the Trustee and the Hospital may treat the Securities Depository (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of (i) payment of the principal of, premium, if any, and interest on the Bonds or portion thereof to be redeemed or purchased, (ii) giving any notice permitted or required to be given to Owners under this Indenture, and (iii) the giving of any direction or consent or the making of any request by the Owners hereunder, and none of the Issuer, the Trustee nor the Hospital will be affected by any notice to the contrary. None of the Issuer, the Hospital or the Trustee will have any responsibility or obligations to the Securities Depository, any Participant, any Beneficial Owner or any other person which is not shown on the Bond Register, with respect to (i) the accuracy of any records maintained by the Securities Depository or any Participant; (ii) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption of, or interest on, any Bonds; (iii) the delivery of any notice by the Securities Depository or any Participant; (iv) the selection of the Participants or the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (v) any consent given or any other action taken by the Securities Depository or any Participant. The Trustee will pay all principal of, premium, if any, and interest on the Bonds registered in the name of a nominee of the Securities Depository only to or "upon the order of" the Securities Depository (as that term is used in the Uniform Commercial Code as adopted in Georgia), and all such payments will be valid and effective to fully satisfy and discharge the Hospital's obligations with respect to the principal of, premium, if any, and interest on such Bonds to the extent of the sum or sums so paid.

(e) The Book-Entry System may be discontinued by the Trustee and the Issuer, at the direction and expense of the Hospital, and the Issuer and the Trustee will cause the delivery of Bond certificates to such Beneficial Owners of the Bonds and registered in the names of such Beneficial Owners as specified to the Trustee by the Securities Depository in writing, under the following circumstances:

(i) The Securities Depository determines to discontinue providing its service with respect to the Bonds and no successor Securities Depository is appointed. Such a determination

may be made at any time by giving 30 days' notice to the Issuer, the Hospital and the Trustee and discharging its responsibilities with respect thereto under applicable law.

(ii) The Hospital determines not to continue the Book-Entry System through a Securities Depository.

(iii) In the event the Book-Entry System is discontinued, the Trustee will mail a notice to the Securities Depository for distribution to the Beneficial Owners stating that the Securities Depository will no longer serve as securities depository, the procedures for obtaining Bonds and the provisions of this Indenture which govern the Bonds, including, but not limited to, provisions regarding authorized denominations, transfer and exchange, principal and interest payment and other related matters.

(f) When the Book-Entry System is not in effect, all references herein to the Securities Depository will be of no further force or effect and the Trustee, at the expense of the Hospital, will issue Bonds directly to the Beneficial Owners.

(g) The Trustee reserves the right to initially issue the Bonds directly to the Beneficial Owners of the Bonds if the Trustee receives an opinion of Bond Counsel that determines that use of the Book-Entry System would cause the interest on the Bonds to be included in gross income of the Owners for federal income tax purposes.

**Section 2.12.** CUSIP Numbers. The Issuer may use "CUSIP" numbers in connection with the Bonds (if then generally in use), and, if so, the Trustee will use "CUSIP" numbers in notices of redemption as a convenience to Owners; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Bonds or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Bonds, and any such redemption will not be affected by any defect in or omission of such numbers. The Hospital will promptly notify the Trustee in writing of any change in the "CUSIP" numbers.

### ARTICLE III

#### REDEMPTION OF BONDS BEFORE MATURITY

**Section 3.01.** Extraordinary Redemption.

The Bonds are subject to redemption in whole by the Issuer, at the option of the Hospital, at a redemption price of 100% of the Outstanding principal amount thereof plus accrued interest to (but not including) the redemption date, in the event all or substantially all of the Project has been damaged or destroyed, or there occurs the condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project as to render it, in the judgment of the Hospital, unsatisfactory for its intended use for a period of time longer than one year.

**Section 3.02.** Optional Redemption by the Hospital.

The Bonds maturing on and after December 1, 20\_\_ are subject to redemption by the Issuer, at the option of the Hospital, in whole or in part in an Authorized Denomination at any time on or after December 1, 20\_\_, the maturities of Bonds to be redeemed to be selected by the Hospital (and within any maturity by the Securities Depository in accordance with its procedures or if the Book-Entry System is discontinued, by lot or in such other manner as the Trustee determines), at the redemption price of 100% of the principal amount thereof plus accrued interest to (but not including) the redemption date.

**Section 3.03. Mandatory Sinking Fund Redemption.**

The Bonds maturing on December 1, 20\_\_ and December 1, 20\_\_ are subject to mandatory redemption prior to maturity, in part with the Bonds to be redeemed to be selected by the Securities Depository in accordance with its procedures or, if the Book-Entry System has been discontinued, by lot, in such manner as may be designated by the Trustee in its reasonable discretion, reasonably exercised, on the following dates and in the following principal amounts at a redemption price of one hundred percent (100%) of the principal amount thereof plus accrued interest to the redemption date, but without premium:

Bonds Maturing December 1, 20\_\_

<u>December 1</u>	<u>Principal</u>
<u>of the Year</u>	<u>Amount</u>

(Leaving \$ \_\_\_\_\_ to mature December 1, 20\_\_)

Bonds Maturing December 1, 20\_\_

<u>December 1</u>	<u>Principal</u>
<u>of the Year</u>	<u>Amount</u>

(Leaving \$ \_\_\_\_\_ to mature December 1, 20\_\_)

On or before 45 days prior to each sinking fund installment, the Trustee will select for redemption, by lot in such manner as the Trustee determines, the principal amount of Bonds equal to the applicable sinking fund installment. The amount of the applicable sinking fund installment for any particular date and maturity may be reduced by the principal amount of any Bonds which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled and not theretofore applied as a credit against a sinking fund installment. Such reductions, if any, will be applied in such year or years determined by the Hospital.

**Section 3.04. Notice of Redemption.**

(a) Notice of the call for redemption will be given by the Trustee by mailing a copy of the redemption notice (a) by first class mail at least 30 days but not more than 60 days prior to the date fixed for redemption to the Owner of each Bond to be redeemed in whole or in part at the address shown on the registration books and (b) at least 10 days prior to the date fixed for redemption, to the Municipal Securities Rulemaking Board ("MSRB") in electronic format as prescribed by the MSRB (which, as of the date of this Indenture, is the Electronic Municipal Market Access system ("EMMA") of the MSRB. No defect in any notice delivered pursuant to clause (b) above nor any failure to give all or any portion of such notice will in any manner defeat the effectiveness of a call for redemption if notice is given as prescribed in clause (a) above. Any notice mailed as provided in this Section 3.04 will be conclusively presumed to have been duly given, whether or not the Owner or any other recipient receives the notice. Each notice of redemption given hereunder will contain (i) information identifying the Bonds or portions thereof to be redeemed (ii) the CUSIP numbers of all Bonds being redeemed; (iii) the date of issue of the Bonds as originally issued; (iv) the rate of interest borne by each Bond being redeemed; (v) the maturity date of each Bond being redeemed; and (vi) any other descriptive information needed to identify accurately the Bonds being redeemed; provided that no notice will be deemed defective if the information

required in clause (i) above is provided in such notice. The redemption of the Bonds may be contingent or subject to such conditions as may be specified in the notice, and if funds for the redemption are not irrevocably deposited with the Trustee or otherwise placed in escrow and in trust prior to the giving of notice of redemption, the notice will be specifically subject to the deposit of funds by the Hospital.

(b) Failure to mail any such notice, or the mailing of defective notice, to any Owner, will not affect the proceeding for redemption as to any Owner to whom proper notice is mailed. Notwithstanding the foregoing provisions of this Section 3.04, delivery by the Trustee of a copy of a redemption notice to a transferee of a Bond which has been called for redemption, pursuant to the requirements of Section 2.08 hereof, will be deemed to satisfy the requirements of the first sentence of this Section 3.04 with respect to any such transferee.

(c) Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose will bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

**Section 3.05. Redemption Payments.**

If on or prior to the date fixed for redemption, sufficient moneys are on deposit with the Trustee to pay the redemption price of the Bonds called for redemption, the Trustee is hereby authorized and directed to apply such funds to the payment of the principal of the Bonds or portions thereof called for redemption, together with accrued interest thereon to the redemption date and any required premium. Upon the giving of notice and the deposit of moneys for redemption at the required times on or prior to the date fixed for redemption, as provided in this Article, interest on the Bonds or portions thereof thus called will no longer accrue after the date fixed for redemption.

**Section 3.06. Cancellation.**

Subject to Section 3.08 hereof, all Bonds which have been redeemed will not be reissued but will be canceled and cremated or otherwise destroyed by the Trustee in accordance with Section 2.09 hereof.

**Section 3.07. Partial Redemption of Bonds.**

Upon surrender of any Bond for redemption in part only, the Issuer will execute and the Trustee will authenticate and deliver to the Owner thereof a new Bond or Bonds in an Authorized Denomination, in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

**Section 3.08. Purchase in Lieu of Redemption.**

Notwithstanding any provision contained herein to the contrary, the Hospital will have the option to cause the Bonds to be purchased in lieu of redemption on the applicable redemption date at a price equal to the then applicable redemption price, plus accrued interest thereon to, but not including, the date of such purchase. Such option may be exercised by delivery to the Trustee on or prior to the business day preceding the redemption date of a written notice of the Hospital specifying the Bonds that will be subject to purchase in lieu of redemption pursuant to this Section 3.08 with the moneys provided or to be provided by or on behalf of the Hospital. Upon delivery of such notice, the Bonds to which such notice applies will not be redeemed but will be purchased at the redemption price on the date that would otherwise have been the redemption date.

**ARTICLE IV**

[RESERVED]

## ARTICLE V

### GENERAL COVENANTS

#### **Section 5.01.** Payment of Principal, Premium, if any, and Interest.

(a) The Issuer covenants that it will promptly pay or cause to be paid the principal of, premium, if any, and interest on every Bond issued under this Indenture at the place, on the dates, and in the manner provided herein and in said Bonds according to the true intent and meaning thereof, but solely from the amounts pledged therefor which are from time to time held by the Trustee in the various accounts of the Bond Fund. The principal of, premium, if any, and interest on the Bonds are payable from the amounts to be paid under the Agreement and otherwise as provided herein and in the Agreement, which amounts are hereby specifically pledged to the payment thereof in the manner and to the extent herein specified, and nothing in the Bonds or in this Indenture may be construed as pledging any other funds or assets of the Issuer.

(b) Neither the Issuer, the State, nor any political subdivision of the State will in any event be liable for the payment of the principal of, premium, if any, or interest on any of the Bonds or for the performance of any pledge, obligation or agreement undertaken by the Issuer except to the extent that the moneys pledged herein are sufficient therefor. No Owner of any Bonds has the right to compel any exercise of taxing power of the State or any political subdivision thereof to pay the Bonds or the interest thereon, and the Bonds do not constitute an indebtedness of the Issuer, the State or any political subdivision of the State, or a loan of credit of any of the foregoing within the meaning of any constitutional or statutory provision. The Issuer has no taxing power.

#### **Section 5.02.** Performance of Covenants.

The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture and in the Agreement, in any and every Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. The Issuer covenants that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Bonds authorized hereby and to execute this Indenture, to assign the Agreement, and to pledge the amounts to be paid under the Agreement and other amounts hereby pledged in the manner and to the extent herein set forth, that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken, and that the Bonds in the hands of the Owners thereof are and will be valid and enforceable limited obligations of the Issuer according to the terms thereof and hereof.

#### **Section 5.03.** Instruments of Further Assurance.

The Issuer will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee all and singular the amounts pledged hereby to the payment of the principal of, premium, if any, and interest on the Bonds. The Issuer, except as herein and in the Agreement provided, will not sell, convey, mortgage, encumber or otherwise dispose of any part of the amounts, revenues and receipts payable under the Agreement or its rights under the Agreement.

#### **Section 5.04.** Recording and Filing.

The Trustee agrees that , at the Hospital's expense, it will cause all financing statements related to this Indenture and all supplements hereto and all continuations thereof to be recorded and filed in such



manner and in such places as may from time to time be required by law in order to preserve and protect fully the security of the Owners of the Bonds and the rights of the Trustee hereunder, and to take or cause to be taken any and all other action necessary to perfect the security interest created by this Indenture.

**Section 5.05.** Inspection of Books.

All books and records, if any, in the Issuer's possession relating to the Project and the amounts derived from the Project will at all reasonable times be open to inspection by such accountants or other agents as the Trustee may from time to time designate.

**Section 5.06.** List of Owners of Bonds.

The Trustee will keep on file a list of names and addresses of the Owners of all Bonds as from time to time registered on the registration books maintained by the Trustee, together with the principal amount and numbers of such Bonds owned by each such Owner. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied for any purpose by the Hospital or by the Owners (or a designated representative thereof) of fifteen percent (15%) or more in aggregate principal amount of Outstanding Bonds, such possession or ownership and the authority of such designated representative to be evidenced to the satisfaction of the Trustee.

**Section 5.07.** Rights Under Agreement.

The Agreement, a duly executed counterpart of which has been filed with the Trustee, sets forth the covenants and obligations of the Issuer and the Hospital, and reference is hereby made to the Agreement for a detailed statement of said covenants and obligations of the Hospital thereunder, and the Issuer agrees that the Trustee in its name or in the name of the Issuer may enforce all rights of the Issuer (other than Reserved Rights) and all obligations of the Hospital under and pursuant to the Agreement for and on behalf of the Owners of Bonds, whether or not the Issuer is in default hereunder.

**Section 5.08.** Undertaking to Provide Ongoing Disclosure.

The Hospital has undertaken in Section 6.06 of the Agreement to provide ongoing disclosure for the benefit of the Owners pursuant to Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240 § 240.15C2-12), which undertaking is hereby assigned by the Issuer to the Trustee for the benefit of the Owners. Such assignment is a present absolute assignment and not the assignment of a security interest. Section 6.06 of the Agreement will be enforceable by any Owner and the Trustee.

## ARTICLE VI

### REVENUES AND FUNDS

**Section 6.01.** Creation of the Bond Fund.

There is hereby created and established with the Trustee a trust fund to be designated "Hospital Authority of Albany-Dougherty County, Georgia - Bond Fund, Phoebe Putney Memorial Hospital," which will be used to pay when due the principal of, premium, if any, and interest on the Bonds.

**Section 6.02.** Payments into the Bond Fund.

There will be deposited into the Bond Fund from time to time the following all other moneys received by the Trustee under and pursuant to any of the provisions hereof or of the Agreement which are

required to be or which are accompanied by directions that such moneys are to be paid into the Bond Fund.

**Section 6.03.** Use of Moneys in the Bond Fund.

Moneys in the Bond Fund will be used solely for the payment of the principal of, premium, if any, and interest on the Bonds and for the redemption of the Bonds prior to maturity.

**Section 6.04.** Creation of the Project Fund; Payments into the Project Fund.

There is hereby created and established with the Trustee a trust fund to be designated "Hospital Authority of Albany-Dougherty County, Georgia – Project Fund, Phoebe Putney Memorial Hospital" and an account therein designated the "Costs of Issuance Account." There will be deposited into the Project Fund and the Costs of Issuance Account therein from time to time the following:

- (a) from the initial purchase price of the Bonds, in the Costs of Issuance Account, the amount of \$[ ] to be applied to payment of Costs of Issuance of the Bonds;
- (b) from the initial purchase price of the Bonds, into the Project Fund, the balance of the proceeds from the initial purchase price of the Bonds; and
- (c) all other moneys received by the Trustee under and pursuant to any of the provisions hereof or of the Agreement or by or on behalf of the Hospital which are required to be or which are accompanied by directions that such moneys are to be paid into the Project Fund or into the Costs of Issuance Account therein.

**Section 6.05.** Disbursements from the Project Fund and the Costs of Issuance Account.

(a) Upon receipt of a requisition from the Hospital for any disbursement from the Project Fund, the Trustee will promptly advise the Hospital of the balance on deposit in the Project Fund or Cost of Issuance Account therein, as appropriate.

(a) Moneys in the Project Fund and the Costs of Issuance Account therein will be expended in accordance with the provisions of the Agreement, particularly Section 3.02 thereof. The Trustee is hereby authorized and directed to make disbursements contemplated and as required by the Agreement. The Trustee will keep and maintain adequate records pertaining to the Project Fund and all disbursements therefrom.

(b) If as a result of the occurrence of an Event of Default under this Indenture, the Trustee declares the unpaid principal balance and accrued interest on the Bonds to be immediately due and payable, the Trustee, upon the written direction of the Owners of at least a majority in aggregate principal amount of Outstanding Bonds, will apply all moneys in the Project Fund to the immediate payment of the Bonds, in the same manner as a redemption. Any such application will reduce and discharge the amount then due and payable on the Bonds to the extent of such application. The Trustee will promptly notify the Hospital and the Issuer of the amount of such reduction.

(c) Amounts on deposit in the Costs of Issuance Account on the date that is the six-month anniversary of the date of issuance of the Bonds will be transferred to the Bond Fund.

**Section 6.06.** Nonpresentment of Bonds.

(a) If any Bond is not presented for payment when the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, if moneys sufficient to pay any such Bond have been deposited with the Trustee for the benefit of the Owner thereof, all liability of the Issuer to the Owner thereof for the payment of such Bond will forthwith cease, determine and be completely discharged, and thereupon it will be the duty of the Trustee to hold such funds, uninvested or invested in Government Obligations maturing overnight, but in any event without liability for interest thereon, for the benefit of the Owner of such Bond, which Owner will thereafter be restricted exclusively to such funds for any claim of whatever nature on its part under this Indenture with respect to such Bond.

(b) Any moneys so deposited with and held by the Trustee not so applied to the payment of Bonds within two years after the date on which the same have become due will be repaid by the Trustee to the Hospital upon written direction of a Hospital Representative, and thereafter Owners of Bonds will be entitled to look only to the Hospital for payment, and then to the extent of the amount so repaid, and all liability of the Trustee with respect to such money will thereupon cease, and the Hospital will not be liable for any interest thereon and will not be regarded as a trustee of such money.

**Section 6.07.** Moneys to be Held in Trust.

All moneys required to be deposited with or paid to the Trustee for the account of any fund or account referred to in any provision of this Indenture or the Agreement will be held by the Trustee in trust, and will, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien and security interest created hereby, except as otherwise specifically provided herein.

**Section 6.08.** Repayment to the Hospital from the Bond Fund.

Any amounts remaining in the Bond Fund or any other fund or account created hereunder (other than the Rebate Fund) after payment in full of the principal of, premium, if any, and interest on the Bonds, the fees, charges and expenses of the Trustee and all other amounts required to be paid hereunder, will be paid immediately to the Hospital. Moneys remaining in the Rebate Fund after all payments to the United States of America required by the terms of Section 6.09 hereof will also be paid to the Hospital.

**Section 6.09.** Creation of Rebate Fund; Duties of Trustee; Amounts Held in Rebate Fund.

(a) There is hereby created and established with the Trustee a trust fund to be held in trust to be designated "Hospital Authority of Albany-Dougherty County, Georgia Rebate Fund -- Phoebe Putney Memorial Hospital, 2012."

(b) The Trustee will make information regarding the Bonds and the investments hereunder available to the Hospital upon request, will make deposits to and disbursements from the Rebate Fund in accordance with the directions received from the Hospital or the Hospital Representative, will invest moneys in the Rebate Fund pursuant to said directions and will deposit income from such investments pursuant to said directions, and will make payments to the United States of America in accordance with directions received from the Hospital.

(c) Notwithstanding any provision of this Indenture to the contrary, the Trustee will not be liable or responsible for any calculation or determination which may be required in connection with or for the purpose of complying with Section 148 of the Code or any applicable Treasury regulation (the "Arbitrage Rules"), including, without limitation, the calculation of amounts required to be paid to the United States under the provisions of the Arbitrage Rules, the maximum amount which may be invested in "nonpurpose obligations" as defined in the Code and the fair market value of any investment made

hereunder, it being understood and agreed that the sole obligation of the Trustee with respect to investments of funds hereunder will be to invest the moneys received by the Trustee pursuant to the instructions of the Hospital Representative given in accordance with Article VII hereof. The Trustee will have no responsibility for determining whether or not the investments made pursuant to the direction of the Hospital Representative or any of the instructions received by the Trustee under this Section 6.09 comply with the requirements of the Arbitrage Rules and will have no responsibility for monitoring the obligations of the Hospital or the Issuer for compliance with the provisions of the Indenture with respect to the Arbitrage Rules.

## ARTICLE VII

### INVESTMENT OF MONEYS

#### *Section 7.01.* Investment of Moneys.

(a) Any moneys held as a part of any fund other than the Bond Fund or the Rebate Fund will be invested or reinvested by the Trustee, to the extent permitted by law, at the written request of and as directed by a Hospital Representative, in any of the following qualified investments:

(i) Bonds or obligations of the such county, municipal corporation, school district, political subdivision, authority, or body or bonds or obligations of the State or of other counties, municipal corporations, and political subdivisions of the State;

(ii) Bonds or other obligations of the United States or of subsidiary corporations of the United States Government which are fully guaranteed by such government;

(iii) Obligations of and obligations guaranteed by agencies or instrumentalities of the United States Government, including those issued by the Federal Land Bank, Federal Home Loan Bank, Federal Intermediate Credit Bank, Bank for Cooperatives, and any other such agency or instrumentality now or hereafter in existence; provided, however, that all such obligations shall have a current credit rating from a nationally recognized rating service of at least one of the three highest rating categories available and have a nationally recognized market;

(iv) Bonds or other obligations issued by any public housing agency or municipal corporation in the United States, which such bonds or obligations are fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States Government, or project notes issued by any public housing agency, urban renewal agency, or municipal corporation in the United States which are fully secured as to payment of both principal and interest by a requisition, loan, or payment agreement with the United States government;

(v) Certificates of deposit of national or state banks located within the State which have deposits insured by the Federal Deposit Insurance Corporation and certificates of deposit of federal savings and loan associations and state building and loan associations located within the State which have deposits insured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Georgia Credit Union Deposit Insurance Corporation, including the certificates of deposit of any bank, savings and loan association, or building and loan association acting as depositary, custodian, or trustee for any such bond proceeds. The portion of such certificates of deposit in excess of the amount insured by the Federal Deposit Insurance Corporation, the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Georgia Credit Union Deposit Insurance Corporation, if any, shall be secured by deposit, with the Federal Reserve Bank of Atlanta, Georgia, or with any national or state bank or federal

savings and loan association or state building and loan or savings and loan association located within the State or with a trust office within the State, of one or more the following securities in an aggregate principal amount equal at least to the amount of such excess: direct and general obligations of the State or other states or of any county or municipal corporation in the State, obligations of the United States or subsidiary corporations included in paragraph (ii) hereof, obligations of the agencies or instrumentalities of the United States Government included in paragraph (iii) hereof, or bonds, obligations, or project notes of public housing agencies, urban renewal agencies, or municipalities included in paragraph (iv) hereof;

(vi) Securities of or other interests in any no-load, open-end management type investment company or investment trust registered under the Investment Company Act of 1940, as from time to time amended, or any common trust fund maintained by any bank or trust company which holds such proceeds as trustee or by an affiliate thereof so long as:

(A) the portfolio of such investment company or investment trust or common trust fund is limited to the obligations referenced in paragraphs (ii) and (iii) hereof and repurchase agreements fully collateralized by any such obligations;

(B) such investment company or investment trust or common trust fund takes delivery of such collateral either directly or through an authorized custodian;

(C) such investment company or investment trust or common trust fund is managed so as to maintain its shares at a constant net asset value; and

(D) securities of or other interests in such investment company or investment trust or common trust fund are purchased and redeemed only through the use of national or state banks having corporate trust powers and located within the State;

(vii) Interest-bearing time deposits, repurchase agreements, reverse repurchase agreements, rate guarantee agreements or other similar banking arrangements with a bank or trust company having capital and surplus aggregating at least \$50 million or with any government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York having capital aggregating at least \$50 million or with any corporation which is subject to registration with the Board of Governors of the Federal Reserve System pursuant to the requirements of the Bank Holding Company Act of 1956, provided that each such interest-bearing time deposit, repurchase agreement, reverse repurchase agreement, rate guarantee agreement, or other similar banking arrangement shall permit the moneys so placed to be available for use at the time provided with respect to the investment or reinvestment of such moneys; and

(viii) and any other investments to the extent at the time permitted by then applicable law for the investment of public funds; and

(b) Any moneys held as a part of any account of the Bond Fund or the Rebate Fund will be invested or reinvested by the Trustee, at the direction of the Hospital, in Government Obligations with such maturities as required in order to assure full and timely payment of amounts required to be paid from the Bond Fund or the Rebate Fund, which maturities (in the case of the Bond Fund), in any event, may extend no more than 30 days from the date of acquisition thereof; provided, that any moneys held pursuant to the provisions of Section 6.06 either will be held uninvested or will be invested in Government Obligations maturing on the next Business Day.

(c) The Trustee may make any and all such investments through its own bond or investment department or the bond or investment department of any bank or trust company under common control

with the Trustee. All such investments will at all times be a part of the fund or account from which the moneys used to acquire such investments have come and all income and profits on such investments will be credited to, and losses thereon will be charged against, such fund. All investments hereunder will be registered in the name of the Trustee, as Trustee under the Indenture. All investments hereunder will be held by or under the control of the Trustee. The Trustee will sell and reduce to cash a sufficient amount of investments of funds in any account of the Bond Fund whenever the cash balance in such account of the Bond Fund is insufficient, together with any other funds available therefor, to pay the principal of, premium, if any, and interest on the Bonds when due. The Trustee will not be responsible for any reduction of the value of any investments made in accordance with the directions of the Hospital or a Hospital Representative or any losses incurred in the sale of such investments.

(d) The Issuer covenants and certifies to and for the benefit of the Owners of the Bonds from time to time Outstanding that so long as any of the Bonds remain Outstanding, the Issuer will not direct that moneys on deposit in any fund or account in connection with the Bonds (whether or not such moneys were derived from the proceeds of the sale of the Bonds or from any other sources), be used in a manner which will cause the Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code. Pursuant to such covenants, the Issuer obligates itself to comply throughout the term of the Bonds with any request of the Hospital regarding the requirements of Section 148 of the Code, and any regulations promulgated thereunder.

(e) Unless an opinion is rendered by Bond Counsel to the effect that the following actions are not required in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, the Issuer hereby covenants that it will make payments as directed by the Hospital (but only from moneys provided to the Issuer by or on behalf of the Hospital for such purposes), if any, required to be made to the United States pursuant to the Code in order to establish or maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

## ARTICLE VIII

### DISCHARGE OF INDENTURE

#### *Section 8.01.* Discharge of Indenture.

If the Issuer pays or causes to be paid, in accordance with the provisions of this Indenture, to the Owners of the Bonds, the principal of, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein, and if the Issuer is not then in default in any of the other covenants and promises in the Bonds and in this Indenture expressed as to be kept, performed and observed by it or on its part, and if the Issuer pays or causes to be paid to the Trustee all sums of money due or to become due according to the provisions hereof, then these presents and the estate and rights hereby granted will cease, determine and be void, whereupon the Trustee will cancel and discharge the lien of this Indenture, and execute and deliver to the Issuer such instruments in writing as may be requisite to release the lien hereof and reconvey, release, assign and deliver unto the Issuer any and all of the estate, right, title and interest in and to any and all rights or property conveyed, assigned or pledged to the Trustee or otherwise subject to the lien of this Indenture, except (i) amounts in any account of the Bond Fund or Project Fund required to be paid to the Hospital under Section 6.08 hereof, (ii) cash held by the Trustee for the payment of the principal of, premium, if any, or interest on particular Bonds and (iii) amounts in the Rebate Fund required to be paid to the United States.

**Section 8.02.** Defeasance of Bonds.

(a) Any Bond will be deemed to be paid within the meaning of this Article and for all purposes of this Indenture when (a) payment of the principal of and premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein) either (i) have been made or caused to be made in accordance with the terms thereof, or (ii) have been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment or (2) Government Obligations maturing as to principal and interest in such amounts and at such times as will insure, without further investment or reinvestment thereof, the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and the Issuer pertaining to the Bonds with respect to which such deposit is made, have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond is deemed to be paid hereunder, as aforesaid, such Bond will no longer be secured by or entitled to the benefits of this Indenture, except for the purposes of any such payment from such moneys or Government Obligations.

(b) Notwithstanding the foregoing, no deposit under clause (a)(ii) of the immediately preceding paragraph will be deemed payment of such Bonds as aforesaid until (a) proper notice of redemption of such Bonds has been previously given in accordance with Article III of this Indenture, or in the event said Bonds are not by their terms subject to redemption within the next 60 days, until the has given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the Owners of the Bonds that the deposit required by (a)(ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section 8.02 hereof and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and the applicable redemption premium, if any, on said Bonds, plus interest thereon to the due date thereof; or (b) the maturity of such Bonds.

(c) Before accepting or using any moneys to be deposited pursuant to this Section 8.02, the Trustee will require that the Hospital furnish to it (i) an opinion of Bond Counsel to the effect that such deposit will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and that all conditions hereunder have been satisfied, and (ii) a certificate of an independent certified public accounting firm of national reputation (a copy of which will be furnished to the rating agency then providing the rating borne by the Bonds) to the effect that such deposit of moneys or Government Obligations will be sufficient to defease the Bonds as provided in this Section 8.02.

(d) The Trustee will be fully protected in relying upon the opinions and certificates required to be furnished to it under this Section in accepting or using any moneys deposited pursuant to this Article VIII.

(e) All moneys so deposited with the Trustee as provided in this Section 8.02 may also be invested and reinvested, at the direction of the Hospital, in noncallable Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of the Trustee pursuant to this Section 8.02 which is not required for the payment of the Bonds and interest and premium, if any, thereon with respect to which such moneys have been so deposited will be deposited in the Bond Fund as and when realized and collected for use and application as are other moneys deposited in the Bond Fund; provided that unless the opinion of Bond Counsel specifically permits any such reinvestment, the Hospital will furnish to the Trustee an opinion of Bond Counsel to the effect that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

(f) The Issuer hereby covenants that no deposit will knowingly be made or accepted and no use knowingly made of any such deposit which would cause the Bonds to be treated as arbitrage bonds within the meaning of Section 148 of the Code.

(g) Notwithstanding any provision of any other article of this Indenture which may be contrary to the provisions of this Section 8.02, all moneys or Government Obligations set aside and held in trust pursuant to the provisions of this Section 8.02 for the payment of Bonds (including interest and premium thereon, if any) will be applied to and used solely for the payment of the particular Bonds (including the interest and premium thereon, if any) with respect to which such moneys or Government Obligations have been so set aside in trust.

## ARTICLE IX

### DEFAULTS AND REMEDIES

#### **Section 9.01.** Defaults.

If any of the following events occur, it is hereby declared to constitute a "Default":

- (a) Default in the due and punctual payment of interest on any Bond;
- (b) Default in the due and punctual payment of the principal of or premium, if any, on any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;
- (c) The occurrence of a Default under the Agreement; and
- (d) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer contained in this Indenture or in the Bonds contained and failure to remedy the same after notice thereof pursuant to Section 9.12 hereof.

#### **Section 9.02.** Acceleration.

Upon the occurrence of any Default, the Trustee may, and at the written request of the Owners of at least a majority in aggregate principal amount of Outstanding Bonds, the Trustee must, by notice in writing delivered to the Issuer and the Hospital (or, if the Book-Entry System is in effect, the Securities Depository), declare the principal of all Bonds and the interest accrued thereon to the date of such acceleration immediately due and payable. Upon any declaration of acceleration hereunder, the Trustee will immediately declare all payments required to be made by the Hospital under the Agreement to be immediately due and payable. Interest will cease to accrue on the Bonds on the date of declaration of acceleration under this Section 9.02.

#### **Section 9.03.** Other Remedies; Rights of Owners of Bonds.

- (a) Subject to the provisions of Section 9.02 hereof, upon the occurrence of a Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds.
- (b) Subject to the provisions of Section 9.02 hereof, if a Default has occurred and is continuing and if requested so to do by the Owners of at least a majority in aggregate principal amount of Outstanding Bonds and provided the Trustee is indemnified as provided in Section 10.01(l) hereof, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by this Section



and by Section 9.02 hereof, as the Trustee, being advised by counsel, deems most expedient in the interests of the Owners of Bonds.

(c) Subject to the provisions of Section 9.02 hereof, no remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Owners of Bonds) is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to any other remedy given to the Trustee or to the Owners of Bonds hereunder or now or hereafter existing at law or in equity.

(d) No delay or omission to exercise any right or power accruing upon any Default will impair any such right or power or may be construed to be a waiver of any such Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

(e) No waiver of any Default hereunder, whether by the Trustee or by the Owners of Bonds, will extend to or will affect any subsequent Default or will impair any rights or remedies consequent thereon.

**Section 9.04.** Right of Owners of Bonds to Direct Proceedings.

Subject to the provisions of Section 9.02 hereof, anything in this Indenture to the contrary notwithstanding, the Owners of at least a majority in aggregate principal amount of the Outstanding Bonds will have the right, at any time, by an instrument or instruments in writing executed and delivered to the 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 this Indenture, or for the appointment of a receiver or any other proceedings hereunder provided that such direction may not be otherwise than in accordance with the provisions of law and of this Indenture.

**Section 9.05.** Appointment of Receivers.

Upon the occurrence of a Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of Bonds under this Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the revenues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment confers.

**Section 9.06.** Waiver.

Upon the occurrence of a Default, to the extent that such rights may then lawfully be waived, neither the Issuer nor anyone claiming through or under it, may set up, claim or seek to take advantage of any appraisal, valuation, stay, extension or redemption laws of any jurisdiction now or hereafter in force, in order to prevent or hinder the enforcement of this Indenture, and the Issuer, for itself and all who may claim through or under it, hereby waives, to the extent that it lawfully may do so, the benefit of all such laws.

**Section 9.07.** Application of Moneys.

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article (other than moneys deposited with the Trustee and held in accordance with Section 6.06 hereof) will, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances owing to or incurred or made by the Trustee, be deposited in the Bond Fund and the moneys in each account of the Bond Fund will be applied as follows:

(a) Unless the principal of all the Bonds has become or been declared due and payable, all such moneys will be applied:

FIRST - To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest (with interest on overdue installments of such interest, to the extent permitted by law, at the rate of interest borne by the Bonds) and, if the amount available are not 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 of and premium, if any, on any of the Bonds which have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), (with interest on overdue installments of principal and premium, if any, to the extent permitted by law, at the rate of interest borne by the Bonds) and, if the amount available is not sufficient to pay in full all Bonds due on any particular date, then to the payment ratably according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD - To the payment to the persons entitled thereto as the same become due of the principal of and premium, if any, and interest on the Bonds which may thereafter become due and, if the amount available is not sufficient to pay in full Bonds due on any particular date, together with interest and premium, if any, then due and owing thereon, payment will be made ratably according to the amount of interest, principal and premium, if any, due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds has become due or has been declared due and payable, all such moneys will be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due, respectively, for principal and interest, to the persons entitled thereto without any discrimination or privilege, with interest on overdue installments of interest or principal, to the extent permitted by law, at the rate of interest borne by the Bonds.

(c) If the principal of all the Bonds has been declared due and payable and if such declaration thereafter has been rescinded and annulled under the provisions of this Article, then, subject to the provisions of Section 9.07(b) hereof, in the event that the principal of all the Bonds later becomes due or be declared due and payable, the moneys will be applied in accordance with the provisions of Section 9.07(a) hereof.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys will be applied at such times, and from time to time, as the Trustee determines, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee applies such funds, it will fix the date (which will be an Interest Payment Date unless it deems 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 dates will cease to accrue; provided, that upon an acceleration of Bonds pursuant to Section 9.02, interest will cease to accrue on the Bonds on and after the date of such acceleration. The Trustee will 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 will not be required to make payment to the Owner of any Bond until such Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever the principal of, premium, if any, and interest on all Bonds have been paid under the provisions of this Section and all expenses and charges of the Trustee and the Issuer have been paid, any balance remaining in any account of the Bond Fund will be paid to the Hospital.

**Section 9.08.** Remedies Vested in Trustee.

All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee will be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Owners of the Bonds, and any recovery of judgment will be for the equal and ratable benefit of the Owners of the Outstanding Bonds.

**Section 9.09.** Rights and Remedies of Owners of Bonds.

No Owner of any Bond has any right to institute any suit, action or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless (subject to the provisions of Section 9.02 hereof) (i) a Default has occurred of which the Trustee has been notified as provided in Section 10.01(h) hereof, or of which by said subsection it is deemed to have notice, (ii) the Owners of at least a majority in aggregate principal amount of Outstanding Bonds have made written request to the Trustee and has offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding and has offered to the Trustee indemnity as provided in Section 10.01(1), and (iii) the Trustee thereafter fails or refuses to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding. Such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Owners of the Bonds have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or equity will be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the Owners of all Outstanding Bonds. However, nothing contained in this Indenture will affect or impair the right of any Owner of Bonds to enforce the payment of the principal of, premium, if any, and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of, premium, if any, and interest on each of the Bonds issued hereunder to the respective Owners thereof at the time and place, from the source and in the manner in the Bonds expressed.

**Section 9.10.** Termination of Proceedings.

In case the Trustee has proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings have been discontinued or abandoned for any reason, or have been determined adversely, then and in every such case, the Issuer, the Trustee and the Owners of Bonds will be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee will continue as if no such proceedings had been taken.

**Section 9.11.** Waivers of Default.

The Trustee will waive any Default hereunder and its consequences and rescind any declaration of acceleration of principal upon the written request of the Owners of at least a majority in aggregate principal amount of all Outstanding Bonds; provided that there will not be waived any Default specified in subsection (a) or (b) of Section 9.01 hereof unless prior to such waiver or rescission, the Hospital has caused to be paid to the Trustee (i) all arrears of principal and interest (other than principal of or interest on the Bonds which became due and payable by declaration of acceleration), with interest at the rate then borne by the Bonds on overdue installments, to the extent permitted by law, and (ii) all fees and expenses of the Trustee and the Issuer in connection with such Default. In case of any waiver or rescission described above, or in case any proceeding taken by the Trustee on account of any such Default has been discontinued or concluded or determined adversely, then and in every such case the Issuer, the Trustee and the Owners of Bonds will be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission will extend to any subsequent or other Default, or impair any right consequent thereon.

**Section 9.12.** Notice of Defaults under Section 9.01(c) or (d); Opportunity to Cure Such Defaults.

(a) Anything herein to the contrary notwithstanding, no Default under Section 9.01(c) or (d) hereof will be deemed a Default until notice of such Default has been given to the Issuer and the Hospital by the Trustee or by the Owners of at least a majority in aggregate principal amount of all Outstanding Bonds, and the Issuer and the Hospital have had 30 days after receipt of such notice to correct said Default or to cause said Default to be corrected and has not corrected said Default or caused said Default to be corrected within the applicable period; provided that if said Default be such that it cannot be corrected within the applicable period, it will not constitute a Default if corrective action is instituted by the Issuer or the Hospital within the applicable period and diligently pursued until the Default is corrected.

(b) With regard to any Default concerning which notice is given to the Issuer and the Hospital under the provisions of this Section, the Issuer hereby grants the Hospital full authority for the account of the Issuer to perform any covenant or obligation alleged in said notice to constitute a Default, in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts and with power of substitution.

**ARTICLE X**

**TRUSTEE**

**Section 10.01.** Acceptance of Trusts.

The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of a Default and after the curing of all Defaults which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants may be read into this Indenture against the Trustee. In case a Default has occurred (which has not been cured or waived), the Trustee will exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in the exercise of such rights and powers as an ordinary, prudent man would exercise or use in the conduct of his own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees, but will not be answerable for the conduct of the same if appointed with due care, and will be entitled to advice of counsel concerning its duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Issuer or the Hospital) selected by the Trustee in the exercise of reasonable care. The Trustee will not be responsible for any loss or damage resulting from any action or inaction taken or not taken, as the case may be, in good faith in reliance upon such opinion or advice.

(c) The Trustee will not be responsible for any recital herein or in the Bonds (except with respect to the certificate of authentication endorsed on the Bonds), or for insuring the Project, or for collecting any insurance moneys, or for the validity of the execution by the Issuer of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for the value or title of the Project or any lien waivers with respect to the Project, and the Trustee will not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Hospital under the Agreement except as hereinafter set forth; but the Trustee may require of the Issuer and the Hospital full information and advice as to the performance of the aforesaid covenants, conditions and agreements. The Trustee will have no obligation to perform any of the duties of the Issuer under the Agreement.

(d) The Trustee will not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee, in its commercial banking or in any other capacity, may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as if it were not the Trustee. The Trustee, in its commercial banking or in any other capacity, may also engage in or be interested in any financial or other transactions with the Issuer or the Hospital and may act as a depository, trustee or agent for any committee of Owners secured hereby or other obligations of the Issuer as freely as if it were not the Trustee. The Trustee may become the Owner of Bonds secured hereby with the same rights which it would have if not the Trustee hereunder.

(e) The Trustee will be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond will be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(f) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee will be entitled to rely upon a certificate signed by an Issuer Representative or a Hospital Representative as sufficient evidence of the facts therein contained and prior to the occurrence of a Default of which a Responsible Officer of the Trustee has been notified as provided in Section 10.01(h) hereof, or of which by said subsection the Trustee is deemed to have notice, will also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but will in no case be bound to secure the same. The Trustee may accept a certificate of such officials of the Issuer who executed the Bonds (or their successors in office) to the effect that a resolution in the

form therein set forth has been adopted by the Issuer as conclusive evidence that such resolution has been duly adopted and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Indenture will not be construed as a duty, and the Trustee will not be answerable for other than its gross negligence or willful misconduct.

(h) The Trustee will not be required to take notice or be deemed to have notice of any Default hereunder except for Defaults specified in subsections (a) or (b) of Section 9.01 hereof, unless a Responsible Officer of the Trustee will be specifically notified in writing of such Default by the Issuer or by the Owners of at least a majority in aggregate principal amount of Outstanding Bonds, and all notices or other instruments required by this Indenture to be delivered to the Trustee, must, in order to be effective, be delivered at the Principal Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Default except as aforesaid.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, will have the right fully to inspect all books and records of the Issuer pertaining to the Project and the Bonds, and to make such copies and memoranda from and with regard thereto as may be desired.

(j) The Trustee will not be required to give any bond or surety in respect of the execution of this Indenture or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in this Indenture with respect to the authentication of any Bonds, the withdrawal of any cash, the release of any property or any action whatsoever within the purview of this Indenture, the Trustee will have the right, but will not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action, deemed desirable by the Trustee for the purpose of establishing the right of the Issuer or the Hospital to the authentication of any Bonds, the withdrawal of any cash or the taking of any other action.

(l) Before suffering, taking or omitting any action under this Indenture or under the Agreement (other than (i) paying the principal of, redemption premium (if any) and interest on the Bonds as the same become due and payable and (ii) exercising its obligations in connection with a redemption of Bonds under Section 3.01 or 3.02, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of any expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default in connection with any such action.

(m) All moneys received by the Trustee will, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent otherwise required herein or required by law.

(n) The Trustee's immunities and protections from liability and its right to compensation and indemnification in connection with the performance of its duties under this Indenture will extend to the Trustee's officers, directors, agents and employees. Such immunities and protections and right to indemnification, together with the Trustee's right to compensation, will survive the Trustee's resignation or removal and final payment of the Bonds.

(o) Notwithstanding anything else herein contained, (i) the Trustee will not be liable for any error of judgment made in good faith unless it is proven that the Trustee was negligent in ascertaining the pertinent facts, and (ii) no provisions of this Indenture may require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it believes the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(p) In the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of holders of the Bonds, each representing less than a majority in aggregate principal amount of the Bonds Outstanding, the Trustee, in its sole discretion, may determine what action, if any, will be taken.

(q) The Trustee will have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Bonds, and the Trustee will have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(r) The Trustee will have no responsibility for any registration, filing, recording, reregistration or rerecording of this Indenture or any other document or instrument executed in connection with this Indenture and the issuance and sale of the Bonds including, without limitation, any financing statements or continuation statements with respect thereto.

**Section 10.02.** Fees, Charges and Expenses of the Trustee.

The Trustee will be entitled to payment of reasonable fees for its services rendered hereunder and reimbursement of all advances, counsel fees and other expenses reasonably made or incurred by the Trustee in connection with such services including, without limitation, the reasonable compensation, expenses and disbursements of its agents and counsel. Upon the occurrence of a Default, but only upon the occurrence of a Default, the Trustee will have a first lien with right of payment prior to payment on account of principal of, premium, if any, and interest on any Bond upon the Trust Estate (exclusive of funds held by the Trustee for matured and unrepresented Bonds) for the foregoing fees, charges and expenses of the Trustee. When the Trustee incurs expenses or renders services after the occurrence of an Act of Bankruptcy with respect to the Hospital, the expenses and the compensation for the services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law. The Issuer will have no liability to pay any fees, charges or other expenses of the Trustee hereinabove mentioned except from the amounts pledged under this Indenture. The rights of the Trustee under this Section will survive the Trustee's resignation or removal.

**Section 10.03.** Notice to Owners of Bonds if Default Occurs.

If a Default occurs of which the Trustee has been notified as provided in Section 10.01(h) hereof, or of which by said subsection it is deemed to have notice, then the Trustee will promptly give notice thereof to the Owner of each Bond.

**Section 10.04.** Intervention by the Trustee.

In any judicial proceeding which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Owners of the Bonds, the Trustee may intervene on behalf of the Owners of the Bonds and will do so if requested in writing by the Owners of at least 50% of the aggregate principal amount of Outstanding Bonds.

**Section 10.05. Successor Trustee.**

Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, will be and become successor Trustee hereunder and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

**Section 10.06. Resignation by the Trustee.**

The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving thirty (30) days' notice to the Issuer, the Hospital, and the Owner of each Bond. Such resignation will not take effect (i) until the appointment and acceptance of a successor Trustee or temporary Trustee, and (ii) payment in full of all fees and expenses and other amounts payable to the Trustee pursuant hereto or to the Agreement.

**Section 10.07. Removal of the Trustee.**

The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Trustee and to the Issuer and signed by the Owners of at least a majority in aggregate principal amount of Outstanding Bonds. Such removal will not take effect until (i) the appointment and acceptance of a successor Trustee or temporary Trustee and (ii) payment in full of all fees and expenses and other amounts payable to the Trustee pursuant thereto or to the Agreement.

**Section 10.08. Appointment of Successor Trustee by Owners of Bonds.**

In case the Trustee hereunder resigns or is removed, or is dissolved, or is in the course of dissolution or liquidation, or otherwise becomes incapable of acting hereunder, or in case it is taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Owners of at least a majority in aggregate principal amount of Outstanding Bonds by an instrument or concurrent instruments in writing signed by such Owners, or by their attorneys-in-fact duly authorized, a copy of which will be delivered personally or sent by registered mail to the Issuer and the Hospital. In case of any such vacancy, the Issuer, by an instrument executed by its official who executed the Bonds or his successor in office, may appoint a temporary successor Trustee to fill such vacancy until a successor Trustee will be appointed by the Owners of Bonds in the manner above provided; and such temporary successor Trustee so appointed by the Issuer will immediately and without further act be superseded by the Trustee appointed by the Owners of Bonds. If no successor Trustee has accepted appointment in the manner provided in Section 10.09 hereof within sixty (60) days after the Trustee has given notice of resignation to the Issuer and the Owner of each Bond, the Trustee may petition any court of competent jurisdiction for the appointment of a temporary successor Trustee; provided that any Trustee so appointed will immediately and without further act be superseded by a Trustee appointed by the Issuer or the Owners of Bonds as provided above. Every successor Trustee appointed pursuant to the provisions of this Section will be, if there be such an institution willing, qualified and able to accept the trust upon customary terms, a bank with trust powers or trust company within or without the State, in good standing and having reported capital and surplus of not less than \$50,000,000.



**Section 10.09.** Acceptance by Successor Trustee.

Every successor Trustee appointed hereunder will execute, acknowledge and deliver to its or his predecessor and also to the Issuer and the Hospital an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, will become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but its predecessor will, nevertheless, on the written request of the Issuer, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee will deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing will, on request, be executed, acknowledged and delivered by the Issuer.

**Section 10.10.** Appointment of Co-Trustee.

(a) It is the purpose of this Indenture that there be no violation of any law of any jurisdiction (including particularly the laws of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or the Agreement, and in particular in case of the enforcement thereof on Default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein or therein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, the Trustee may appoint an additional individual or institution as a separate or Co-Trustee, in which event each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture or the Agreement to be exercised by or vested in or conveyed to the Trustee with respect thereto will be exercisable by and vest in such separate or Co-Trustee, but only to the extent necessary to enable such separate or Co-Trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or Co-Trustee will run to and be enforceable by either of them.

(b) Should any deed, conveyance or instrument in writing from the Issuer be required by the separate or Co-Trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments in writing will, on request, be executed, acknowledged and delivered by the Issuer. In case any separate or Co-Trustee, or a successor, dies, becomes incapable of acting, resigns or is removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate or Co-Trustee, so far as permitted by law, will vest in and be exercised by the Trustee until the appointment of a successor to such separate or Co-Trustee. Any Co-Trustee appointed by the Trustee pursuant to this Section may be removed by the Trustee, in which case all powers, rights and remedies vested in the Co-Trustee will again vest in the Trustee as if no such appointment of a Co-Trustee had been made.

**Section 10.11.** Notice to Rating Agencies.

The Trustee will provide Fitch, Moody's or S&P, as appropriate, so long as any of such rating agencies provide the rating borne by the Bonds, with prompt written notice following the effective date of such event of (i) any successor Trustee, (ii) any material amendments to this Indenture or the Agreement, (iii) the redemption of the Bonds or the payment of the Bonds at maturity, (iv) the defeasance of the Bonds, or (v) the acceleration of the Bonds. In addition, the Trustee will provide Fitch, Moody's and/or S&P, as appropriate, so long as any of such rating agencies provide the rating borne by the Bonds, with

any other information which the rating agency may reasonably request in order to maintain the rating on the Bonds.

## ARTICLE XI

### SUPPLEMENTAL INDENTURES

#### **Section 11.01.** Supplemental Indentures Not Requiring Consent of Owners of Bonds.

The Issuer and the Trustee may, upon receipt of an opinion of Bond Counsel to the effect that the proposed supplemental indenture will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes and is authorized by this Indenture, and without consent of, or notice to, any of the Owners of Bonds, enter into an indenture or indentures supplemental to this Indenture for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in this Indenture;
- (b) To grant to or confer upon the Trustee for the benefit of the Owners of Bonds any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Owners of Bonds or the Trustee;
- (c) To subject to this Indenture additional revenues, properties or collateral;
- (d) To modify, amend or supplement this Indenture or any indenture supplemental hereof in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America;
- (e) To evidence the appointment of a separate or Co-Trustee or the succession of a new Trustee hereunder;
- (f) To correct any description of, or to reflect changes in, any of the properties comprising the Trust Estate;
- (g) To make any revisions of this Indenture that are required by Fitch, Moody's or S&P in order to obtain or maintain an investment grade rating on the Bonds;
- (h) To provide for an uncertificated system of registering the Bonds or to provide for changes to or from the Book-Entry System; or
- (i) To effect any other change herein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners of Bonds;

In the event Fitch, S&P and/or Moody's has issued a rating of any of the Bonds, Fitch, S&P and/or Moody's, as the case may be, will receive prior written notice from the Trustee of the proposed amendment but such notice will not be a condition of the effectiveness of such amendment.

#### **Section 11.02.** Supplemental Indentures Requiring Consent of Owners of Bonds.

Exclusive of supplemental indentures permitted by Section 11.01 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the Owners of not less than a majority in

aggregate principal amount of the Outstanding Bonds will have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental hereto as deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided that nothing in this Section or in Section 11.01 hereof contained will permit, or be construed as permitting, without the consent of the Owners of all Bonds Outstanding, (a) an extension of the maturity of the principal of, or the interest on, any bond issued hereunder, or (b) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures or any modifications or waivers of the provisions of this Indenture or the Agreement, or (e) the creation of any lien ranking prior to or on a parity with the lien of this Indenture on the Trust Estate or any part thereof, except as hereinbefore expressly permitted, or (f) the deprivation of the Owner of any Outstanding Bond of the lien hereby created on the Trust Estate.

If at any time the Issuer requests the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee will, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be given to the Owners of the Bonds as provided in Section 3.03 of this Indenture; provided, that prior to the delivery of such notice, the Trustee may require that an opinion of Bond Counsel be furnished to the effect that the supplemental indenture complies with the provisions of this Indenture and will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes. Such notice will briefly set forth the nature of the proposed supplemental indenture and will state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Owners of Bonds. If, within 60 days or such longer period as prescribed by the Issuer following such notice, the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding (except for those Supplemental Indentures requiring the consent of the Owners of all Bonds Outstanding as described above) at the time of the execution of any such supplemental indenture have consented to and approved the execution thereof as herein provided, no Owner of any Bond will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture will be and be deemed to be modified and amended in accordance therewith.

In the event Fitch, S&P and/or Moody's has issued a rating of any of the Bonds, Fitch, S&P and/or Moody's, as the case may be, will receive prior written notice from the Trustee of the proposed amendment but such notice will not be a condition of the effectiveness of such amendment.

***Section 11.03.*** Consent of the Hospital.

Anything herein to the contrary notwithstanding, a supplemental indenture under this Article will not become effective unless and until the Hospital has consented to the execution and delivery of such supplemental indenture. In this regard, the Trustee will cause notice of the proposed execution of any such supplemental indenture together with a copy of the proposed supplemental indenture to be mailed to the Hospital at least 15 Business Days prior to the proposed date of execution and delivery of any such supplemental indenture.

**Section 11.04.** Execution of Amendments and Supplements by Trustee.

The Trustee will not be obligated to sign any amendment or supplement to this Indenture or the Bonds pursuant to this Article if the amendment or supplement, in the judgment of the Trustee, could adversely affect the rights, duties, liabilities, protections, privileges, indemnities or immunities of the Trustee. In signing an amendment or supplement, the Trustee will be entitled to receive, and will be fully protected in relying on, an opinion of Bond Counsel stating that such amendment or supplement is authorized by this Indenture, and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

**ARTICLE XII**

**AMENDMENT OF AGREEMENT**

**Section 12.01.** Amendments to Agreement Not Requiring Consent of Owners of Bonds.

The Issuer and the Trustee may, upon receipt of an opinion of Bond Counsel to the effect that the proposed amendment will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes and is authorized by this Indenture, and without the consent of or notice to the Owners of Bonds, consent to any amendment, change or modification of the Agreement as may be required (i) by the provisions of the Agreement, (ii) for the purpose of curing any ambiguity or formal defect or omission in the Agreement, (iii) so as to more precisely identify the Project, or to substitute or add additional improvements or equipment to the Project or additional rights or interests in property acquired in accordance with the provisions of the Agreement, (iv) to enter into an indenture or indentures supplemental hereto as provided in Section 11.01 hereof, (v) to make any revisions that are required by Fitch, Moody's and/or S&P in order to obtain or maintain an investment grade rating on the Bonds or (vi) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners of Bonds.

**Section 12.02.** Amendments to Agreement Requiring Consent of Owners of Bonds.

Except for the amendments, changes or modifications as provided in Section 12.01 hereof, neither the Issuer nor the Trustee will consent to any other amendment, change or modification of the Agreement without mailing of notice and the written approval or consent of the Owners of a majority in aggregate principal amount of the Outstanding Bonds, provided that the consent of the Owners of all Bonds Outstanding is required for any amendment, change or modification of the Agreement that would permit the termination or cancellation of the Agreement or a reduction in or postponement of the payments under the Agreement or any change in the provisions relating to payment thereunder. If at any time the Issuer and the Hospital request the consent of the Trustee to any such proposed amendment, change or modification of the Agreement, the Trustee will, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided by Section 11.02 hereof with respect to supplemental indentures; provided, that prior to the delivery of such notice or request, the Trustee and the Issuer may require that an opinion of Bond Counsel be furnished to the effect that such amendment, change or modification complies with the provisions of this Indenture and will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes. Such notice will briefly set forth the nature of such proposed amendment, change or modification and will state that copies of the instrument embodying the same are on file at the Principal Office of the Trustee for inspection by all Owners of Bonds.

## ARTICLE XIII

### MISCELLANEOUS

#### *Section 13.01.* Consents of Owners of Bonds.

Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the Owners of Bonds may be in any number of concurrent documents and may be executed by such Owners of Bonds in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the written appointment of any such agent or of the ownership of Bonds, if made in the following manner, will be sufficient for any of the purposes of this Indenture, and will be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument. The fact and date of the execution by any person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by an officer authorized by law to take acknowledgments of deeds certifying that the person signing such instrument or writing acknowledged to him the execution thereof. The fact of ownership of Bonds and the amount or amounts, numbers and other identification of such Bonds, and the date of owning the same will be proved by the registration books of the Issuer maintained by the Trustee pursuant to Section 2.08 hereof.

#### *Section 13.02.* Limitation of Rights.

With the exception of any rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or may be construed to give to any person or company other than the parties hereto and the Owners of the Bonds, any legal or equitable right, remedy or claim under or with respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the Owners of the Bonds as herein provided.

#### *Section 13.03.* Severability.

If any provision of this Indenture is held or deemed to be or is, in fact, illegal, inoperative or unenforceable, the same will not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

#### *Section 13.04.* Notices.

Any notice, request, complaint, demand, communication or other paper will be sufficiently given and will be deemed given when delivered or mailed by registered or certified mail, postage prepaid or sent by telegram, addressed as follows:

If to the Issuer:

Hospital Authority of Albany-Dougherty County, Georgia  
c/o Perry & Walters  
212 North Westover Blvd.  
Albany, Georgia 31708  
Attention: James E. Reynolds, Jr.

If to the Trustee:

**[Name of Trustee]**

Atlanta, Georgia  
Attention: Corporate Trust Services

If to the Hospital:

Phoebe Putney Memorial Hospital, Inc.  
417 Third Avenue  
Albany, Georgia 31703-6801  
Attention: Chief Financial Officer

A duplicate copy of each notice required to be given hereunder by any person listed above will also be given to the others. The Issuer, the Hospital and the Trustee may designate any further or different addresses to which subsequent notices, certificates or other communications are to be sent. Except for those writings requiring original signatures, any written notice, instruction or confirmation required hereunder may be provided by telex, telegraph or facsimile transmission.

***Section 13.05.*** Payments Due on Saturdays, Sundays and Holidays.

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption or purchase in lieu of redemption of any Bonds is not a Business Day, then payment of principal, premium, if any, or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for purchase or redemption.

***Section 13.06.*** Counterparts.

This Indenture may be simultaneously executed in several counterparts, each of which will be an original and all of such will constitute but one and the same instrument.

***Section 13.07.*** Applicable Provisions of Law.

This Indenture will be governed by and construed in accordance with the laws of the State. It is the intention of the Issuer and the Trustee that the situs of the trust created by this Indenture be, and it be administered, in the state in which is located the principal office of the Trustee from time to time acting under this Indenture.

***Section 13.08.*** Rules of Interpretation.

Unless expressly indicated otherwise, references to Sections or Articles are to be construed as references to Sections or Articles of this instrument as originally executed. Use of the words "herein,"

"hereby," "hereunder," "hereof," "hereinbefore," "hereinafter" and other equivalent words refer to this Indenture and not solely to the particular portion in which such word is used.

**Section 13.09.** Captions.

The captions and headings in this Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Indenture.

**Section 13.10.** No Personal Liability.

Notwithstanding anything to the contrary contained herein or in any of the Bonds or the Agreement, or in any other instrument or document executed by or on behalf of the Issuer in connection herewith, no stipulation, covenant, agreement or obligation contained herein or therein will be deemed or construed to be a stipulation, covenant, agreement or obligation of any present or future member, commissioner, director, trustee, officer, employee or agent of the Issuer, or of any incorporator, member, commissioner, director, trustee, officer, employee or agent of any successor to the Issuer, in any such person's individual capacity, and no such person, in his individual capacity, will be liable personally for any breach or non-observance of or for any failure to perform, fulfill or comply with any such stipulations, covenants, agreements or obligations, nor may any recourse be had for the payment of the principal of, premium, if any, or interest on any of the Bonds or for any claim based thereon or on any such stipulation, covenant, agreement or obligation, against any such person, in his individual capacity, either directly or through the Issuer or any successor to the Issuer, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such person, in his individual capacity, is hereby expressly waived and released.

[SIGNATURES BEGIN ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Issuer has caused these presents to be executed in its name by its duly authorized official; and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be executed in its corporate name and with its corporate seal hereunto affixed and attested by its duly authorized officer, as of the date first above written.

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY  
COUNTY, GEORGIA

(SEAL)

By: \_\_\_\_\_  
Name:  
Title:

Attest:

By: \_\_\_\_\_  
Name:  
Title:

[SIGNATURES CONTINUE ON FOLLOWING PAGE]



[COUNTERPART SIGNATURE PAGE TO INDENTURE OF TRUST]

**[NAME OF TRUSTEE]**, as Trustee

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**  
**FORM OF BOND**

Unless this Bond is presented by an authorized representative of DTC to the Trustee for registration of transfer, exchange, or payment, with respect to any Bond issued that is registered in the name of CEDE & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to CEDE & Co. or to such other entity as is requested by an authorized representative of DTC), any transfer, pledge, or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, CEDE & Co., has an interest herein. Each Bond certificate will remain in the Trustee's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Trustee and DTC - FAST Agreement.

UNITED STATES OF AMERICA  
HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA  
REVENUE ANTICIPATION CERTIFICATES  
(PHOEBE PUTNEY MEMORIAL HOSPITAL),  
SERIES 2012

Number R-\_\_\_\_ Principal Amount \$ \_\_\_\_\_  
Interest Rate:                      Maturity Date:                      Dated:                      CUSIP:  
      \_\_\_\_%                      December 1, 20\_\_                      December \_\_, 2012

REGISTERED OWNER:            CEDE & CO.

The Hospital Authority of Albany-Dougherty County, Georgia (the "Issuer"), for value received, promises to pay from the source and as hereinafter provided, to the Registered Owner identified above on the Maturity Date set forth above, upon surrender hereof, the Principal Amount set forth above, and in like manner to pay interest on such principal sum from time to time remaining unpaid from and including the date hereof or from and including the most recent Interest Payment Date (as defined in the hereinafter defined Indenture) with respect to which interest has been paid or duly provided for, until payment of such principal sum has been made, at the Interest Rate stated above per annum (computed on the basis of a 360-day year consisting of twelve 30-day months), on June 1, 2013, and semiannually thereafter on June 1 and December 1 of each year until payment in full of such principal sum. This Bond will bear interest on overdue principal at the aforesaid Interest Rate.

Principal of and premium, if any, on this Bond will be payable by check or draft in lawful money of the United States of America by presentation and surrender of this Bond at the designated corporate trust office of **[Name of Trustee]**, as trustee, or its successor in trust (the "Trustee") or at the duly designated office of any duly appointed alternate or successor paying agent. Payment of interest on this Bond will be made to the registered owner and shall be paid in lawful money of the United States of America by check or draft mailed on the applicable Interest Payment Date to such registered owner as of the close of business on the applicable Record Date (as defined in the Indenture) at its address as it appears on the registration books of the Issuer maintained by the Trustee, as bond registrar, or at such other address as is furnished in writing by such registered owner to the Trustee.

1. Indenture; Loan Agreement. This Bond is one of an authorized issue of bonds (the "Bonds"), limited to \$[\_\_\_\_\_] in principal amount, issued under the Indenture of Trust dated as of December 1, 2012 (the "Indenture"), between Hospital Authority of Albany-Dougherty County, Georgia

(the "Issuer") and the Trustee. The terms of the Bonds include those in the Indenture. Registered Owners are referred to the Indenture for a statement of those terms. Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the Indenture.

The Issuer will lend the proceeds of the Bonds to Phoebe Putney Memorial Hospital, Inc. (the "Hospital"), pursuant to a Loan Agreement dated as of December 1, 2012 (the "Agreement"), between the Issuer and the Hospital. The Hospital will use the proceeds of the Bonds to finance the cost of making specific additions, extensions and improvements to its facilities and to pay the costs of issuance of the Bonds. The Hospital has agreed in the Agreement to pay the Issuer amounts sufficient to pay all amounts coming due on the Bonds, and the Issuer has assigned its rights to such payments under the Agreement to the Trustee as security for the Bonds.

The Indenture and the Agreement may be amended, and references to them include any amendments.

The Issuer has established a Book Entry system of registration for the Bonds. Except as specifically provided otherwise in the Indenture, Cede & Co., as nominee of The Depository Trust Company, a New York corporation ("DTC"), will be the registered owner and will hold the Bonds on behalf of each Beneficial Owner thereof. By acceptance of a confirmation of purchase, delivery or transfer, each Beneficial Owner of the Bonds will be deemed to have agreed to such arrangement. Cede & Co., as registered owner of the Bonds, may be treated as the owner of it for all purposes.

2. Source of Payments. This Bond and the series of Bonds of which it forms a part are issued pursuant to and in full compliance with the Hospital Authorities Law, O.C.G.A. §31-7-70 et seq., as amended (the "Act"). THIS BOND AND THE ISSUE OF WHICH IT IS A PART AND THE PREMIUM, IF ANY, AND INTEREST HEREON ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE REVENUES AND RECEIPTS DERIVED FROM THE AGREEMENT, INCLUDING PAYMENTS RECEIVED THEREUNDER, WHICH PAYMENTS, REVENUES AND RECEIPTS HAVE BEEN PLEDGED AND ASSIGNED TO THE TRUSTEE TO SECURE PAYMENT OF THE BONDS. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER. NEITHER THE STATE OF GEORGIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE REVENUES AND RECEIPTS PLEDGED THEREFOR, AND NEITHER THE FAITH AND CREDIT OF THE ISSUER, THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF GEORGIA, NOR THE TAXING POWER OF THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO. THE ISSUER HAS NO TAXING POWER.

3. Method of Payment. The Trustee will be the registrar and paying agent for the Bonds. Holders must surrender Bonds to the Trustee to collect principal and premium, if any, at maturity or upon redemption. Interest on the Bonds will be paid to the Registered Owner hereof as of the Record Date by check mailed by first-class mail on the Interest Payment Date to such holder's registered address. A holder of \$1,000,000 or more in principal amount of Bonds may be paid interest by wire transfer to an account in the continental United States if the holder makes a written request of the Registrar at least five Business Days before the Record Date specifying the account address. Notices requesting wire transfers may provide that they will remain in effect for later interest payments until changed or revoked by another written notice. Principal and interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfers payable in such money. If any payment on the Bonds is due on a non-Business Day, such payment will be made on the next Business Day, and no additional interest will accrue as a result.

4. Extraordinary Redemption. The Bonds are subject to redemption in whole by the Issuer, at the option of the Hospital, at a redemption price of 100% of the Outstanding principal amount thereof plus accrued interest to (but not including) the redemption date, in the event all or substantially all of the Project has been damaged or destroyed, or there occurs the condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project as to render it, in the judgment of the Hospital, unsatisfactory for its intended use for a period of time longer than one year.

5. Optional Redemption by the Hospital. The Bonds maturing on and after December 1, 20\_\_ are subject to redemption by the Issuer, at the option of the Hospital, in whole or in part at any time on and after December 1, 20\_\_, the maturities of Bonds to be redeemed to be selected by the Hospital (and within any maturity by DTC or any successor securities depository in accordance with its procedures or if the book-entry system is discontinued, by lot or in such other manner as the Trustee determines), at the redemption price of 100% of the principal amount thereof plus accrued interest to (but not including) the redemption date.

6. Mandatory Sinking Fund Redemption. The Bonds maturing on December 1, 20\_\_ and December 1, 20\_\_ are subject to mandatory redemption prior to maturity, in part by lot, in such manner as may be designated by the Trustee in its reasonable discretion, reasonably exercised, on the following dates and in the following principal amounts at a redemption price of one hundred percent (100%) of the principal amount thereof plus accrued interest to the redemption date, but without premium:

Bonds Maturing December 1, 20\_\_

<u>December 1</u>	<u>Principal</u>
<u>of the Year</u>	<u>Amount</u>

(Leaving \$\_\_\_\_\_ to mature December 1, 20\_\_)

Bonds Maturing December 1, 20\_\_

<u>December 1</u>	<u>Principal</u>
<u>of the Year</u>	<u>Amount</u>

(Leaving \$\_\_\_\_\_ to mature December 1, 20\_\_)

On or before 45 days prior to each sinking fund installment, the Trustee will select for redemption, by lot in such manner as the Trustee determines, the principal amount of Bonds equal to the applicable sinking fund installment. The amount of the applicable sinking fund installment for any particular date and maturity may be reduced by the principal amount of any Bonds which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled and not theretofore applied as a credit against a sinking fund installment. Such reductions, if any, will be applied in such year or years determined by the Hospital.

In the event any of the Bonds or portions thereof are called for redemption as aforesaid, Notice of the call for redemption will be given by the Trustee by mailing a copy of the redemption notice (a) by first class mail at least 30 days but not more than 60 days prior to the date fixed for redemption to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the registration books. The redemption of the Bonds may be contingent or subject to such conditions as may be specified in the notice, and if funds for the redemption are not irrevocably deposited with the Trustee

or otherwise placed in escrow and in trust prior to the giving of notice of redemption, the notice will be specifically subject to the deposit of funds by the Hospital. Any notice mailed as provided above will be conclusively presumed to have been duly given, whether or not the Registered Owner receives the notice. Failure to mail any such notice, or the mailing of defective notice, to any Registered Owner, will not affect the proceeding for redemption as to any Registered Owner to whom proper notice is mailed. No further interest will accrue on the principal of any Bond called for redemption after the date of redemption if moneys sufficient for such redemption have been deposited with the Trustee.

7. Denominations; Transfer; Exchange. The Bonds are in registered form without coupons in denominations of \$5,000 and integral multiples of \$5,000. A holder may transfer or exchange Bonds in accordance with the Indenture. The Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Trustee will not be required to transfer or exchange any Bond which has been called for redemption (except the unredeemed portion of any Bond being redeemed in part) or during the period beginning 15 days before the mailing of notice calling the Bonds or any portion of the Bonds for redemption and ending on the redemption date.

8. Persons Deemed Owners. Except as otherwise specifically provided herein and in the Indenture with respect to rights of Participants and beneficial owners when a Book-Entry System is in effect, the registered holder of this Bond will be treated as the owner of it for all purposes.

9. Non-presentment of Bonds. If money for the payment of principal, premium, if any, or interest remains unclaimed for two years after the due date therefor, the Trustee will pay the money to the Hospital upon written request. After that, holders entitled to the money must look only to the Hospital and not to the Trustee for payment.

10. Discharge Before Redemption or Maturity. If the Hospital deposits with the Trustee money or securities as described in, and in accordance with the provisions of, the Indenture sufficient to pay at redemption or maturity principal of and interest on the outstanding Bonds, and if the Hospital also pays all other sums then payable by the Hospital under the Indenture, the lien of the Indenture will be discharged. After discharge, Bondholders must look only to the deposited money and securities for payment.

11. Amendment, Supplement, Waiver. Subject to certain exceptions, the Indenture, the Agreement or the Bonds may be amended or supplemented, and any past default may be waived, with the consent of the holders of a majority in principal amount of the Bonds then outstanding. Any such consent will be irrevocable and will bind any subsequent owner of this Bond or any Bond delivered in substitution for this Bond. Without the consent of any Bondholder, the Issuer may amend or supplement the Indenture, the Agreement or the Bonds as described in the Indenture.

12. Defaults and Remedies. The Indenture provides that the occurrences of certain events constitute Defaults. If a Default occurs and is continuing, the Trustee may declare the principal of all the Bonds to be due and payable immediately; provided that in certain circumstances, the Trustee will make such declaration upon the written request of the holders of not less than a majority in principal amount of the Bonds then outstanding and provided further, that in the case of certain Events of Default, the principal of all of the Bonds will automatically become due and payable. An Event of Default and its consequences may be waived as provided in the Indenture. Bondholders may not enforce the Indenture or the Bonds except as provided in the Indenture. Except as specifically provided in the Indenture, the Trustee may refuse to enforce the Indenture or the Bonds unless it receives indemnity satisfactory to it. Subject to certain limitations, holders of not less than a majority in principal amount of the Bonds then outstanding may direct the Trustee in its exercise of any trust or power.

13. No Recourse Against Others. No recourse may be had for the payment of the principal or redemption price of, or interest on, this Bond, or for any claim based hereon or on the Indenture, against any member, officer or employee, past, present or future, of the Issuer or of any successor body, as such, either directly or through the Issuer or any such successor body under any constitutional provision, statute or rule of law or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise. Each Bondholder by accepting a Bond waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Bond.

14. Authentication. This Bond will not be valid until the Registrar signs the certificate of authentication on the other side of this Bond.

15. Abbreviations. Customary abbreviations may be used in the name of a Bondholder or an assignee, such as TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), U/G/M/A (= Uniform Gifts to Minors Act), and U/T/M/A (= Uniform Transfers to Minors Act).

16. Consent to Indenture Provisions. Reference to the Indenture is hereby made for a more complete description of the funds and accounts created thereunder, the nature and extent of the security, rights, duties and obligations of the Issuer and the Trustee, the terms and conditions under and upon the occurrence of which the Indenture and the Loan Agreement may be modified, and the terms and conditions under and upon the occurrence of which the lien of the Indenture may be defeased as to this Bond prior to the maturity or redemption date hereof and the rights of the Owners of the Bonds, to all of the provisions of which the holder hereof, by the acceptance of this Bond, assents.

A copy of the Indenture may be inspected at the office of the Trustee located at \_\_\_\_\_, Attention: \_\_\_\_\_.

[SIGNATURES BEGIN ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Hospital Authority of Albany-Dougherty County, Georgia has caused this Bond to be executed in its name by the manual or facsimile signature of its Chairman or Vice Chairman and its corporate seal to be impressed or printed hereon and attested by the manual or facsimile signature of its Secretary or Assistant Secretary.

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY  
COUNTY, GEORGIA

(SEAL)

By: \_\_\_\_\_  
Title:

Attest:

By: \_\_\_\_\_  
Title:

(Form of Certificate of Authentication)  
CERTIFICATE OF AUTHENTICATION

Date of Authentication: \_\_\_\_\_

This Bond is one of the Bonds of the issue described in the within-mentioned Indenture of Trust.

[NAME OF TRUSTEE], as Trustee

By: \_\_\_\_\_  
Authorized Signatory

\* \* \* \* \*



(Form of Validation Certificate)

VALIDATION CERTIFICATE

STATE OF GEORGIA

COUNTY OF DOUGHERTY

The undersigned Clerk of the Superior Court of Dougherty County, Georgia, HEREBY CERTIFIES that the within bond was confirmed and validated by judgment of the Superior Court of Dougherty County, Georgia, rendered on the \_\_\_\_ day of November, 2012, that no intervention or objection was filed thereto and that no appeal has been taken therefrom.

WITNESS a facsimile of my signature and of the seal of said Court.

(SEAL)

\_\_\_\_\_  
(FORM)  
Clerk, Superior Court,  
Dougherty County, Georgia

\* \* \* \* \*

(Form of Assignment and Transfer)

FOR VALUE RECEIVED, \_\_\_\_\_ the undersigned, hereby sells, assigns and transfers unto \_\_\_\_\_ (Tax Identification or Social Security No. \_\_\_\_\_) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranty

\_\_\_\_\_  
(Authorized Officer)  
Signature must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

\_\_\_\_\_  
NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.